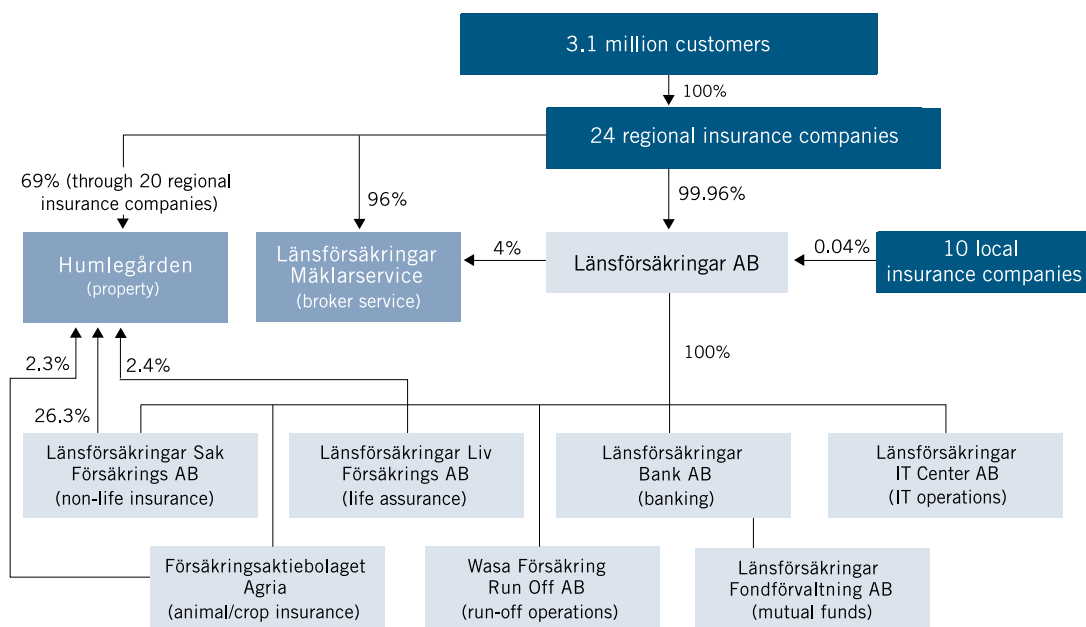


Länsförsäkringar Alliance

A summary of banking and insurance operations for fiscal year 2003 for 24 regional insurance companies in cooperation.



Länsförsäkringar in brief



Länsförsäkringar comprises 24 independent regional insurance companies and the jointly owned Länsförsäkringar AB. According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied customers, provides the best-value banking services and has the most loyal bank customers. Länsförsäkringar offers a broad range of insurance and financial services for companies and private individuals. Länsförsäkringar is the market leader within Swedish non-life insurance, with a market share of more than 30%. Länsförsäkringar has 10.5% of the market for life assurance and pension insurance, and 2.9% of the bank market. Agria Djurförsäkring (animal and crop insurance) is also included in Länsförsäkringar. The Alliance's total assets under management amount to SEK 140 billion.



Contents

2003 in brief.....2

News and notes from 2003

Comments5

Structures and ways of working.....8

About Länsförsäkringar's vision and business concept. Description of cooperation within the Länsförsäkringar Alliance and coordination of strategies.

Market overview11

- Non-life insurance market
- Life assurance market
- Bank market

Customers and distribution14

About customer orientation and customer meetings.
About Länsförsäkringar's products and how they are distributed.
About the strength of the brand and customer satisfaction.

Financial overview18

A summary in figures of banking and insurance operations in 2003 for 24 regional insurance companies in cooperation.

Non-life insurance.....20

- Third-party liability insurance
- Reinsurance
- Motor vehicle insurance
- Household insurance
- Commercial insurance
- Health and welfare
- Boat insurance
- Agricultural insurance
- Animal and crop insurance
- Run-off

Life assurance and pension insurance.....30

About Länsförsäkringar's year in the life assurance market.
About the offering which combines financial security, long-term savings and insurance protection.

Bank and mutual funds38

About a bank that is striding forward and that achieved its real breakthrough in 2003.

The regional insurance companies.....48

Key figures and facts from the 24 independent regional insurance companies.

Länsförsäkringar AB.....60

About cooperation through the Länsförsäkringar Alliance's joint hub.

Asset management within

Länsförsäkringar AB.....62

About how competitive returns are created through joint management.

Employees.....68

About how Länsförsäkringar has become one of Sweden's most attractive employers.

International alliances71

About how Länsförsäkringar meets its customers' needs and provides services outside Sweden.

Income statements and balance sheets74

The Länsförsäkringar Alliance, which includes the 24 independent regional insurance companies, is neither a legal entity nor, in the legal sense of the term, a group. Condensed income statements and balance sheets for the Alliance are presented.

Glossary78

Addresses79

Definitions80

Significant events in 2003

- Significant earnings improvements in all three of Länsförsäkringar's core areas – non-life insurance, life assurance and banking.
- Major market successes. Lending by the bank increased by 51% to SEK 30 billion and mortgage loans rose by 106% to SEK 16 billion. Länsförsäkringar accounted for 10% of the growth in the mortgage market in 2003. Within non-life insurance, Länsförsäkringar's market share exceeded 30%.
- At year-end, Länsförsäkringar had approximately 3.1 million customers, a net increase of more than 100,000.
- The combined ratio for non-life insurance improved to SEK 101% (113). Administration expenses for life assurance operations were reduced by almost SEK 250 M.
- Länsförsäkringar's insurance customers are the most satisfied in Sweden. The Alliance's banking customers are also among the most satisfied.
- Agria Djurförsäkring (animal insurance) received the Swedish Quality Award for the second time.
- Länsförsäkringar was named Life Assurance Company of the Year and Non-life Insurance Company of the Year by the financial magazine *Affärsvärlden*. The Alliance was also awarded a prize for the Best Pension Fund in Sweden by the leading industry magazine *Investment & Pensions Europe*.
- An independent review of internal transactions between Länsförsäkringar Sak and Länsförsäkringar Liv was conducted. The review showed that these transactions were handled correctly.

Key figures	2003
Premiums earned after ceded reinsurance, non-life insurance	SEK 14.1 billion
Premium income after ceded reinsurance, life assurance	SEK 8.1 billion
Deposits, bank	SEK 17 billion
Lending, bank	SEK 30 billion
Net asset value, non-life insurance	SEK 16.7 billion
Solvency ratio, life assurance	122%
Collection consolidation, life assurance	92%
Market share non-life insurance, premiums	30.7%
Market share life assurance, new sales	10.5%
Market share bank, deposits	2.9%
Market share bank, lending	2.3%
Number of customers	3.1 million
Number of employees	5,600

► 2003 in brief



Mats Wester and Lars B. Danielsson, Managing Director of Länsförsäkringar Kalmar län, during a customer meeting in Vimmerby.

Saving for Life

ONE OF LÄNSFÖRSÄKRINGAR'S largest joint market drives to date was conducted during 2003. The campaign, called "Saving for Life", was intended to raise awareness of the importance of long-term saving and the fact that individual responsibility has increased decisively following the introduction of the new pension system. Activities began internally with an extensive training drive for Länsförsäkringar's employees. This began at a relatively basic level with how the new system works and how it can be complemented by private solu-

tions for all employees. There were then more advanced courses depending on participants' roles and duties.

External communications comprised a number of activities. The pivotal point was the book "Everything you need to know about pensions", written by the financial journalist Mats Wester. The book was distributed among Länsförsäkringar's customers and a total of 85 customer meetings were conducted by the regional insurance companies around the country.

Another year of awards

IN 2002, Länsförsäkringar was named Bank of the Year by the Swedish financial magazine *Privata Affärer*. During the autumn of 2003, this was followed by awards for Life Assurance Company of the Year and Non-life Insurance Company of the Year by *Affärsvärlden*. Nearly 900 decision makers in companies with more than 200 employees were asked for their views regarding existing and potential suppliers of financial services. Länsförsäkringar ranked highest with regard to customer satisfaction among its own customers and on their views regarding the company's prices, support and reception, product and service range, and adaptation to customers' operations.

In November, Länsförsäkringar was also awarded a prize for Best Pension Fund in Sweden by the leading industry magazine *Investment & Pensions Europe*.

In December, Agria's Managing Director Anders Mellberg received the Swedish Quality Award for the second time and was presented with the award by King Carl XVI Gustaf. Agria is the only Swedish company to have received the award twice.

Lita's customers stayed

IN JANUARY, IT BECAME CLEAR that a large number of customers of the defunct insurance company Lita had elected to become customers with Länsförsäkringar.

Lita became part of Länsförsäkringar in conjunction with the merger with Wasa in 1998. In the autumn of 2001, the company was phased out due to weak profitability. Of the 160,000 customers, all life assurance customers, 85% of home content insurance customers and 75% of automotive insurance customers elected to become customers with some of the regional insurance companies.

All regional insurance companies environmentally certified

DURING THE YEAR, 11 regional insurance companies were awarded environmental certification in accordance with ISO 14001. This means that all of the regional insurance companies within the Länsförsäkringar Alliance are now environmentally certified, as are Länsförsäkringar AB's non-life division, Länsförsäkringar's environmental company and Agria Djurförsäkring. During 2003, efforts aimed at environmental certification were also initiated within Länsförsäkringar AB's life assurance and bank divisions, the Managing Director's staff units, Group-wide units and the property company Humlegården.

The Länsförsäkringar Alliance's collective environmental work is advanced and coordinated by a joint environmental council. Operational efforts in each regional insurance company are organized through the company's environmental coordinator.

Major influx of visitors to Internet sites

NEARLY ALL REGIONAL insurance companies reported a significant increase in the number of visitors to their Internet sites in 2003; for some companies the increase was as much as 60%. More and more regional insurance companies are actively using the Internet as an integral element of customer contact. Länsförsäkringar is the fifth largest player on the Internet within the bank and insurance industry. In 2003, nearly 700,000 people visited their regional insurance company on the



Internet, a substantial increase compared with 2002. In 2003, a new design was launched for the regional insurance companies' websites.



Göran Persson with Anders Åkesson, Chairman of Blekinge Länsförsäkringsbolag, County Governor Ingegärd Wärnersson and Hans Jonsson, Chairman of Länsförsäkringar AB.

Göran Persson speaker at AGM

THE SWEDISH PRIME MINISTER Göran Persson was the guest speaker at Länsförsäkringar AB's Annual General Meeting held in Karlskrona in May. Most of his speech was devoted to campaigning in favor of Sweden joining the EMU at the upcoming referendum.

"If we are on the outside, we will miss out on foreign investment. A US company wanting to invest in Europe is hardly likely to select a country that stands outside of the EMU."



A wet summer's day in Kalmar.

Torrential rain in Kalmar

MANY HOMEOWNERS were affected by the torrential rains in the town of Kalmar at the end of July, when more than 100 mm of rain fell in just a few hours. Länsförsäkringar Kalmar län received more than 500 claims from homeowners, companies and property owners. The cost of claims amounted to nearly SEK 20 M.

Success in the broker market

SEVERAL YEARS AGO, Länsförsäkringar commenced operations in the rapidly growing broker market. In 2003, Länsförsäkringar Mäklarservice (broker service) experienced its definitive breakthrough, with profitable growth within both life assurance and non-life insurance. Customers who chose to be represented by brokers accounted for about half of Länsförsäkringar's total commercial sales in 2003. This applies both within non-life insurance and life assurance.

At year-end, total non-life insurance premiums from broker operations amounted to SEK 1,250 M (943), an increase of 32%. The sales value of life assurance policies mediated during the year was SEK 6,340 M (4,565), a rise of 39%.



The mosque in Malmö on the morning after the fire.

Major fire in mosque

PROPERTY WORTH SEK 30–35 M was destroyed in a fire at the Islamic Center in Malmö in the early hours of April 27, 2003. Since 1994, the mosque and its related office have been insured by Länsförsäkringar Skåne. The fire cost the company an estimated SEK 10 M. Speculation of possible arson has not been confirmed.

Strong public confidence in Länsförsäkringar

TWO SURVEYS published in January – the Financial Monitor by Research International (formerly Sifo) and Länsförsäkringar's own brand awareness survey – showed that the general positive attitude toward Länsförsäkringar remained relatively stable in 2003. More than four out of ten Swedes had a positive view of Länsförsäkringar, while less than one in ten had a negative view of the company.

Major agreement with IKEA

THE FURNITURE COMPANY IKEA signed a new three-year agreement with Länsförsäkringar Kronoberg regarding alternative ITP pension plans for IKEA's senior executives. The agreement covers all top executives in IKEA's companies in Sweden. The premium volume during the three-year period will amount to approximately SEK 35 M.

Independent review of Länsförsäkringar

ON MAY 23, 2003, the Board of Directors of Länsförsäkringar Liv commissioned the former Authorized Public Accountant Bertil Edlund to carry out an independent review of certain transactions and relationships. The mandate included a review of transactions between Länsförsäkringar Liv and Länsförsäkringar Sak and/or other companies in the Länsförsäkringar AB Group. The purpose of the review was to determine whether Länsförsäkringar AB has neglected the interests of its life assurance customers. The review primarily examined the following transactions:

- The loan of SEK 1,160 M from Länsförsäkringar Liv to Länsförsäkringar Sak.
- Länsförsäkringar Liv's acquisition of Länsförsäkringar Fondliv from Länsförsäkringar Sak.
- Outsourcing of portfolio management to ABN AMRO and allocation of the consideration received.
- The assignment involving Nordic Alternative Investment Advisors AB acting as advisors to Länsförsäkringar regarding the management of Alternative Investments.

The review showed that the above internal transactions had been handled correctly. Länsförsäkringar thus received confirmation that cooperation between life assurance and the non-life insurance operations is for the mutual benefit and advantage of customers. The review report indicated a number of areas for improvement and the Boards of Länsförsäkringar AB and Länsförsäkringar Liv resolved to implement the following changes:

- To ensure independence and integrity in relation to the owners, the Board of Directors of Länsförsäkringar Liv shall consist of a majority of independent members.
- Länsförsäkringar Liv shall have a separate auditor from the non-life insurance operations. The company shall also have its own internal auditor.
- The majority of members of the Länsförsäkringar Liv Board of Directors shall be appointed by Länsförsäkringar AB's joint Finance Committee.
- Continuous information to life assurance policyholders shall be improved further.

Well-attended motor show

NEARLY 30,000 people visited Länsförsäkringar's two exhibits at the Stockholm International Motor Show in April. Länsförsäkringar also held five well-attended seminars and a conference. The seminar about whiplash attracted an audience of 250. The motor show was officially opened by King Carl XVI Gustaf.

Strategy to increase profitability

For Länsförsäkringar, increased profitability is a means to achieve its end of increasing customer satisfaction. Customers are our only assignor, since they are also our owners. This is the core of our strategy, on which we intend to intensify our focus in 2004.

Last year was a fantastic year. Länsförsäkringar reports both favorable and sharply improved results in all areas, and strong increases in efficiency. Efforts to balance revenue and expenses have become a major priority, with the aim of ensuring that the average underwriting result over a complete business cycle is weakly positive. It is to the underwriting result that the return on capital is subsequently to be added. For non-life insurance, the established goal was to bring the combined ratio to 100 within a few years, the long-term goal being 95%. For 2003, the combined ratio was 101%, so the short-term goal has essentially been achieved. We are continuing efforts to reach the long-term goal through a combination of efficiency-enhancement measures, claim-prevention measures, market growth and premium increases.

In life assurance, Länsförsäkringar is focusing efforts on return on capital, efficiency and growth. It is the combined effect of these areas that determines the company's success and competitiveness. The target for the return on capital is to be among the top three in the industry every

year. After the measures implemented in recent years, including the cooperation with ABN AMRO, Länsförsäkringar is now close to that target. Due primarily to skyrocketing sickness figures, we have previously had negative risk results. By adapting premiums to customers' varying risk scenarios, considering their age, state of health, increased risk assessment and pre-benefits waiting period, the risk result is constantly improving. Efficiency has improved considerably during the year and administration costs have been reduced by nearly SEK 250 M. Efforts to further improve efficiency will continue during 2004.

Also in the bank operations, 2003 was a fantastic year and one that marked a breakthrough in terms of both financial performance and market growth. Business volume increased by 36%, while in housing mortgages, Länsförsäkringar accounted for 10% of new lending. Business volume increased by an average of slightly more than SEK 1 billion per month. Länsförsäkringar has established itself as a full-service bank for private individuals and farmers. Customers are no longer supplementing their regular banking with

Länsförsäkringar, but are to an increasing extent entrusting all their banking needs to us.

Slightly more than 11% of everyone who switched banks in 2003 chose Länsförsäkringar. The sharp increase in lending created a need to borrow on Swedish and international capital markets. Our contacts with the capital markets have encouraged us to further strengthen our focus on profitability. The ultimate goal – that our operations generate customer value – is what continuously inspires our efforts. In banking, this means we always offer the best interest rates on deposits and lending. As a result, Länsförsäkringar has contributed significantly to the changes in the large banks' interest strategies, thus increasing customers' overall benefit.

Local strength through coordination

General confidence in the insurance industry declined in 2003 – partly as a consequence of speculation concerning illegal profit-distribution from mutual life assurance companies and partly as a consequence of the hefty, but necessary, premium increases. Despite a series of investigations carried out by the Swedish Financial Supervisory Authority, lawyers and auditors have still not found any such illegal profit distribution.

General confidence in Länsförsäkringar is strong, and it grew in 2003. Confidence is not something that arises automatically or that is a given. It has to be earned and constantly maintained and developed. The reasons why customers have confidence in us are our proximity to them and our whole approach – customers are our only assignor, so they are naturally

the focus of our entire operations. Our offices are found wherever customers are found and we are available to help them. We speak the same language as the customer – personal, ordinary, simple and uncomplicated. Since we have a regional insurance company located in every county in Sweden, decisions are made locally and quickly. Regional insurance companies – which are small relative to the national companies – create personal relationships with customers and cooperate with the other regional insurance companies to achieve economies of scale in such areas as financial matters, IT and development. This enables them to focus even more on developing their local presence and customer relations, and is what underlies the success of the Länsförsäkring Alliance.

Year after year, Länsförsäkringar continues to have the most satisfied customers in Sweden in non-life insurance and life assurance. Having the most satisfied customers all the time is a strategic, overall goal. This goal has not yet been reached in the bank operations, but the Alliance is focusing its efforts toward achieving it. A key partial goal has been achieved, however, in that Länsförsäkringar is perceived as the bank that offers the best value. Increasing numbers of our life assurance and non-life insurance customers are becoming bank customers of Länsförsäkringar as well. The increase is due to the fact that our bank products offer good value, but even more to the fact that customers encounter more straightforward, coordinated administrative routines and develop a more personal relationship by entrusting all their banking and insurance business to us. Our efforts to strengthen and develop this bene-

fit are a top-priority area, in which key deliveries are to take place in 2004.

Enhanced quality in customer interaction

The quality of our interaction with customers is to be further enhanced, regardless of whether interaction takes the form of personal meetings, telephone conversations, Internet exchanges or written communication. In telephone interaction with customers, availability and advice provision will be enhanced in 2004. Internet services will be expanded during the year, particularly in the area of administration, which should improve the customer's situation in terms of the time required, and help enhance the provision of advice by telephone in that the Internet service will relieve some of the pressure. Written communication will be developed: for the first time, the affected customers will receive reports on their life assurance, non-life insurance and bank products in printed form as well as on the Internet.

In 2003, Länsförsäkringar achieved its definitive breakthrough in the broker market, with profitable growth in both life assurance and non-life insurance. Commercial customers who opted to be represented by brokers accounted for nearly half of Länsförsäkringar's total sales to commercial customers in 2003. This applies to both life assurance and non-life insurance operations.

A good year in the financial markets

The trend of the financial markets finally turned. Investment income during the year was favorable, and we are among the top performers in a comparison of companies.

Our strategic direction was successful, and we started increasing shareholdings in early 2003, while simultaneously maintaining protection against severe stock market declines.

In June 2002, we launched cooperation with ABN AMRO, whereby they took charge of asset management, particularly for the life assurance and mutual fund companies. Naturally, the responsibility for strategic allocation and, consequently, for the total return, belongs to Länsförsäkringar. The cooperation, which is long-term in nature, was undertaken for a single reason: to provide a steady, high return on behalf of our customers. In an increasingly global world, we do not have the resources to carry on international asset management at a reasonable cost. The cooperation has had favorable results, and our relative return has improved compared with results attained when we conducted portfolio management using our own resources. Despite the improvements, we have noted areas in which we can improve even further. Our own asset management operations focus partly on strategic allocation – that is, the distribution among investment classes – and partly on giving our external managers clearly defined risk mandates and establishing which benchmarks and what return requirements are to apply.

During the year, we for our part have moved on from media-generated inquiries as to what group was entitled to the purchase price resulting from the transfer of our portfolio management operations to ABM AMRO. It goes without saying that our intention is always to do the right thing. Despite statements from auditors, customer representatives, several Board

decisions, external expertise, second opinions and so on, our actions were called into question in certain media outlets.

Consequently, the Board of Directors of the life assurance company appointed an independent review, which reported in December 2003 that all internal transactions between the life assurance and the non-life insurance companies were handled correctly. We have taken note of the improvement suggestions put forth by the audit team and will implement them in 2004.

A stable financial group that has not yet ceased to grow

There are great similarities between the Länsförsäkringar of today and the Länsförsäkringar of ten years ago, but major differences as well. As was the case ten years ago, our operations are locally based and owned by the customers of the 24 regional insurance companies. The difference lies in that, ten years ago, the operations were mainly focused on non-life insurance. Today's Länsförsäkringar has three core areas – non-life insurance, life assurance and banking. Despite the stock market decline that marked the beginning of the decade, we have succeeded over the past three years in establishing stability in two new core areas, achieved significant market success and were able to report substantial improvement in earnings in the life assurance and bank operations. Today's Länsförsäkringar further strengthens the local presence and continues to conduct its operations with the customer as its only employer.

The challenges for 2004 will be to continue the profitable expansion in our bank

operations, increase efficiency in life assurance operations and further position ourselves in the area of occupational pensions. This demands that we continue to view non-life insurance as the foundation of our growth, in both financial and market terms. As in 2003, our efforts in 2004 will be characterized by our strategy that prioritizes profitability. To succeed in this strategy, we need to focus intensively on creating customer value, and on using our profitability only to improve customer value. That is what makes it so interesting and stimulating to work for the Länsförsäkringar Alliance.



Stockholm, March 19, 2004

On behalf of the 24 regional insurance companies



Tommy Persson

*Managing Director
Länsförsäkringar AB*

Structures and ways of working

Since the regional insurance companies are customer-owned, there are no other specific ownership interests to be considered beyond the companies' customers. Everything that is developed in the form of products, concepts or system support must be based on pure customer needs. The business concept makes it clear that non-life insurance, life assurance and banking are core businesses of the Länsförsäkringar Alliance. Based on this, the Alliance's task is to offer total solutions based on different combinations of non-life policies, medical and accident policies, life assurance policies, pension-saving plans, fund savings and various banking services.

Vision

- Länsförsäkringar is the customer's number one choice within non-life insurance, life assurance and banking services.
- Länsförsäkringar's financial position enables sustainability, development and value for money.
- Länsförsäkringar has a fine reputation in Swedish society.

Business concept

The Länsförsäkringar Alliance offers private individuals, companies and farmers value-for-money services within non-life insurance, life assurance and banking. Guiding principles for operations are customer-owned, local, available and personal attention.

Market objectives

- Continued profitable growth in all sub-markets and product areas, primarily through increased customer commitment.
- Sweden's most satisfied customers within banking and insurance.

Market principles

- Customer meetings are to take into account the customer's overall situation.
- A total offering comprising life assurance, non-life insurance and bank products.
- Communication and customer dialog coordinated between the product areas.
- Value for money irrespective of product area.

A broad offering

In a Sweden where the trend is toward a distinct division between insurance and financial services, Länsförsäkringar is moving in the opposite direction. Customers are offered a combined offering of banking and insurance services under the same brand through the 24 regional insurance companies. During 2003, the offering of products and services under the "Banking & Insurance" banner was further enhanced and promoted. The banking services have undergone further development and Länsförsäkringar has evolved from a niche bank to a full-service bank. This broadening of the product line was also

supported by strong growth in the other areas.

However, more than good products are required in order to measure up to the customer-oriented concept that forms the foundation of Länsförsäkringar's operations. Customers must perceive it as being natural and beneficial to concentrate their banking and insurance business in Länsförsäkringar. This approach characterizes the entire business. Thus, for example, the development of beneficial total solutions for customers is attached higher priority than product development in isolated areas. Another distinct customer benefit is the "totality" of customer meetings. All meetings with customers, whether they are face-to-face or via the Internet, must be based on the customer's needs and the totality of Länsförsäkringar's offering.

Voluntary cooperation

Cooperation in the modern Länsförsäkringar has gradually evolved from an exchange of experience to today's comprehensive joint business operations. The basic concepts that have been developed over two centuries and adapted to our times are still valid today. The passing of

time has merely demonstrated the strength of a strategy that is based on local, independent and customer-owned regional insurance companies cooperating on a voluntary basis. There is consensus within Länsförsäkringar that local proximity and independence have been decisive factors in the Alliance's successes. Decisions that are important for the customer are made close to the customer. The Annual General Meeting and Board of Directors of each regional insurance company are the highest decision-making authorities on matters that pertain to the particular company's operations. This means, among other things, that each regional insurance company owns its own income statement and balance sheet. Thus, all cooperation among regional insurance companies is voluntary and it is this independence that forms the basis of the federative form of organization.

Customer-owned

Each regional insurance company is owned by its non-life policyholders. In purely practical terms, this means that the company's capital belongs to the customers and that no profits are distributed to sharehold-

ers in the same way as in a limited liability company. The regional insurance company's profits accrue in their entirety to the customers in the form of a bonus and through the build-up of capital. Länsförsäkringar's life assurance company is owned by the non-life operations and operated in accordance with mutual principles, whereby all returns are returned to the policyholders.

Cooperation through Länsförsäkringar AB

Cooperation among the 24 regional companies takes place through the jointly owned Länsförsäkringar AB and its subsidiaries. The company was founded in 1936 to meet the regional insurance companies' need for reinsurance. Responsibility for the internal reinsurance system is still an important task, although a growing stock of joint resources has been built up over the years. Länsförsäkringar AB's task is to create the prerequisites for the regional insurance companies to be successful in their respective markets. Länsförsäkringar AB is the Parent Company of all subsidiaries in the jointly owned Group; life assurance company, mutual fund company,



► STRATEGY

bank, non-life insurance company, run-off, development and animal and crop insurance through Agria. Portfolio management, which until the summer of 2002 was handled in a subsidiary of Länsförsäkringar AB, now takes place through cooperation with one of the world's leading asset managers, ABN AMRO. The Alliance's joint development projects are also coordinated by Länsförsäkringar AB, which possesses specialist knowledge in insurance, financial services, IT and market communications. The regional insurance companies determine from time to time what the joint operations in Länsförsäkringar AB should include. This focus can be changed over time in accordance with the wishes of the owners, the regional insurance companies.

Local and common

The structure of the Länsförsäkringar Alliance, with local independent companies that cooperate through a jointly owned company, imposes substantial demands on clarity between the regional insurance com-

panies and the joint operations. The business model of the Länsförsäkringar Alliance is based on 24 regional insurance companies that have chosen to conduct certain operations jointly. As commissioned by the local companies, Länsförsäkringar AB is responsible for conducting these operations. The structure of the Alliance can thus be described as the opposite of a Group, in which operations are delegated from central units to local units. The premise for cooperation in the Länsförsäkringar Alliance is that as much of the operations as possible should be conducted in the regional insurance companies. In principle, all customer contacts take place in the regional insurance companies. At the same time, insurance and financial services entail substantial economies of scale, and consequently the concession for life assurance and certain non-life insurance operations as well as the charter for banking operations are held by Länsförsäkringar AB. For example, strictly speaking, there are not 24 banks across Sweden. From the

customer's perspective, however, this is how it works. The basic idea of the regional insurance company concept is that Sweden's inhabitants and companies should be able to obtain all types of insurance and banking services through their local company.

Decisions based on consensus

The Länsförsäkringar concept – that local, independent and customer-owned insurance companies cooperate voluntarily – also imposes heavy demands on the acceptance of joint decisions. The independence of the regional insurance companies means that all decisions that apply to, or affect, all companies in the Länsförsäkringar Alliance must be based on consensus. This places special demands on decision-making in joint operations and also on the regional insurance companies that have voluntarily agreed to participate in a federation. Even voluntary cooperation unavoidably involves a certain yielding of independence. This principle involves a commitment on the part of each of the regional insurance companies to seek to find common solutions even in cases where opinions in the Alliance are divided.

Broadened operations in Länsförsäkringar

Länsförsäkringar has a total of more than 3.1 million customers and no brand in Swedish insurance is stronger. Nor is any brand so closely associated with non-life insurance. A broadening of the Länsförsäkringar brand is under way, with the objective of making the Alliance as strong in the areas of savings and lending in the next few years as it currently is within non-life insurance. One position is not to be abandoned in order to assume another one. The simplicity, proximity and local decision-making authority upon which successes in non-life insurance were built are being transferred to the financial services.





► MARKET OVERVIEW

Non-life insurance market 2003

The negative trend in the financial markets in the past few years has been a strong contributory factor to premium increases in the Swedish non-life insurance market. This development has also led to a better risk adjustment of premiums. Insurance operations have once again turned profitable within several areas. The cost of claims for motor vehicle damage and personal injury has continued to rise and insurance companies have reinforced their reserves for claims incurred in prior years. Legislative changes resulted in 2003 in altered methods for calculating claims annuities, leading to lower costs for buying and calculating life annuities.

Premium volumes rose during 2003, generating a substantial increase of 14.1% (14.3) in premiums earned in the Swedish non-life insurance market. Meanwhile, streamlining and cost-cutting measures have continued. The industry has also been affected by staff cutbacks, outsourcing and Nordic integration. The consolidation of the commercial insurance market has continued, with the three largest players now holding 75% of the market. The very high risk of injury/claims in certain lines of business has made it even harder for certain sectors and companies to take out insurance with normal premiums and terms. Successful discussions have been held and campaigns initiated with trade associations and companies to implement extensive measures to limit and prevent claims.

Car crime remains a major problem area for Swedish non-life insurance companies. The National Council for Crime Prevention (BRÅ) has been commissioned by the Swedish government to investigate and propose measures to reduce car crime in Sweden.

The reinsurance market has been adversely affected by natural disasters and other events in recent years. Several players have required capital contributions and

conditions for the insurance industry have changed substantially. The war in Iraq increased uncertainty further, causing reinsurance premiums to increase sharply in 2003.

Facts about the Swedish non-life insurance market

Number of companies	26
Premiums paid, total, SEK M	49,200
Commercial and property insurance, SEK M	12,300
Household and homeowner insurance, SEK M	9,800
Third-party liability insurance, SEK M	9,600
Motor vehicle insurance, SEK M	10,700
Medical and accident insurance, SEK M	4,000
Marine and cargo insurance, SEK M	1,300

Source: Swedish Insurance Federation

Life assurance market 2003

The year 2003 started out more or less in the same manner as 2002 ended, with a slump in the stock market in Sweden and globally. However, the markets turned upward, with Stockholmsbörsen (Stockholm Exchange) up nearly 30% by the end of the year. The positive trend in the stock market had repercussions on the life assurance companies' earnings. The total return on assets was positive, and solvency and collective consolidation increased. Several life assurance companies increased the equity portion of their portfolios to benefit from the upturn in the stock market.

In 2003, the life assurance companies continued to take measures to improve consolidation and solvency. Some companies made non-recurring withdrawals, entailing a recovery of the previously allotted bonus. Several life assurance companies also abolished the "Allan rule", thus reducing the amounts paid out on life assurance policies and pension insurance.

In 2003, the Swedish life assurance market had a total sales value of SEK 131 billion, the same level as the preceding year. The occupational pension market is the largest of the three sub-markets; occupational pensions, savings and private pension plans. The sales value for the occupational pension market amounted to SEK

► MARKET OVERVIEW

101 billion, an increase of 11%. The private pensions sub-market, with a sales value of SEK 6 billion, declined by 10%. The savings sub-market declined by 34% and had a sales value of SEK 21 billion. The larger companies accounted for most of the growth in the occupational pension market. Of the three sub-markets, the life assurance companies invested primarily in the occupational pension market in 2003 since this is where the largest growing is occurring.

Facts about the Swedish life assurance market	2003
Number of companies	20
Premium income, total, SEK M	94,700
- traditional life assurance, SEK M	58,000
- unit-linked insurance, SEK M	36,700
Sales value, total, SEK M	131,300
- occupational pension plans, SEK M	100,600
- endowment insurance, SEK M	20,600
- private pension plans, SEK M	6,200
Assets, SEK M	1,440,000
- equities, SEK M	604,400
- interest-bearing, SEK M	614,500
- properties, SEK M	46,200
- other assets, SEK M	177,400
Bonus rate, industry average, %	0.1
Total return, %	8.9

Source: Swedish Insurance Federation and Finansinspektionen.

Bank market 2003

Competition in the Swedish bank market continues to intensify. The large banks are

unwilling to surrender significant market share to the smaller players and consequently, the large banks are lowering their margins to compete on similar terms. This applies in particular to the increasingly heated mortgage market during the year. In spite of this, the large banks' total market share declined in 2003, both for lending and deposits. The banks reported growth in profits during the year and seem to have offset the lower net commission income in recent years by improving traditional net interest income.

Each year, only 3% of the population change bank. Most do so in order to obtain better terms at the new bank. Previously, people changed bank to obtain better interest on savings and lower fees for cards and other payment services. In 2003, however, a growing number of people stated cheaper mortgages as their primary reason for changing bank.

Sharp growth in mortgage loans

Mortgage lending continues to grow. Low interest rates have meant that home financing has become an important and growing source of income for banks. The size of mortgage loans is increasing in pace with rising property prices. Lending by mortgage companies rose by more than 10% during the year, while bank lending volumes remained more or less unchanged from 2002. Households' increased indebt-

edness has been parried by the upturn in the stock market, and the household saving ratio remained unchanged at 60% during the year. The weak wage trend in 2003, combined with tax increases by certain municipalities and county councils, has led to an increase in household debt as a percentage of disposable income during the year. As long as low interest rate levels prevail, combined with an income tax reduction of 30% of interest paid, the increased indebtedness is not likely to pose a problem. Furthermore, experience from the interest rate crisis of the early 1990s shows that households will do everything in their power to make their interest payments and keep their home, even when interest rates rise and living margins are tight. Household confidence in the stock market has risen and new saving in shares and mutual funds has accelerated, particularly during the autumn.

Facts about the Swedish bank market	2003
Number of companies	127
Total deposits and borrowing, SEK M	1,295,000
Deposits and borrowing, households, SEK M	520,600
Total lending, SEK M	1,320,000
Lending to households, SEK M	292,000
Mortgage loans, SEK M	1,295,000
Mortgage loans, single-family dwellings and tenant-owned apartments, SEK M	810,000



Consumers increasingly aware of the diversity of products Länsförsäkringar provides

Länsförsäkringar endeavors to project a clear-cut customer orientation, based on the fact that its customers are also its owners. In all of its interactions with customers, Länsförsäkringar aims to communicate the benefits of customers' entrusting their non-life insurance, life assurance and banking needs to Länsförsäkringar.

After the net increase of slightly more than 100,000 new customers during the year, Länsförsäkringar had approximately 3.1 million customers at year-end 2003.

In total, the number of full-service customers increased in 2003, although the increase was not dramatic. The number of customers purchasing products from at least two product areas also rose. The product concept targeting homeowners, which was introduced in 2002, was an example of a package offering including life assurance, non-life insurance and bank products. The proportion of full-service customers among Länsförsäkringar's homeowner insurance customers is higher compared with the increase in the customer stock as a whole. Among homeowners/homeowner insurance customers, the proportion who purchase products from at least two product areas is also higher. The same applies to businesses with fewer than 50 employees.

Customer meetings

In all its interactions with customers, it is Länsförsäkringar's aim that customers will perceive the benefits of placing all of their life assurance, non-life insurance and banking needs with Länsförsäkringar. We want customers to be aware of the value inherent in the entire offering, regardless of the fact that the encounters can be quite different depending on whether the customer is a private, commercial or agricultural customer. Consequently, it is Länsförsäkringar's aim to develop coordinated offerings that contain products from more than one product area.

Customer orientation and products

Länsförsäkringar endeavors to project a distinct customer orientation. This customer orientation is based on the fact that it is the customers who are the owners, and that Länsförsäkringar is the only player in Sweden to provide products designed for private individuals, business-owners and farmers within the entire financial area

Visitors to Internet sites per quarter, 2003 (persons)

Domain	Mar 2003	Jun 2003	Sep 2003	Dec 2003
foreningssparbanken.se	1,652,155	1,739,455	1,785,069	1,755,904
nordea.se/nb.se	864,925	841,479	872,674	917,059
sebank.se/seb.se	622,333	574,969	575,892	573,951
handelsbanken.se	456,413	498,555	457,127	494,033
lansforsakringar.se	206,324	291,198	196,423	280,155
skandiabanken.se	209,400	205,460	201,227	234,161
folksam.se	109,651	162,196	118,238	128,007
sbab.se	60,329	132,587	146,210	141,211
avanza.se	85,139	116,500	130,877	119,689
trygghansa.se	89,410	89,498	57,400	70,989
if.se	54,258	70,414	66,089	79,342
skandia.se	63,328	62,017	56,707	69,970
amfpension.se	45,126	36,042	38,587	46,114
alecta.se	21,013	14,760	17,687	14,924

Source: Nielsen Netratings

under a single brand name. (The bank does not offer commercial services.)

Länsförsäkringar's offering encompasses life assurance and pension insurance, bank services and mutual fund products. Agria Djurförsäkring complements the offering with animal and crop insurance products.

Distribution through Länsförsäkringar's local offices and Svensk Kassaservice (Swedish Cashier Service)

Länsförsäkringar's strategy is to be close to the customer. The aim of establishing close relationships with customers can be achieved through the offices of the 24 independent regional insurance companies as well as through cooperation with Svensk Kassaservice (a subsidiary of Sweden Post). Together, the 24 regional insurance companies have slightly more than 90 offices throughout Sweden. This implies that Länsförsäkringar's more than 3 million customers can access service and advice wherever their

location. Bank operations are conducted at 82 of the more than 90 offices.

Through Svensk Kassaservice and rural mail carriers, customers can make cash deposits and withdrawals from their own accounts, obtain assistance in payments and withdrawals, and make international payments. Bank customers can withdraw money from all of the country's ATMs, of which 42 belong to Länsförsäkringar.

Länsförsäkringar's own sales associates are supplemented with agents and franchisers. Independent insurance brokers complete the picture. Private customers can also access their regional insurance company through their employer, since large companies are acting as increasingly significant points of customer interaction for Länsförsäkringar.

Internet strengthens Länsförsäkringar's local concept

The Internet is part of the idea of using local encounters to increase availability.

Information of various kinds, as well as securities trading facilities, are available on the website. Premium calculations and mortgage applications are also available.

Länsförsäkringar is the fifth-largest Internet player in the banking and insurance sector. In 2003, nearly 700,000 customers visited their regional insurance company on the Internet – a substantial increase compared with 2002. Almost all regional insurance companies reported sharp increases in the number of visitors during the period, some by as much as 20–60%. In 2003, Länsförsäkringar introduced a new website design that is in line with the company's focus on the breadth of its offering in banking and insurance.

Large companies

To ensure that its offering to large companies maintains a high level of service and quality, the Group-wide Large Companies unit continued to provide support during the year to the regional insurance compa-

► CUSTOMERS AND DISTRIBUTION

nies and to Mäklarservice (broker service) in major transactions.

In 2003, considerable effort was devoted to simplifying routines and facilitating future sales efforts. Phase 1 of the Länsförsäkringar Pension Service was finalized during the first half of 2003. The Pension Service is a portal for advice concerning occupational pensions – also known as “alternative ITP”. The new Länsförsäkringar Pension Service is important to ensure that

large companies consider Länsförsäkringar their logical choice of insurance supplier.

Success in the broker market

In 2003, the operations of Länsförsäkringar Mäklarservice (broker service) achieved their definitive breakthrough with profitable growth in both life assurance and non-life insurance. Customers who opted to be represented by brokers accounted for approximately half of Läns-

försäkringar’s total sales to commercial customers in 2003. This applies to both life assurance and non-life insurance.

A few years ago, Länsförsäkringar launched an initiative in the rapidly expanding broker market. Länsförsäkringar Mäklarservice provides brokers with reliable, predictable routines and specially tailored service.

Länsförsäkringar Mäklarservice has broker desks in Malmö, Gothenburg,



Stockholm and Sundsvall. Other employees of the service are located in Jönköping and Örebro.

Länsförsäkringar's focus on customers represented by brokers was very well received. The service has now established cooperative arrangements with many brokerage companies.

At year-end, total non-life insurance premiums from broker operations amounted to SEK 1,250 M (943). The sales value of life assurance policies mediated during the year was SEK 6,340 M (4,565), and the premium income for life assurance amounted to SEK 2,254 M.

Strong brand name

Länsförsäkringar is the strongest brand name in Sweden among the players on the market that offer bank and insurance.¹⁾ The number of people who spontaneously mention Länsförsäkringar first when asked to name players in banking and insurance has also risen by about 10% compared with 2002.

Länsförsäkringar is also the player in the insurance industry to which most people have a positive attitude. Over half of the population of Sweden have a favorable view of Länsförsäkringar, and this trend has been stable over the past few years.

Satisfied customers are more loyal

Among insurance companies in Sweden, the regional insurance companies combined have the most satisfied customers.

This has in fact been the case for the slightly more than ten years since Swedish Quality Index surveys were launched by the Stockholm School of Economics.²⁾

Among private customers on the non-life insurance side, women are somewhat more positive in their reactions than men, and customers 50 years of age and over are somewhat more satisfied than younger customers.

Business customers are by far the most satisfied customers, as has been the case since the surveys began. This is also confirmed by the "Financial Barometer" survey carried out by *Affärsvärlden*, in which Länsförsäkringar was reported as having the most satisfied non-life insurance customers among large insurance companies. Almost half of all companies in Sweden purchase at least one product from Länsförsäkringar. Most are small and medium-size companies representing virtually all industries. Many are small, owner-operated companies with strong local ties.

The life assurance and pension insurance customers are generally less satisfied, though here too, Länsförsäkringar's customers are the most satisfied. Customer satisfaction has steadily decreased over the past three years, which is related to the declining share prices, which are in turn reflected in weaker returns on insurance investments. Länsförsäkringar's bank customers are among the most satisfied in the industry.

For the entire insurance industry in general, customer satisfaction ratings have declined or stagnated over the past three years. There are many possible explanations for this, not least the stock market decline of recent years. Another reason may be that more has been written on insurance and savings vehicles in the media, and consumers increasingly view the new pension system as a turn for the worse. This in turn could raise their expectations on the insurance industry, causing their satisfaction to decrease.

In order to expand the customer base, it is essential to have satisfied customers. Satisfied customers are more loyal than customers who are not so satisfied, and they remain longer as customers.

Länsförsäkringar's own Customer Satisfaction Index

Länsförsäkringar's own Customer Satisfaction Index also showed that satisfaction among insurance customers had declined somewhat, but that satisfaction was still at a high level. The factors that influence customer satisfaction include product content, the interface between the customer and Länsförsäkringar, how long a person has been a customer or the person's age. Customers who are aware of the fact that Länsförsäkringar is owned by its customers are also more satisfied than those who do not know. Customers who have had to register claims are also more satisfied than other customers.

¹⁾ Information taken from Länsförsäkringar's own brand survey, which is carried out by an independent market survey company. The target group is the population of Sweden, among which 12,000 interviews are carried out annually.

²⁾ The Swedish Quality Index, which is compiled at the Stockholm School of Economics, is an independent survey conducted by SIQ, Institutet för Kvalitetsutveckling, Garantidata AB and the Stockholm School of Economics.

Market shares, %	2003	2002
Non-life insurance, total	30.7	29.3
Life assurance, new sales	10.5	10.5
Bank		
– deposits	2.9	2.6
– lending	2.3	2.0

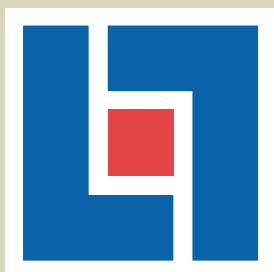
Länsförsäkringar Alliance 2003

24 regional insurance companies

Independent and customer-owned

Profit before tax per regional insurance company, SEK M

Länsförsäkringar Norrbotten	24	Länsförsäkringar Värmland	40
Länsförsäkringar Västerbotten	118	Länsförsäkringar Uppsala	65
Länsförsäkringar Jämtland	57	Länsförsäkringar Bergslagen	65
Länsförsäkringar Västernorrland	17	Länsförsäkringar Stockholm	112
Länsförsäkringar Gävleborg	33	Länsförsäkringar Södermanland	91
Dalarnas Försäkringsbolag	176	Länsförsäkringar Göteborg och Bohuslän	148



Länsförsäkringar AB Group*

Profit before tax, SEK M	750
Average number of employees	1,198
Solvency margin, %	147

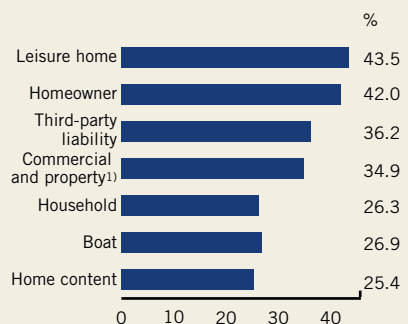
*Excl. Länsförsäkringar Liv.

Länsförsäkringar Bank Group

Deposits from the public, SEK billion	17
Lending to the public, SEK billion	30
Operating income, SEK M	65
Number of customers	452,000
Average number of employees	254

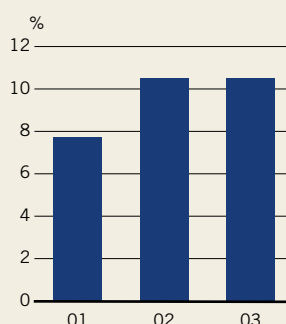
Market shares

Non-life insurance, per product area (number)

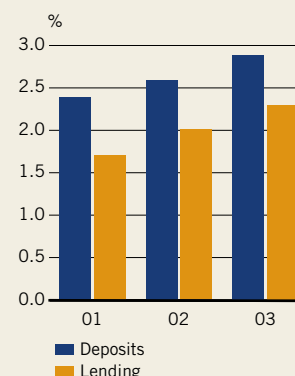


¹⁾ Refers to premiums, including agriculture.

Traditional life assurance, new sales



Bank



Number of customers, total	3.1 million
Number of employees at Dec 31, 2003, total	5,616
Total operating income for non-life insurance operations	2,157

Länsförsäkringar Skaraborg	70	Länsförsäkring Kronoberg	44
Östgöta Brandstodsbolag	119	Länsförsäkringar Kalmar län	79
Länsförsäkringar Älvsborg	102	Blekinge Länsförsäkringsbolag	40
Länsförsäkringar Gotland	51	Länsförsäkringar Göinge	39
Länsförsäkringar Jönköping	134	Länsförsäkringar Kristianstad	31
Länsförsäkringar Halland	118	Länsförsäkringar Skåne	201

Regional insurance companies, total

Premiums earned after ceded reinsurance, SEK M	9,670
Operating income, SEK M	1,974
Number of customers	3.1 million
Average number of employees	3,689

Länsförsäkringar Sak Försäkrings AB (Non-life)

Premiums earned after ceded reinsurance, SEK M	3,696
Profit before tax, SEK M	617
Average number of employees	397
Solvency margin, %	72

Agria Djurförsäkring (Animal and crop)

Premiums earned after ceded reinsurance, SEK M	770
Operating income	107
Market share, %	62.3
Number of customers	361,000
Average number of employees	136

Länsförsäkringar Liv Group (Life)

Premium income after ceded reinsurance, SEK M	8,069
Net result for the year, SEK M	3,808
Average number of employees	426
Collective consolidation ratio, %	92
Solvency ratio, %	122

Länsförsäkringar Liv is a subsidiary, but operates according to mutual principles and all profits accrue to policyholders.

FIVE-YEAR SUMMARY, SEK M

	1999	2000	2001	2002	2003
Premiums earned after ceded reinsurance, non-life insurance	8,744	8,968	10,030	11,859	14,087
Premium income after ceded reinsurance, life assurance	7,633	9,361	8,857	8,126	8,069
Net asset value, non-life insurance	22,798	21,525	18,712	14,657	16,722
Lending to the public	7,963	9,620	12,453	19,861	30,044
Deposits from the public	7,305	8,503	12,352	14,736	17,013



► NON-LIFE INSURANCE

Strengthened market positions and reduced costs

The goal for 2003 to increase Länsförsäkringar's share of the non-life insurance market to 30% has been achieved. Market share, measured in premiums paid, increased during the year by 1.4 percentage points, from 29.3% in 2002 to 30.7% in 2003. Premiums paid for commercial and property insurance rose by 22%, or approximately SEK 794 M. The number of household and homeowner policies rose by 18,274 and third-party liability insurance by 65,123 policies.

2003 in brief

- Market-leading position strengthened further. Market share increased to 30.7% (29.3).
- Improved combined ratio of 101% (113). Work aimed at achieving a combined ratio of 95% – by means of increased efficiency and claims-prevention measures – is continuing.
- The underwriting result improved to a profit of SEK 990 M (loss: 435).
- According to the Swedish Quality Index, Länsförsäkringar continues to have the most satisfied non-life insurance customers in Sweden.
- Extensive premium increases were implemented in the non-life insurance sector during 2003.

The customer relations that Länsförsäkringar has established through its non-life insurance operations also serve as a platform for growth within life assurance and banking operations. Despite the fact that insurance companies were forced to raise their premiums again in 2003 to compensate for sharply rising claims costs in the private and commercial insurance markets, Länsförsäkringar's customers remain the most satisfied non-life insurance customers in Sweden, according to the Swedish Quality Index. For the twelfth consecutive year, Länsförsäkringar has the most satisfied private customers. In terms of commercial customers, Länsförsäkringar has been ranked number one in the industry since 1994.

The main reason why Länsförsäkringar retained its top ranking again in 2003 is that customers awarded the company high marks for service. Customers also remain very loyal to Länsförsäkringar. Part of the success is attributable to proximity to the customer, ability to find flexible solutions, and the swift, non-bureaucratic claims adjustment process. In 2003, Länsförsäkringar was named as the Non-life Insurance Company of the Year by the Swedish business magazine *Affärsvärlden*.

Third-party liability insurance

All regional insurance companies have decided, starting in 2004, to expand their business operations to also include third-party liability insurance. Länsförsäkringar Sak, which dealt with such policies previously, will now limit the issuance of new third-party liability insurance policies to transactions involving customers with vehicles in several counties. Such transactions correspond to approximately 3% of the total business volume. The claims reserve at Länsförsäkringar Sak for third-party liability transactions enacted prior to 2003 will be dissolved.

Reinsurance

The reinsurance market is still characterized by high prices and unfavorable terms and conditions. Profitability in the industry is extremely poor, due mainly to asbestos claims in the US and other problems associated with run-off business. However, new terms and conditions in the financial markets also contribute to the poor profitability.

Consequently, the credit rating institutes have downgraded many companies, including SCOR, Partner Re, AXA Re and, not least, Munich Re. The latter recently carried out its second issue of shares within a short

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Substantially improved profitability, but claims cost trend continues to cause concern

New registrations of passenger cars in Sweden increased by 2.6% to 261,000 vehicles. There were also 45,000 direct imports of passenger cars. During the year, 234,000 cars were scrapped, resulting in a net increase in the total number of passenger cars in Sweden. Länsförsäkringar's share of the market, measured in terms of the number of vehicles covered by third-party liability insurance, increased further by 0.9 percentage points to a total of 36.2%. Within passenger car insurance, however, growth subsided during the second half of the year when the full effects of previously implemented premium increases and risk adjustments were felt.

Premium increases implemented in recent years have improved profitability in the entire motor vehicle insurance market, which reported losses during several years. However, uncertainty

remains regarding the future trend for personal injury claims. Moped insurance claims constitute a particular problem. As a result of the new speed-limit regulations permitting higher speeds, a growing number of young people are being involved in accidents and are sustaining more extensive injuries than previously. According to the Swedish Insurance Federation, the number of personal injuries reported to insurance companies has more than doubled. In response to this alarming development, Länsförsäkringar has been actively working – both locally with individual sales staff and through contacts with the National Society for Road Safety (NTF), interest groups and authorities – to reverse this negative trend.

As a joint measure with the insurance companies, Trafikförsäkringsföreningen (the Swedish traffic insur-

ance association) introduced, during a trial period, more stringent proof of damage requirements for parked-car damage inspected in the Stockholm area from March 1, 2003. A marked increase in the number of claims rejected during the trial period motivated the application of a proof of damage requirement in the rest of Sweden from September 1, 2003.

Automotive and third-party liability insurance	2003	2002
Gross premiums earned, SEK M	5,878	4,901
Passenger cars, number of policies	1,507,500	1,461,900
Motorcycles, number of policies	67,100	55,600
Market share, total number of policies, %	36.2	35.7



HOUSING

Continued growth in the housing market

Länsförsäkringar is the market leader within homeowner insurance and leisure home insurance, with market shares of 42.0% and 43.5% respectively. The homeowner insurance portfolio has increased by 1% since 2002, while the volume of premiums paid has risen by 14.5%. This is a sign that Länsförsäkringar has prioritized profitability over growth. Within home content insurance, Länsförsäkringar has increased its market share from 24.8% to 25.4%.

Production of new housing in 2004 is not expected to be much higher than during the past three years. The National Board of Housing, Building and Planning estimates that 21,500 homes will be built in 2004. Only in 2005 and 2006 is the construction of new homes expected to reach about 24,000. The forecast for the next four years is for 95,000 dwellings.

The cost of claims due to water damage continued to rise and exceeded SEK 1 billion in 2003. Every day, approximately 100 cases of water dam-

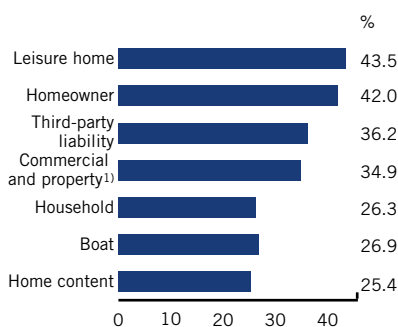
age occur, at a total cost of about SEK 3 M. These claims remain the most costly. To counteract these costs, Länsförsäkringar is taking preventive measures by providing advice and instructions on building new bathrooms and kitchens and repairing damage.

Housing	2003	2002
Gross premiums earned, SEK M	2,885	2,509
Home content, number of policies	706,900	684,100
Homeowner	688,400	681,700
Leisure home, number of policies	253,200	249,300



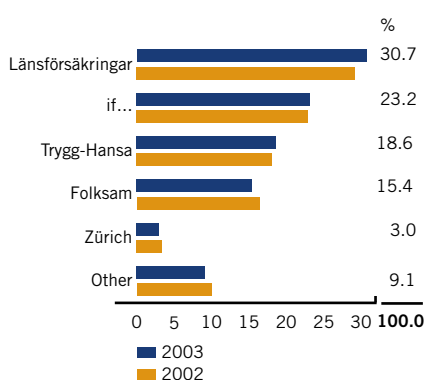
Market shares

By product area (number of policies), 2003

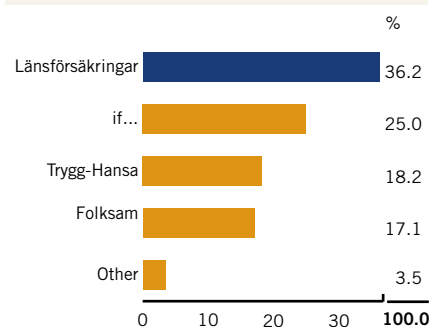


¹) Refers to premiums, including agriculture.

Non-life insurance (share of premiums paid), 2003



Third-party liability insurance (number of policies), 2003



► NON-LIFE INSURANCE

Cont. from page 20

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period of time, issuing shares for EUR 4 billion. During the past three years, the reinsurance industry has lost USD 200 billion. The reinsurers with the strongest position today are certain US companies, Bermuda companies and Lloyds of London.

The challenge for Länsförsäkringar has been to procure a secure and favorably priced reinsurance program with financially strong reinsurers. As in prior years, importance is attached to the principle of spreading risk.

Reinsurance prices will stabilize provided that Länsförsäkringar manages to avoid very large claims. The property business is to a large extent dependent on claims results. For liability and third-party liability insurance, the situation is more complex since fewer companies accept these types of transactions and the collateral requirement is also higher.

The market situation for Länsförsäkringar's accepted international reinsurance remains favorable and Länsförsäkringar is expanding under controlled forms.

Run-off

Prior to 1993, both Länsförsäkringar and Wasa conducted extensive reinsurance and international direct insurance business in a number of different companies. Run-off of this business is now being managed within

COMMERCIAL

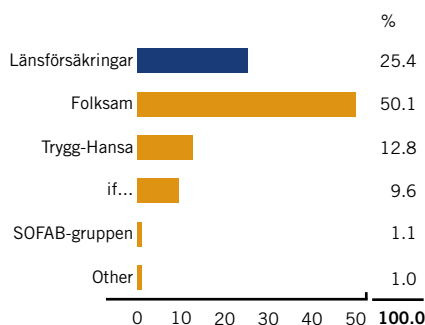
Significant profitability improvement



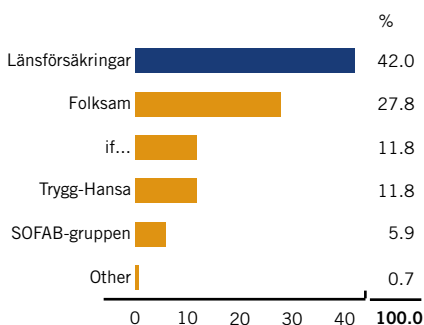
The total premium volume for Länsförsäkringar's commercial insurance business in 2003 amounted to SEK 3.3 billion, an increase of nearly SEK 800 M on 2002. The figures refer to commercial/property transactions, excluding agriculture. The increase is greatest within the municipal and property segments due to premium increases. The number of commercial insurance policies amounted to almost 222,000, a rise of approximately 16,000 policies. Profitability has improved substantially in all segments as a result of raised premiums, lower operating expenses and an improved claims outcome. Focusing on profitability by coordinating premiums jointly for all regional insurance companies proved to be the key to success for commercial non-life insurance in 2003. For the first time in many years, Länsförsäkringar's commercial insurance operations achieved an overall combined ratio below 100.

Commercial insurance	2003	2002
Gross premiums earned, SEK M	3,178	2,767
Market share, commercial and property, premiums paid, %	34.9	34.3

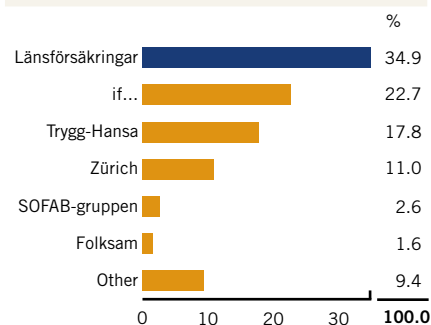
Home content insurance (number of policies), 2003



Homeowner insurance (number of policies), 2003



Commercial and property insurance (share of premiums paid), 2003



► NON-LIFE INSURANCE

Wasa Försäkring Run-Off AB in the Länsförsäkringar AB Group.

Länsförsäkringar has allocated SEK 680 M for future claims payments and is currently striving to buy its way out of its commitments in the most cost-efficient manner. Run-off activities in 2003 resulted in a reduction in the provision for future claims, from SEK 860 M to SEK 630 M.

During the year, two companies – Svenska Brand and Svenska Brand Liv – were transferred to Wasa Försäkring Run-Off AB. As a result of the transfer of Svenska Brand Liv, the provisions for future claims increased by SEK 50 M to a total of SEK 680 M.

During 2003, efforts were initiated to transfer the insurance portfolio in the UK

company Stockholm Reinsurance Ltd to enhance the efficiency of run-off operations and achieve a considerable reduction in Wasa Försäkring Run-Off AB's operating expenses.

Environmental insurance

Länsförsäkringar remains a leading player in terms of developing insurance solutions that ensure financial and environmental guarantees relating to the recycling of various product types. In 2003, the potential for an increased market in this area in the future was strengthened considerably through a new EU directive regarding individual producer liability. The directive applies to all producers of electrical and electronic products. During the year, recy-

cling insurance contracts were signed for cars, heavy vehicles, construction equipment and forest machinery. Länsförsäkringar has even introduced a new area – recycling insurance for technical installations in properties. Other sectors have also expressed an interest in recycling insurance.

Länsförsäkringar feels a responsibility to lead environmental developments in the insurance industry. Clear evidence of this can be seen in the environmental certification of the regional insurance companies, the unique recycling insurance concept and the research projects conducted within Stiftelsen Svenskt Kretslopp (Swedish closed-loop foundation).

HEALTH AND WELFARE

Greater focus on healthcare pays off

Society's costs for sickness benefits and sick pay increased in 2003. This was despite a change in the regulations governing sick pay* and an increase in the number of people on part-time sick leave. A pleasing trend is the reduction in the number of people on sick leave for less than six months, although the increase in long-term sick leave and the number of people receiving sickness benefits means that ill-health in Sweden remains a substantial problem.

County council finances are strained, making it difficult to shorten waiting times for medical treatment. In autumn 2003, Östergötland County Council drew up a priority list for treating patients, a measure which attracted much negative publicity. Many county councils are now expected to follow suit. As a result of this trend in society, Länsförsäkringar perceives a growing need for healthcare insurance and other supplementary solutions for social protection.

In 2003, the number of customers with healthcare insurance increased to 60,000, allowing Länsförsäkringar to maintain its market share in this segment at about 40%. Efforts were concentrated during the year on making healthcare insur-

ance more profitable. New terms and conditions were introduced and the premiums were adjusted. A new simplified type of group healthcare insurance has also been developed. In addition, routines and working methods were made more efficient and cost control tightened in the healthcare network.

Activities aimed at preventing and limiting healthcare claims were also initiated. In this area, Länsförsäkringar is working to meet companies' growing needs and demands for measuring instruments and services within healthcare and rehabilitation. Länsförsäkringar aims to be a partner in the work to create healthy companies.

*Employers are now required to pay sick pay during the first three weeks that an employee is absent due to illness, instead of the first two weeks as previously. After three weeks, sickness benefit is paid out by the National Social Insurance Office.

Health and welfare	2003	2002
Gross premiums earned, SEK M	459	379
Market share, medical and accident, premiums paid, %	11.7	11.3
Healthcare insurance, number of insured	60,000	50,000
Estimated market share, healthcare insurance, %	40	40

Continued strong growth

The positive trend in boat insurance continued in 2003. Länsförsäkringar's new concept involving new premium terms combined with a claims prevention program has led to a continued increase in boat insurance policies and solid profitability. The effects of the premium adjustments from 2002 are now being seen in the financial results and the business reported a positive technical result. Prior to 2004, further risk adjustment – mainly for outboard motor boats – has been recommended to meet the increased costs of theft.

Despite limited marketing activities, Länsförsäkringar increased its market share

by 1.4 percentage points during the year to 26.9% of total boat insurance policies.

The voluntary boat register, financed jointly by Swedish insurance companies and administered since 1993 by the Swedish Theft Prevention Association, has now been discontinued after a number of insurance companies withdrew from the project. The Swedish Maritime Administration has been commissioned by the Ministry of Industry, Employment and Communications to investigate the feasibility of preparing a new national boat register with compulsory liability insurance as a condition of inclusion. The Swedish Insurance

Federation has conveyed the standpoint of the insurance sector, which is basically that the benefits of having a national register based on compulsory liability insurance do not outweigh the costs of maintaining such a register. Most leisure boats are already covered by liability insurance, either through separate leisure boat insurance or as a supplement to household insurance.

Boat insurance	2003	2002
Gross premiums earned, SEK M	89	76
Leisure boat, number of policies	72,300	68,200
Market share, number of policies, %	26.9	25.5



AGRICULTURE

Successful claims prevention measures

Länsförsäkringar continued to pursue a very active claims prevention program in the agricultural market in 2003. The Farmers' Safety Concept showed a positive development and the number of affiliated farmers is at its highest since the concept was launched. Total claims by farms affiliated to the Farmers' Safety Concept are considerably lower than for other insured farmers. A new concept, Safe Stables, was launched in 2003 as a joint venture between the Federation of Swedish Farmers (LRF) and Agria Djurförsäkring. This new project is based on the same principles as the Farmers' Safety Concept. The joint project with the National Electrical Commission relating to the introduction of requirements for fire-resistant plastics in electrical materials led to a greater number of interested parties supporting the cause in 2003, and the requirements have gained a hearing in the EU.

Agricultural insurance is included as part of the commercial market in the overall industry statistics. During the year, a method was designed for calculating the market share held by agriculture. In accordance with this method, Länsförsäkringar's share of the agricultural insurance market amounts to 80–85%.

During the year, a project to revise and develop Länsförsäkringar's forest insurance product was also initiated. The product will be adapted to modern forestry operations and current environmental requirements. Launch of the new product is scheduled for 2005.

Agriculture	2003	2002
Gross premiums earned, SEK M	1,006	919
Agricultural insurance, number of policies	190,200	188,000
Tractor insurance, number of policies	257,000	251,000



Quality generates profitability



Länsförsäkringar's specialist company for animal and crop insurance, Agria Djurförsäkring, raised its technical result in 2003 to SEK 87 M (31). Premium income rose by 12% to SEK 770 M (685).

The key factor underlying the improved result was lower cost increases for veterinary care. Meanwhile, life claims rose slightly. Combined with slightly lower demand for veterinary care and changes in terms and conditions, claims payments were on a par with those of 2002.

Agreements covering direct claims adjustment with almost 200 veterinary hospitals and clinics guarantee high-quality adjustment. The claim process is simplified and cooperation between the clinic and the company is facilitated, leading in turn to lower costs. This benefits Agria's customers since it reduces the need to raise premiums in the future.

Cat insurance continues to show strong growth, with premiums for insured cats approaching SEK 70 M.

Horse and crop insurance is also growing steadily.

Agria's market share amounted to 62.3% (64.1).

Agria's website www.agria.se is used increasingly for policy sales. The number of policies sold via the site rose by 30% compared with 2002.

Customer Center, Agria's largest sales channel, sold 40,900 (36,500) policies during the year, corresponding to one third of all new policies for small animals.

Major claims in agriculture

May marked the largest claim in Agria's history. A full 48 pig farms were quarantined by the Swedish authorities due to the discovery of salmonella-infected feed, resulting in an estimated net compensation of SEK 7–8 M. Agria is preparing counter claims against the feed company, Lantmännen.

Operating expenses rose by SEK 15.4 M (15.2), or 8.1% (8.7). The return on investment assets during the year was

3.9% despite a relatively favorable stock market trend. The rise in stock prices was offset by currency losses.

Agria's strategic capital was strengthened and rewarded

For a second time, Agria was awarded the Swedish Quality Award. Some of the reasons cited for the award were that the company's management was both committed and goal oriented, and that operations are based on a strong conviction of the importance of participation and openness. Agria is the first company to receive the award twice.

In September, Agria presented a new logotype and graphic profile that communicates more clearly what the company represents.

KEY FIGURES	2003	2002
Premium income, SEK M	770	685
Operating income, SEK M	107	-17
Market share, %	62.3	64.1
Number of customers	361,000	351,000

Claims adjustment

Each regional insurance company offers private and commercial customers a broad range of products within non-life insurance. Claims service is also handled locally by experts at the regional insurance companies. Local strength combined with the possibility to link with resources and expertise at the national level results in a first-class service for all types of claims. The local concept guarantees swift processing by competent local staff. Approximately 700 people work with claims adjustment within the Länsförsäkringar Alliance, and Länsförsäkringar's international network of partners guarantees service also outside Sweden.

Claims adjustment entails an important delivery of the product purchased by the customer. It involves providing an active service to Länsförsäkringar's customers. A claim is adjusted in cooperation with the customer as quickly as possible after the claim has arisen so as to ensure that the details surrounding the claim are as complete as possible. A guiding rule is that the adjustment of claims must be consistent, uniform and fair. For example, language difficulties or disabilities may affect the customer's comprehension or ability to take action, which is why it is important that Länsförsäkringar provides individually adapted service. Länsförsäkringar's claims service is to be perceived as flexible and adapted to customers' individual needs. In 2003, Länsförsäkringar adjusted almost 600,000 claims – more than half of these related to damage to motor vehicles. Another major claims area pertained to household insurance,

which represented 33% of claims. Commercial insurance represented 5%. Agricultural insurance resulted in approximately 23,000 claims, accident insurance in about 12,000 claims and boat insurance in almost 2,500.

Premiums for Länsförsäkringar's products are calculated based on the number of claims and the average cost of claims, operating expenses for administering insurance and adjusting claims, and on the investment income obtained on the premium during the period from when the premium is paid to when claims are paid out. When evaluating the various parameters, Länsförsäkringar firstly looks at the confirmed past history and then makes an estimate of future changes that may affect the cost of claims. Such changes may, for example, involve changes in claims risk and future inflation as well as changes in legislation and legal practice. An estimate is also made of the factors affecting operating expenses and investment income. Based on these parameters, the average price required to conduct healthy and financially sound insurance business is calculated. Finally, the total premium withdrawal is divided between various types of insurance according to their risk exposure. This involves taking differences in risk in account, for example between models of cars, types of housing, mileage and geographical locations.

Länsförsäkringar also provides customer advice and guidelines both as a preventive measure and after damage has occurred. Advice is provided in a comprehensible and non-bureaucratic

manner. Länsförsäkringar always strives to take measures and decisions to inform customers of their rights and obligations.

Insurance fraud is a major and steadily growing problem in the insurance industry, and Länsförsäkringar has also encountered attempted fraud. In response to this, a team of 32 investigators at Länsförsäkringar currently work on investigating suspicious claims. In 2003, their efforts resulted in the non-payment of insurance claims worth nearly SEK 85 M. However, since many cases of insurance fraud remain undetected, efforts in this area will be intensified.

CLAIMS STATISTICS, 2003

Product area	Number of claims	Gross claims cost, SEK M
Commercial	33,600	2,004
Civil	182,800	2,052
Agriculture	22,600	721
Accident	12,300	276
Boat	2,500	60
Motor vehicle, private	220,000	3,000
Motor vehicle, commercial	70,000	970

Comments on financial results

Länsförsäkringar's earnings and key figures for non-life insurance consist of the sum of the earnings of the 24 regional insurance companies and the Länsförsäkringar AB Group, including Agria Djurförsäkring.

Premiums earned after ceded reinsurance rose by 19% during the year to SEK 14,087 M (11,859) as a result of premium increases and Länsförsäkringar's success in the market.

The technical result from non-life insurance operations amounted to SEK 990 M (negative: 431), or 7% (negative: 4) of premiums earned after ceded rein-

surance. The claims ratio declined to 81% (90) in 2003 and the expense ratio fell to 20% (23). This means that the combined ratio of 101% (113) is now in line with the previous set target of a reduction in the combined ratio to 100%. A combination of efficiency-enhancing measures, claims prevention measures, market growth and premium increases will cause the combined ratio to drop further to 95% in the next few years.

Länsförsäkringar's solvency margin within non-life insurance continues to be strong at 112% (117). Operating income amounted to SEK 2,157 M (loss: 4,527).

KEY FIGURES	2003	2002
Premiums earned after ceded reinsurance, SEK M	14,087	11,859
Technical result before bonus, SEK M	990	-431
Operating income, SEK M	2,157	-4,527
Expense ratio	20	23
Claims ratio	81	90
Combined ratio	101	113
Technical result as a percentage of premiums earned after ceded reinsurance	7	-4
Net asset value, SEK M	16,722	14,657
Solvency margin, %	112	117
Number of consumer policies	3,835,000	3,720,000





► LIFE ASSURANCE

Focus on efficiency improvements and profitable growth

The year 2003 was virtually unique in the Swedish life assurance market. Following the major stock market decline that started in 2000, the markets turned upward, strengthening solvency and collective consolidation. Meanwhile, the industry suffered a crisis of confidence resulting from a number of much debated business transactions and bonus agreements. Länsförsäkringar's life assurance operations focused on efficiency-enhancing measures to strengthen collective consolidation.

2003 in brief

- The net profit for the year of SEK 3,808 M (loss: 12,442) was mainly attributable to investment income of SEK 9,139 M (negative: 14,508).
- Annual administration expenses were reduced by SEK 241 M and operations were streamlined.
- Average annual bonus rate of 10.6% since Länsförsäkringar started life assurance operations in 1985.
- Market share, measured as a percentage of total new sales, was unchanged compared with 2002 at 10.5%. Market share in terms of premium income was 8.5% (8.8).
- Länsförsäkringar further intensified its efforts in the occupational pension market.
- Premium income amounted to SEK 8,069 M (8,126).

Through the 24 independent and customer-owned regional insurance companies, Länsförsäkringar offers financial security by combining long-term savings with insurance protection. Protection and savings are combined in pension insurance, life assurance and health insurance. During 2003, the focus of Länsförsäkringar's life assurance operations was on greater efficiency, cost reductions and measures to improve collective consolidation. Administrative expenses were reduced by SEK 241 M, or 22%. At the same time, efforts were made to promote future profitability and growth. A large collective agreement pension campaign was conducted along with a customer relations campaign regarding pensions. The occupational pension campaign continued during 2003.

Länsförsäkringar was named Life Assurance Company of the Year by the magazine *Affärsvärlden* and was also awarded a prize for the Best Pension Fund in Sweden by the magazine *Investment & Pensions Europe*.

Occupational pension market

Länsförsäkringar regards large companies as customer meeting places. Two thirds of employees in Sweden work for companies with more than 50 employees. Länsförsäkringar aims to be the insurance company that also meets these individuals in their workplaces.

Occupational pension plans have traditionally been regulated by collective labor market agreements. Over the past decade, however, employees have been given greater freedom of choice regarding their occupational pension plans and how they wish to invest a portion of their pension savings.

Länsförsäkringar offers a complete range of insurance solutions for companies and private customers. Customers who have savings and private insurance policies with Länsförsäkringar can have their occupational pension insurance with Länsförsäkringar too.

To satisfy the needs of large companies, Länsförsäkringar employs special advisors who specialize in occupational pension solutions for these companies.

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Review report

In May 2003, the Board of Directors of Länsförsäkringar Liv commissioned the former Authorized Public Accountant Bertil Edlund to carry out an independent review of certain transactions that have been executed within the Länsförsäkringar Alliance since the merger between Länsförsäkringar and Wasa in 1998. The purpose of the review was to investigate whether the execution of these transaction had taken the interests of the life assurance policyholders into account. The following transactions were reviewed:

The loan of SEK 1,160 M from Länsförsäkringar Liv to Länsförsäkringar Sak

Länsförsäkringar's acquisition of Wasa in 1998 included a long-term loan of SEK 1,160 M from Wasa Liv to the current Länsförsäkringar Sak. When the portfolio was transferred from Wasa Liv to Länsförsäkringar Liv, the claim on Länsförsäkringar Sak was also transferred to Länsförsäkringar Liv. The loan matured in May 2002. Länsförsäkringar Sak requested to extend the loan, and this request was granted by Länsförsäkringar Liv. The loan was redeemed in December 2003 at the request of Länsförsäkringar Sak.

The investigation had no objections to Länsförsäkringar Liv's decision in May 2002 to extend the loan to Länsförsäkringar Sak. The terms and collateral for the loan were on market terms and did not disadvantage the life assurance customers in any way.

Länsförsäkringar Liv's acquisition of Länsförsäkringar Fondliv from Länsförsäkringar Sak

Following the merger between Länsförsäkringar and Wasa, Länsförsäkringar Fondliv was owned by Länsförsäkringar AB

but Länsförsäkringar Liv had operational control of the company. At the end of 1999, Länsförsäkringar Fondliv was acquired by Länsförsäkringar Liv. After negotiation, the two parties jointly set a consideration of SEK 2,290 M, plus an additional purchase price corresponding to 50% of the annual change in embedded value attributable to new sales during the year for the years 2000 to 2006.

The investigation had no objections to the transfer of Länsförsäkringar Fondliv to Länsförsäkringar Liv. According to the review, the business motives for the transaction were justified. Also in this case, the review assessed that the interests of the life assurance policyholders had been taken into account.

Outsourcing of portfolio management to ABN AMRO Bank

On June 1, 2002, Länsförsäkringar Kapital and Länsförsäkringar Sak transferred the mandate to manage assets on behalf of Länsförsäkringar Liv to ABN AMRO Bank for SEK 1,300 M. The compensation paid by ABN AMRO was received by Länsförsäkringar Sak.

The review concluded that no criticism can be directed against the fact that Länsförsäkringar Sak was the recipient of the compensation paid by ABN AMRO. Länsförsäkringar Liv had an existing management agreement with Länsförsäkringar Sak with a short period of notice and has not extended the period of notice or granted any other concessions. The interests of the life assurance customers had been taken into account in other respects.

The assignment involving Nordic Alternative Investment Advisors AB acting as advisors to Länsförsäkringar regarding the management of Alternative Investments

ing the management of Alternative Investments

Länsförsäkringar invests capital in an asset class known as Alternative Investments. This refers to special types of venture capital funds managed by Swedish or international specialists. Following the decision to transfer other portfolio management on behalf of the Länsförsäkringar Alliance to ABN AMRO, the assignment to act as advisors for the management of Alternative Investments was transferred to Nordic Alternative Investment Advisors AB.

The review had no objections to the decision to transfer the assignment to act as Alternative Investment advisors to Nordic Alternative Investment Advisors AB.

Summary

Consequently, the independent review had no objections to the transactions that were reviewed. On the contrary, the review concluded that the above transactions have been handled correctly. The review presented suggestions for changes in several areas to reinforce Länsförsäkringar Liv's independence and to strengthen policyholders' confidence in the company. The Boards of Directors of Länsförsäkringar AB and Länsförsäkringar Liv have adopted a new policy for allocating rental apartments in properties owned by the Länsförsäkringar Alliance. However, the investigation emphasized that policyholders have not missed out on any values as a result of the previous policy. A policyholder association has existed for some time and Länsförsäkringar has also been given greater independence in the Board to sustain the confidence of the policyholders. Furthermore, the compliance function has been expanded.



Market shares, %	Total	Occupational pensions	Savings	Private pension plans
Value of new sales, 2003	10.5	11.1	9.7	10.5
Value of new sales, 2002	10.5	11.0	9.6	9.6
Premium income, 2003	8.5	8.2	6.9	15.2
Premium income, 2002	8.8	8.4	7.1	15.7

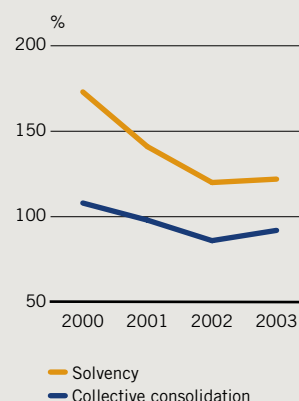
Solvency and collective consolidation

Life assurance company

	Collective consolidation 2003					
	Mar 31	Jun 30	Sep 30	Oct 31	Nov 30	Dec 31
AMF Pension	94	100	101	102	103	105
Folksam Liv	92	95	96	105	104	105
Förenade Liv	86	91	91	104	103	105
KPA Pension	94	98	98	98	97	99
Länsförsäkringar	84	88	89	90	90	92
Nordea Liv 1 (Livia)	90	92	92	92	92	93
Salus Ansvar Liv	89	89	90	90	90	91
SEB Trygg Liv, Old	87	91	92	94	94	96
SEB Trygg Liv, New	97	98	99	98	99	99
Skandia Liv	85	90	91	92	92	94
SPP Liv	88	89	89	89	90	91

Source: Finansinspektionen

Solvency and collective consolidation



At December 31, 2003, solvency was 122% (119) and collective consolidation was 92%. Collective consolidation under 100% means that too much money has been allocated to policyholders through bonuses.

Solvency

Solvency is a measure of a life assurance company's financial position. It shows the value of the company's assets in relation to the company's guaranteed commitments to customers. The lowest permissible solvency ratio is 104%. Solvency is also a measure of a life assurance company's financial strength. Good solvency provides scope for equities in the investment portfolio, which from experience involves potential for substantial increases in value. This is especially obvious today when market rates of interest are low.

Collective consolidation

Collective consolidation is a measure of a life assurance company's ability to distribute a bonus. It shows the value of the company's assets in relation to the guaranteed commitments and the non-guaranteed bonus to customers, i.e. the entire capital assured. The measure is theoretical since it reflects a situation where the company would pay out the entire capital assured during a single day. The shortest payment period in a traditional life assurance policy is 5 years and the average maturity is about 18 years.

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Länsförsäkringar has also developed an interactive online advisory service relating to occupational pensions. Through this service, Länsförsäkringar can offer efficient and high-quality advice to employees at a time that suits the customer.

Länsförsäkringar growth in the occupational pension market in 2003 amounted to 12%. The sales value was SEK 11.2 billion (10.0), corresponding to a market share of 11.1% (11.0).

Collective agreement pension market

The collective agreement pension market is characterized by the receipt of large premium income each year and long contract periods. In 2003, total premium income in the collective agreement pension market amounted to SEK 17 billion. The average premium per person and year is approximately SEK 6,000. Collective agreement pensions involve straightforward administration and low costs. More than 90% (or 3 million) of all employees in companies are

covered by a collective agreement pension, and 5 million individuals are covered by a premium pension. This means that the majority of Länsförsäkringar's customers are covered by one or both of these pensions. Collective agreement pensions and premium pensions thus provide an obvious initial topic in meetings with customers.

When Swedes were asked in 2000 to choose funds in which to invest their premium pension, more than 400,000 customers chose Länsförsäkringar. These customers

Collective consolidation policy

All investment income belongs to the policyholders. Investment income is transferred to the policyholders as bonus interest. Saving a certain percentage of the investment income in the form of consolidation capital creates opportunities for higher investment income in the future and, in turn, higher bonus payments.

A certain portion of this consolidated capital should always be available to ensure that negative market movements do not have a direct impact on the capital assured and that Länsförsäkringar Liv can fulfill its obligations to policyholders even in times when investment income is low.

The bonus rate shall reflect the long-term nature of the customers' investment and shall ensure a fair distribution between different groups of policyholders at different times. As a result, decisions concerning bonus rates should be farsighted, sustainable

and fair. To ensure a fair distribution, Länsförsäkringar Liv may apply different bonus rates for different groups of policyholders in different periods.

The consolidation capital is affected by the bonus rate, the current yield, daily fluctuations in asset values, premium payments, claims payments and operating expenses.

The collective consolidation ratio is permitted to vary between 100 and 120. The suitable consolidation level within this interval is established on a case-to-case basis in view of the risk that Länsförsäkringar Liv perceives in the financial markets and the extent of the risk in the balance sheet. The bonus rate is set so as to ensure that an appropriate consolidation ratio is achieved.

If the collective consolidation ratio is outside the interval, the bonus rate is set so as to return collective consolidation to within the interval within three years.

received free survivors' benefits for a period of three years, entailing that the earned premium pension is paid to the next-of-kin in the event of death instead of being transferred to the collective pension reserve.

Market shares

In 2003, the Swedish life assurance market had a total sales value of SEK 131 billion, the same level as the preceding year. The occupational pension market is the largest of the three sub-markets; occupational pensions, savings and private pension plans. The sales value for the occupational pen-

sion market in 2003 amounted to SEK 101 billion, an increase of 11% compared with the preceding year. The private pensions sub-market, with a sales value of SEK 6 billion, declined by 10%. The savings sub-market declined by 34% and had a sales value of SEK 21 billion.

In 2003, Länsförsäkringar's market share in terms of new sales was unchanged from the preceding year at 10.5%. Market share measured as premium income was SEK 8.5% (8.8). In terms of premium income, Länsförsäkringar's largest market share is within private pensions, the second

largest is within occupational pensions and the smallest market share is within the savings sub-market.

In terms of new sales, Länsförsäkringar's market share is largest within occupational pensions (11.1%), second largest within savings (9.7%) and smallest within the private pensions sub-market (10.5%).

Measures to improve collective consolidation

Länsförsäkringar has implemented a number of measures to improve collective con-





solidation in the life assurance company. Significant cost reductions were achieved in Länsförsäkringar's life assurance operations through staff cutbacks and reduced administration and marketing costs. The bonus rate was lowered on September 1, 2002 to 0.5%, meaning that preliminarily allocated bonuses will be recovered on an ongoing basis. Also, effective April 7, 2003, a distinction between new and old money was made, meaning that customers who made payments on or after April 7, 2003 currently receive a bonus rate of 3% before taxes and fees. Payments that were

made prior to April 7, 2003 currently receive a bonus rate of 0.5% before taxes and fees. This measure was enacted due to the fact that collective consolidation has been lower than average for a long period of time. As an additional measure to improve consolidation, Länsförsäkringar made relatively large changes in 2003 in the distribution of its assets, keeping pace with financial developments in the market.

Effective October 1, 2003, the amount paid at redemption is adjusted to market value by reducing the bonus rate. The measure was introduced to counteract the

risk of some customers being treated unfairly since the collective consolidation ratio has been lower than 100 for a considerable period. In addition, premium increases and amendments to terms and conditions were implemented in response to the weak risk situation.

Länsförsäkringar Liv's finances are sound, with a solvency ratio of 124% in February 2004. This means that the value of assets exceeds guaranteed commitments by 24%. Collective consolidation, on the other hand, is less than 100%. In accordance with the collective consolidation policy, collective consolidation is to be reinstated at 100% by September 30, 2004. Assuming a continued positive development, there is a reasonable chance that the consolidation ratio can be returned to 100% by that time. However, the possibility of a non-recurring recovery of the preliminarily allotted bonus cannot be ruled out. This possible recovery will likely be less than the bonus allotment of approximately SEK 6 billion implemented in 2000 when collective consolidation was very high.

Earnings

The net result for the year amounted to SEK 3,808 M (negative: 12,442). The profit was largely attributable to investment income but also to reduced costs.

Traditional management

Net profit in Länsförsäkringar Liv amounted to SEK 4,452 M (negative: 12,546). Premium income amounted to SEK 4,873 M (4,996) and investment income was SEK 7,218 (negative: 9,791). The total return was 8.5% (negative: 10.1). Operating expenses amounted to SEK 974 M (1,101).

New World

Länsförsäkringar's New World management alternative combines the security of traditional management with the opportunities provided by unit-linked manage-

► LIFE ASSURANCE

INVESTMENT INCOME 2003 FOR LÄNSFÖRSÄKRINGAR LIV, TRADITIONAL LIFE ASSURANCE

Amounts in SEK M

Investment	Market value Jan 1, 2003	%	Net investment	Change in value	%	Market value Dec 31, 2003	%	Direct yield	%	Total yield	%
Interest-bearing	54,439	65	-6,083	-471	-0.9	47,885	55	2,070	4.1	1,599	3.2
Equities	16,788	20	6,242	4,208	21.5	27,238	31	500	2.5	4,708	24.0
Alternative Investments	5,563	7	2,420	371	5.3	8,354	9	407	5.9	778	11.2
Properties ^{1) 2)}	7,036	9	-2,233	-146	-2.6	4,657	5	174	3.1	28	0.5
Financing of investments	-521	-1	508	0	0.0	-13	0	-3	-1.1	-3	-1.1
TOTAL	83,305	100	854	3,962	4.8	88,121	100	3,148	3.9	7,110	8.7
Other	3,523		112	319		3,954		-190		129	
TOTAL	86,828		966	4,281	5.0	92,075		2,958	3.5	7,239	8.5

¹⁾ Properties include the holding in the trading company Utile Dulci with net of market value and liabilities.

²⁾ Properties also include Kista and shares in KB. A portion of external financial is also included in the opening balance. The adjustment is reported under net investments in the lines for properties and financing.

ment. The New World portfolio generated a return of 12.5% (negative: 22.5) in 2003.

Unit-linked insurance

Länsförsäkringar Fondliv reported a loss of SEK 254 M (loss: 632) in 2003. Premium income amounted to SEK 3,196 M (3,131) and operating expenses to SEK 476 M (788).

Overall, 24 of the 25 mutual funds open for insurance savings yielded positive returns in 2003.

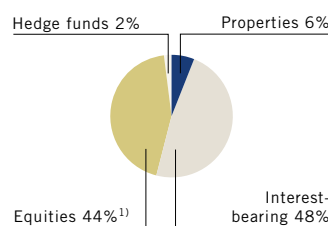
Investment strategy

In 2002, Länsförsäkringar reduced the proportion of equity investments in favor of fixed-income securities in response to the negative stock market developments. In 2003, the stock market performance improved and Länsförsäkringar has therefore increased the equity portion of its portfolio in pace with improved key figures.

The investment strategy in 2003 involves gradually increasing the percent-

age of equities without risking the amounts agreed in the insurance contracts. During the year, equity exposure in the normal portfolio was increased by 10 percentage points. The high equity portion has been combined with extended hedging against a sharp decline in share prices. Furthermore, interest-rate risk has been limited in the fixed-income portfolios due to signs of a stronger economy and resulting optimism regarding rising long-term interest rates in 2004.

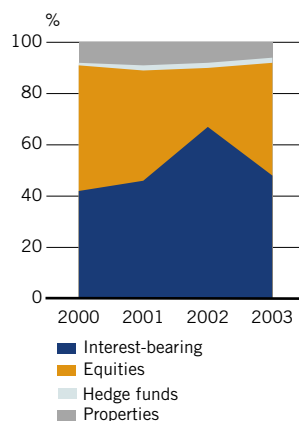
Investment portfolio, Dec 31, 2003



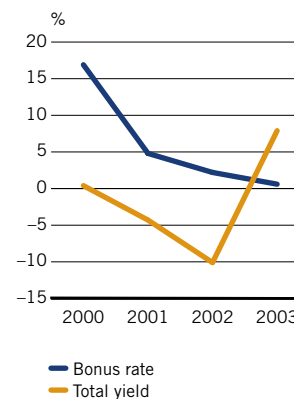
Total: SEK 87.4 billion

¹⁾ Of which, unlisted shares 4.7% and listed shares 39.7%.

Investment portfolio over time



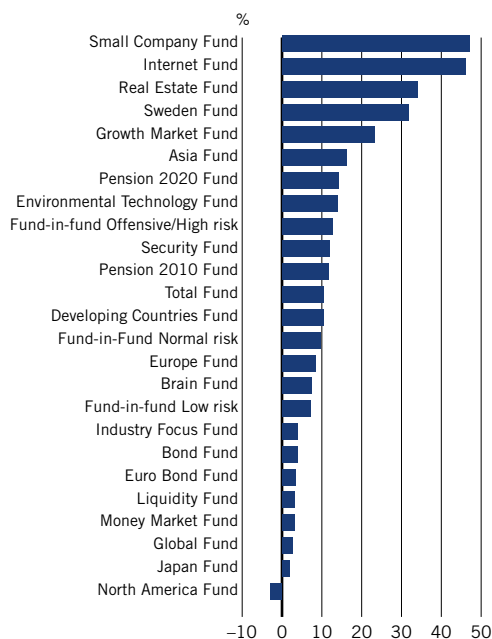
Return and bonus



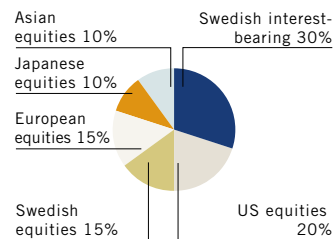


Life assurance operations are conducted through the 24 regional insurance companies. Länsförsäkringar Liv owns the concession for all life assurance and health insurance operations as well as for non-life insurance business in the form of direct medical and accident insurance. Traditional life assurance is provided by Länsförsäkringar Liv and unit-linked insurance by its subsidiary, Länsförsäkringar Fondliv. Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB. Länsförsäkringar Liv is operated in accordance with mutual principles, entailing that all surplus generated by the company is transferred back to the policyholders in the form of a bonus.

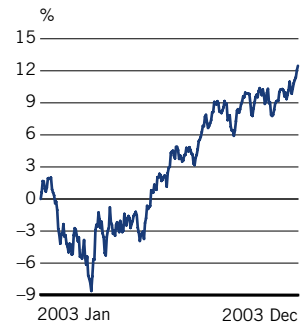
Yield 2003 – unit-linked insurance



Asset allocation, New World



New World, performance





► BANK

Länsförsäkringar – a full-service bank striding forward

Banking operations showed a highly favorable development during 2003. Volumes are increasing as a growing number of satisfied customers choose Länsförsäkringar as their main bank. During the year, the number of customers increased by 15%. The business volume rose by 36% to SEK 47 billion and total revenues rose by 27%. Länsförsäkringar no longer merely attracts customers for supplementary banking services. Today, it is a bank that customers switch to.

2003 in brief

- The bank's lending to the public increased by 51% to SEK 30 billion. Deposits from the public rose by 15% to SEK 17 billion.
- The number of customers that have their current account, cards, savings and loans with the bank increased by 63% in 2003.
- At year-end, 10% of private home customers were also bank customers.
- At year-end, Länsförsäkringar's banking operations had 452,000 customers, an increase of 15%.
- Länsförsäkringar's bank customers are among the most satisfied in Sweden, according to the 2003 Swedish Quality Index. The bank has the highest ratings of all banks for the best-value banking services and the most loyal bank customers.
- During the year, an MTN program was issued in addition to a syndicated term loan and revolving credit.

Länsförsäkringar's business model applies to banking operations in addition to the other core areas of life assurance and non-life insurance. This creates a unique local presence and familiarity with the market. Within Länsförsäkringar AB, development and support functions for banking operations are conducted through Länsförsäkringar Bank AB and the subsidiaries Länsförsäkringar Hypotek AB, Wasa Kredit AB and WASA Garanti Försäkrings AB. Länsförsäkringar Hypotek AB is a mortgage institution and Wasa Kredit AB offers various forms of leasing and financing. WASA Garanti Försäkrings AB handles risk commitment run-off activities and is scheduled for liquidation during 2004.

A full-service bank

During 2000, the banking business developed its strategy for growing from a niche bank to a full-service bank. Today, the bank offers complete solutions in the areas of saving, lending and payments. The bank directs its services to private individuals and farmers and is a full-service bank where customers can conduct all their

banking business. The Länsförsäkringar Alliance's strong financial position provides the banking operations with the necessary conditions for sustainability, development potential and good value. Homeowners and farmers, Länsförsäkringar's strategic target groups in the banking market, are offered a total customer concept with substantial customer benefits within banking and insurance.

Banking and insurance – a strong combination

Although Länsförsäkringar has Sweden's strongest brand in the non-life insurance segment, still relatively few people are aware of the Alliance's banking services. According to a brand awareness survey conducted in December 2003, 17% of the Swedish population are aware that Länsförsäkringar also offers banking services. Of the Alliance's 3 million insurance customers, 14% use one or more of Länsförsäkringar's banking services. This means that there is significant potential in the customer base, both for attracting more customers to the banking operations and for more business with existing customers.

The long-term goal is for the majority of Länsförsäkringar's customers to also use Länsförsäkringar's banking services.

A clear goal is to raise the level of awareness about Länsförsäkringar's banking operations. This is being achieved through a number of offers that clarify Länsförsäkringar's products and services and make it attractive for customers to combine all their banking and insurance business at Länsförsäkringar. These efforts are producing results: at year-end, 10% (8) of the private home insurance customers were also bank customers.

Strong growth

A growing number of people are choosing Länsförsäkringar as their main bank. During the year, the number of customers increased by 15% to 452,000 and the bank

is now the sixth largest bank in Sweden for private customers and farmers. Deposits from households rose by 15% to SEK 17 billion. Länsförsäkringar has 2.9% of the market for deposits from households.

Lending grew by 51% to SEK 30 billion. Lending by Länsförsäkringar Hypotek increased by 106% to SEK 16 billion. The number of housing loan customers rose by 70%, from 30,000 to 51,000. The market share in terms of lending to households was 2.3% and the market share for housing loans (first mortgages) amounted to approximately 2%.

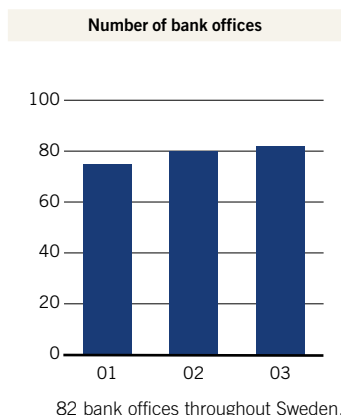
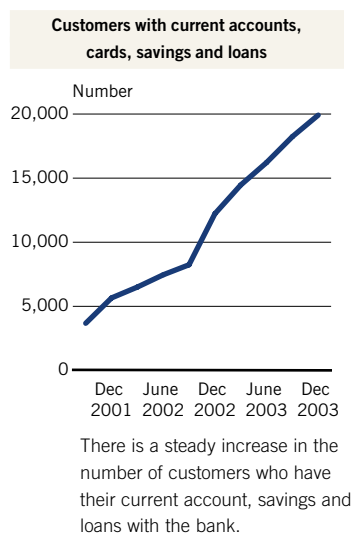
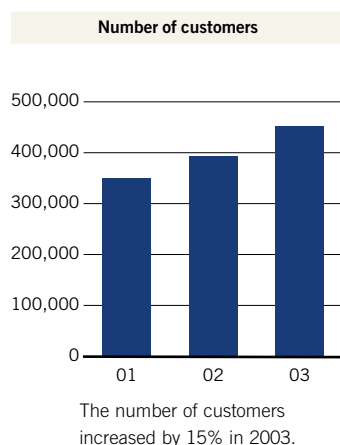
Profitability in focus

Operating income for 2003 amounted to SEK 65 M (20). Total revenues increased at a considerably higher rate (27%) than administration expenses (15%). Long-term

profitability increased in pace with growth in volume. Net interest income improved by 30%. Net commission income was unchanged. Länsförsäkringar Bank's capital adequacy at year-end 2003 was 13.00% (8.08). In December, the target level for total capital adequacy was raised from 9.25% to 10.5%. At the same time, the bank introduced a target level for the Tier 1 ratio at 8.5%. The permitted deviation range for both target levels is +/- 0.5 percentage points. The raise in target levels is a result of the bank's increased activity in the mortgage market and as an issuer of securities in the capital market. The intention is to further strengthen the bank's position in the capital market. The percentage of doubtful receivables declined during the year, from 0.18% to 0.12%. Loan losses amounted to SEK 39 M (13).



► BANK



Customer meetings

Länsförsäkringar has a very strong local presence through the 24 regional insurance companies. In 2003, this market presence was strengthened further and bank customers now have access to 82 local advisory offices nationwide, in addition to ATMs across Sweden, telephone banking and Internet services. Bank customers can also make withdrawals, deposits and international payments at about 1,200 offices and via 2,500 rural mail carriers through Länsförsäkringar's cooperation with Svensk Kassaservice (Swedish Cashier Service). The aim is for volumes and profitability to continue to grow and the bank to develop into an even stronger full-service bank, with substantially more customers than today.

Broadening of customers' banking commitments

Customers who have chosen Länsförsäkringar as their main bank state their main reasons as being better rates of interest and lower fees. According to the private customer survey conducted by Demoskop in 2003, Länsförsäkringar's banking customers rate the banking operations highly, with four out of five customers rating the bank in general as being good or very good.

The aim is to broaden customer commitments by increasing the number of customers who have their current account, cards, savings and loans with the bank. New customers are utilizing several products from the bank's range to a greater extent than previously. Since 2001, the number of customers who have their current account, cards, savings and loans with the bank has increased fivefold.

Employees

A total of 542 persons work with banking operations within the Länsförsäkringar Alliance, half of them at the regional insurance companies. Successful customer meetings are dependent on knowledge and under-

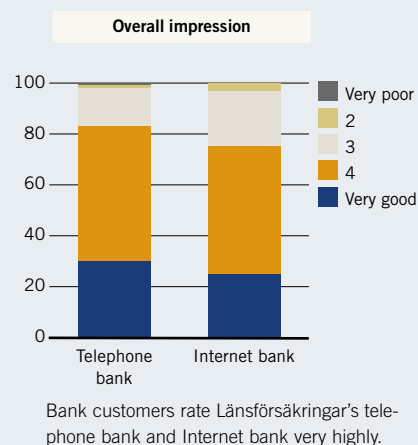
standing about the customer's situation, needs and possibilities, as well as about local market conditions. The employees possess the necessary skills and apply a working method that always focuses on the customer, thus generating confidence in all of the bank's channels. Länsförsäkringar's EttKUND (OneCustomer) sales support system is an important tool that facilitates contacts with customers. The bank's training package serves as a common platform for the 24 regional insurance companies. Länsförsäkringar has certified a total of more than 750 advisors who give advice about mutual funds and other forms of saving. The certification verifies that the employees have undergone a training program approved by the Swedish Investment Fund Association and designed in accordance with the competence requirements defined by the Association.





Development of the bank's daily financial services on the Internet

Today, 64% of customer payments are made via the Internet. The number of customers connected to Länsförsäkringar's Internet bank rose by 18% during the year to 259,000. Customers who use the Internet bank are satisfied with the service. According to a recently conducted survey, 90% of Länsförsäkringar's Internet bank customers have a positive overall impression. In 2003, improvements were made in the banking services offered by the Internet bank. For example, Internet bank customers can see their direct debit arrangements (autogiro) and can make new direct debit arrangements electronically. Customers can also assign names to their accounts in the Internet bank and decide whether they wish to receive account statements and mutual fund annual reports by post. The Internet services for mutual funds and banking have been integrated in the Internet bank, making matters easier for customers. From the beginning of 2004, bank customers will also be able to order an electronic BankID via the Internet bank, thus improving service and security.



Strong position within agriculture

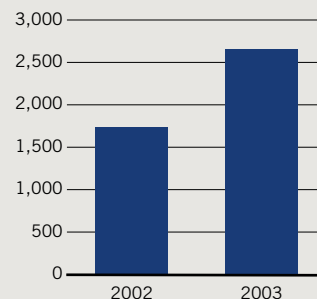
With 185,000 customers, Länsförsäkringar dominates the insurance market for the agricultural segment. These customers constitute the base for extending customer relationships within life assurance and banking. During 2003, the number of banking customers in agriculture increased to 19,000 (17,000). Farmers who choose Länsförsäkringar as their main bank appreciate the bank's knowledge of the agricultural segment and the competitive prices. According to a customer survey in 2003, nearly 70% of agricultural customers consider it an advantage to

combine their banking and insurance business at Länsförsäkringar.

The partnership with Landshypotek (loans for agricultural and forestry properties) was strengthened further during the year. Länsförsäkringar and Landshypotek market each other's services, enabling them to offer a full-service alternative in banking and insurance services for farmers. The partnership with Landshypotek, combined with Länsförsäkringar's solid position within non-life insurance, offers continued strong potential for developing banking operations within the agricultural segment.

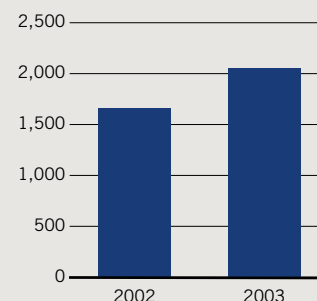


Lending, agriculture, SEK M



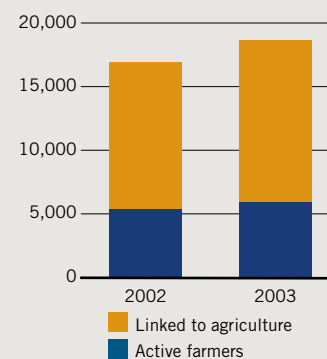
Lending increased by 53% to SEK 2,661 M.

Deposits, agriculture, SEK M



Deposits amounted to SEK 2,048 M, an increase of 23%.

Agricultural customers



The bank has approximately 19,000 agricultural customers.

Saving

During the year, the bank supplemented its range of savings products with a fixed-interest account with terms and interest that follow the same value-for-money profile as Länsförsäkringar's other products and services. The savings offering comprises savings and fixed-interest accounts, Internet share trading and a broad range of mutual funds and endowment insurance. Agricultural customers are offered business accounts, forestry accounts and investment accounts. In 2003, the Internet share trading service was expanded with the possibility to trade in shares on the Aktietorget and New Markets lists and with trading in convertibles and subscription rights.

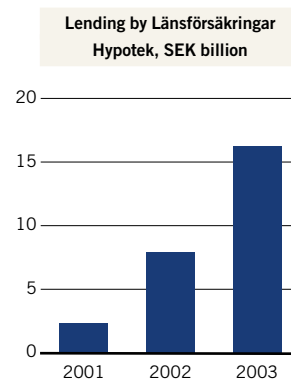
Payments

Länsförsäkringar's payment services serve as the hub for managing full-service customers' banking transactions and daily finances. At year-end 2003, Länsförsäkringar had 67,641 (47,648) cards in issue, of which 64% (53) were MasterCards. The

MasterCard bank card is the card type that is growing the fastest. MasterCard increased by 70% in 2003, while the total stock of cards grew by 42%.

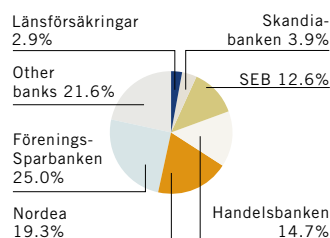
Lending

Länsförsäkringar offers mortgage loans for private homes, tenant-owned apartments and leisure homes, and consumer credit. Since the launch of Länsförsäkringar Hypotek at the end of 2001, housing and lending have comprised an important growth area. Improvements and efficiency enhancements have led to considerably shorter processing times for loans, thus providing customers with better service. This, combined with one of the best mortgage rates in the market, comprises one of Länsförsäkringar's most important competitive factors in the mortgage market. During the autumn of 2003, mortgage rates for tenant-owned apartments and leisure homes were brought in line with mortgage rates for private homes, strengthening Länsförsäkringar's value-for-money complete mortgage offering.

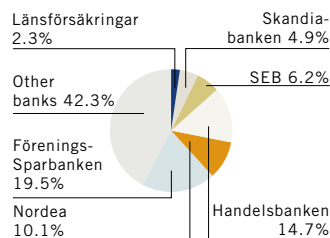


Mortgage loans by Länsförsäkringar Hypotek rose by 106%, or SEK 8.4 billion, in 2003.

Market share, deposits from households, December 2003



Market share, lending to households, December 2003



Total lending to households in the Bank Group amounted to SEK 30 billion in 2003. Deposits from households amounted to SEK 17 billion.



► BANK

Rating

Standard & Poor's reiterates Länsförsäkringar Bank's credit rating of K1 for short-term borrowing in the Swedish market and BBB+ for long-term borrowing. According to Standard & Poor's, the rating reflects the bank's strategic importance within Länsförsäkringar, the strong capital adequacy, the favorable quality of the loan portfolio and the solid financial base.

Borrowing program

As the bank and mortgage lending grows, so does the need to raise funds by borrow-

ing in the financial markets. Investor relations and financing are a priority for 2004.

By acting in several markets, developing existing loan programs and entering into new loan programs and financing solutions, the bank aims to develop its external borrowing so that more players can invest in Länsförsäkringar's securities.

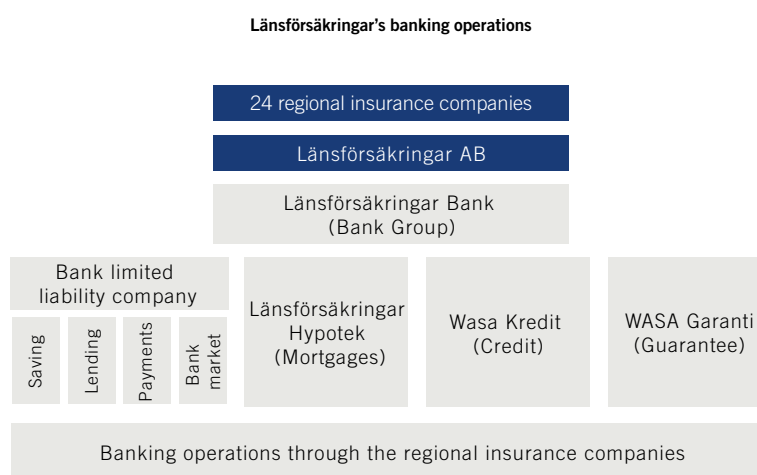
The bank's borrowing program comprises a commercial paper program, an MTN program and a syndicated credit facility. The MTN program was issued in January 2003. The syndicated credit facility, signed in July 2003, is divided into a

term loan and a revolving credit. The bank received a capital contribution of SEK 1,600 M during the year.

SEK M

Deposits	17,013
Certificates	3,416
Bonds*	5,311
Other borrowing	1,141
Syndicated loans	817
Debenture loans	1,050
Shareholders' equity	1,932

*(Included in the MTN program)



Länsförsäkringar Hypotek AB

Länsförsäkringar Hypotek finances private homes, tenant-owned apartments and leisure homes. Since their launch in 2001, mortgage operations have shown a very positive development. Housing loans increased by 106% to SEK 16 billion during the year, with the number of mortgages totaling about 40,000. Länsförsäkringar Hypotek generated operating income of SEK 50 M (36) and market share amounted to about 2%. Housing loans and the development of attractive offers for these customers will continue to be a priority area during 2004.

Wasa Kredit AB

Wasa Kredit is a finance company offering leasing, installment plans and unsecured loans. The primary markets are cars, computers, leisure equipment and engineering machinery. Operating income for Wasa Kredit amounted to SEK 63 M (54). The lending volume at year-end amounted to SEK 7 billion and the company had 112,100 customers.

WASA Garanti Försäkrings AB

WASA Garanti (scheduled for liquidation during 2004) works with risk commitment run-off activities in the areas of credit guarantees and rental loss insurance. The company also handles claims that arose during the real estate crisis of the early 1990s. In addition, the company has a stock of leasing guarantees. These declined faster than expected during the year. Income before appropriations and tax amounted to SEK 18 M (24).

The best-value bank and the most loyal bank customers

Länsförsäkringar's bank customers are among the most satisfied in Sweden, according to the 2003 Swedish Quality Index. Länsförsäkringar achieved a Customer Satisfaction Index of 71, compared with the average of 68 for all Swedish banks. The survey measures customers' satisfaction based on their overall experience of the bank, in relation both to their own expectations and to an "ideal bank".

According to the survey, 82% of bank customers would choose Länsförsäkringar again. Three out of four customers perceive Länsförsäkringar's products and services as being good value for money. Länsförsäkringar has the highest score of all banks in this respect. Satisfied customers are one of the most essential criteria for a successful bank.



Mutual funds

The much awaited recovery of the global stock markets emerged in 2003. The global economy, led by the US, showed clear signs of recovery during the autumn of 2003. Stockholmsbörsen (Stockholm Exchange) rose by nearly 30% and the global index also rose considerably during the year. For Swedish investors, however, the sharp fall in the USD affected many foreign investments negatively.

In 2003, net saving in Swedish mutual funds amounted to almost SEK 70 billion. Savers returned to equity funds during the second half of the year after having placed a large portion of their regular savings in fixed-income funds for a period.

Länsförsäkringar's mutual funds are managed by Länsförsäkringar Fondförvaltning AB, which was a fellow subsidiary of Länsförsäkringar Bank up until year-end. Effective January 1, 2004, Länsförsäkringar Fondförvaltning AB is a wholly owned subsidiary of Länsförsäkringar Bank AB. Since June 2002, portfolio management has been handled by the global Dutch asset management firm ABN AMRO and its Swedish subsidiary Alfred Berg Kapitalförvaltning. Of Länsförsäkringar's 36 mutual funds, 34 yielded a positive return, although many failed to outperform their benchmark index.

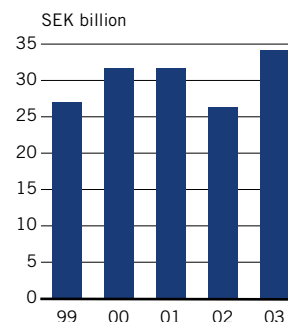
The Small Company Fund reported the best performance, rising by 47%. The fund with the poorest performance was the North America Fund, which declined in value by almost 3%, mainly due to the weak USD. The stable trend for Läns-

försäkringar's fixed-income funds continued during 2003. The fixed-income funds were favored by a decline in both short and long-term interest rates during the first six months of the year. Of the fixed-income funds, the Bond Fund reported the best performance, rising by 3.9% during the year. Market share amounted to 3.9%.

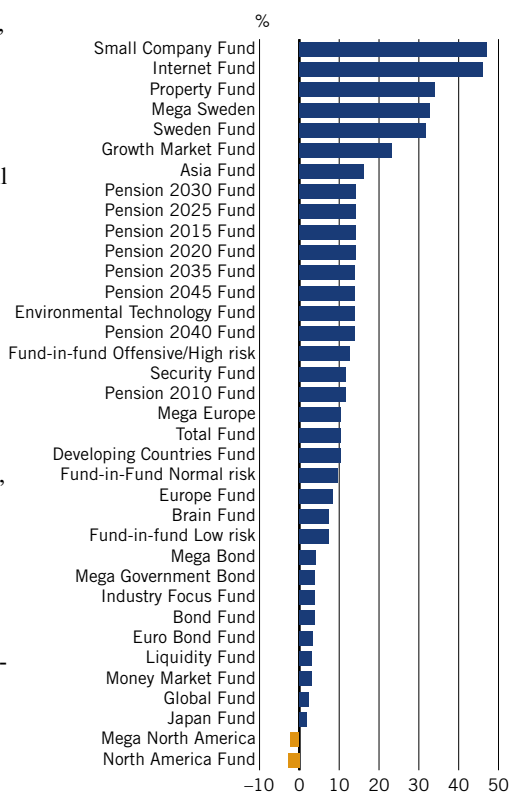
Mutual funds comprise a growing part of Länsförsäkringar's savings offering, regardless of whether customers invest in funds directly or through unit-linked insurance. Länsförsäkringar aims to offer customers straightforward, packaged mutual fund solutions, and is investing considerable efforts in developing a "fund-in-fund" concept. The three "fund-in-fund" mutual funds have different risk levels – low, normal and offensive/high. From January 2004, the "fund-in-fund" mutual funds will also be able to invest in a selection of ABN AMRO's funds.

Until December 31, 2003, customers who chose Länsförsäkringar for their defined-contribution pension savings had free survivors' benefits covering the capital saved in Länsförsäkringar's funds through defined-contribution pension plans. From January 2004, these survivors' benefits were replaced with a new offering. Customers who have both their occupational pension and their defined-contribution pension savings with Länsförsäkringar are given free survivors' benefits for their defined-contribution pension savings up until the end of 2006.

Assets under management



Fund performance during 2003





LÄNSFÖRSÄKRINGAR NORRBOTTEN

Managing Director
Kjell Lindfors

Population: 255,000
Number of companies: 17,500

Board Chairman
Lars Karbin



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	24	-38
Total assets, SEK M	425	397
Solvency margin, %	91	85
Average number of employees	60	62
Bank		
Deposits, SEK M	124	108
Lending, SEK M	316	154
Lending on commission basis, SEK M	113	142
Number of customers	4,900	4,500
Mutual funds		
Market value, SEK M	26	22
Gross sales, SEK M	3	2
Number of customers	800	900
Life assurance		
Premium income, SEK M	98	123
Total insurance capital, SEK M	1,409	1,466
Number of customers	14,000	13,000
Non-life insurance		
Premium income, SEK M	203	167
Underwriting result, SEK M	21	2
Combined ratio after ceded reinsurance, %	86	104
Total yield on asset management, %	5	-11
Number of customers	47,000	48,100

LÄNSFÖRSÄKRINGAR VÄSTERBOTTEN

Managing Director
Rutger Arnesson

Population: 256,000
Number of companies: 19,000

Board Chairman
Anders Nilsson



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	118	-107
Total assets, SEK M	1,390	1,233
Solvency margin, %	253	252
Average number of employees	135	133
Bank		
Deposits, SEK M	660	560
Lending, SEK M	887	570
Lending on commission basis, SEK M	143	188
Number of customers	11,900	10,400
Mutual funds		
Market value, SEK M	77	65
Gross sales, SEK M	17	13
Number of customers	2,500	2,400
Life assurance		
Premium income, SEK M	276	273
Total insurance capital, SEK M	2,768	2,590
Number of customers	25,300	24,200
Non-life insurance		
Premium income, SEK M	367	312
Underwriting result, SEK M	31	19
Bonuses and discounts, SEK M	-25	-21
Combined ratio after ceded reinsurance, %	94	97
Total yield on asset management, %	13	-9
Number of customers	92,500	90,200

LÄNSFÖRSÄKRINGAR JÄMTLAND

Managing Director
Sören Westin

Board Chairman
Arne Normann

Population: 130,000
Number of companies: 10,500



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	57	-64
Total assets, SEK M	729	659
Solvency margin, %	197	199
Average number of employees	87	79
Bank		
Deposits, SEK M	307	267
Lending, SEK M	691	364
Lending on commission basis, SEK M	169	232
Number of customers	6,900	5,900
Mutual funds		
Market value, SEK M	24	18
Gross sales, SEK M	5	3
Number of customers	1,200	1,200
Life assurance		
Premium income, SEK M	103	110
Total insurance capital, SEK M	1,384	1,337
Number of customers	13,000	12,400
Non-life insurance		
Premium income, SEK M	255	215
Underwriting result, SEK M	22	-4
Combined ratio after ceded reinsurance, %	95	107
Total yield on asset management, %	10	-7
Number of customers	55,600	54,400

LÄNSFÖRSÄKRINGAR VÄSTERNORRLAND

Managing Director
Anders Hörnfeldt

Board Chairman
Anders Källström

Population: 245,000
Number of companies: 16,500



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	17	-78
Total assets, SEK M	702	653
Solvency margin, %	134	150
Average number of employees	98	97
Bank		
Deposits, SEK M	349	301
Lending, SEK M	283	156
Lending on commission basis, SEK M	69	93
Number of customers	7,200	6,500
Mutual funds		
Market value, SEK M	58	44
Gross sales, SEK M	13	8
Number of customers	26,400	27,700
Life assurance		
Premium income, SEK M	170	192
Total insurance capital, SEK M	2,485	2,422
Number of customers	20,400	19,600
Non-life insurance		
Premium income, SEK M	340	278
Underwriting result, SEK M	3	-13
Combined ratio after ceded reinsurance, %	105	109
Total yield on asset management, %	10	-9
Number of customers	66,200	64,700

LÄNSFÖRSÄKRINGAR GÄVLEBORG

Managing Director
Birger Lövgren

Board Chairman
Kjell Stafström

Population: 278,000
Number of companies: 17,200



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	33	-93
Total assets, SEK M	627	588
Solvency margin, %	101	106
Average number of employees	105	95
Bank		
Deposits, SEK M	375	303
Lending, SEK M	545	307
Lending on commission basis, SEK M	62	78
Number of customers	7,700	6,600
Mutual funds		
Market value, SEK M	42	33
Gross sales, SEK M	6	6
Number of customers	1,600	1,600
Life assurance		
Premium income, SEK M	181	189
Total insurance capital, SEK M	2,249	2,185
Number of customers	23,800	23,200
Non-life insurance		
Premium income, SEK M	283	228
Underwriting result, SEK M	16	-29
Combined ratio after ceded reinsurance, %	96	119
Total yield on asset management, %	6	-11
Number of customers	73,900	72,300

DALARNAS FÖRSÄKRINGSBOLAG

Managing Director
Anders Stigers

Board Chairman
Bengt Gabrils

Population: 277,000
Number of companies: 18,500



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	176	-703
Total assets, SEK M	2,847	2,501
Solvency margin, %	290	282
Average number of employees	204	192
Bank		
Deposits, SEK M	760	630
Lending, SEK M	1,419	810
Lending on commission basis, SEK M	213	268
Number of customers	15,800	14,000
Mutual funds		
Market value, SEK M	86	69
Gross sales, SEK M	15	13
Number of customers	4,200	4,300
Life assurance		
Premium income, SEK M	287	303
Total insurance capital, SEK M	3,495	3,147
Number of customers	31,400	30,300
Non-life insurance		
Premium income, SEK M	728	650
Underwriting result, SEK M	-26	0
Bonuses and discounts, SEK M	-30	-78
Combined ratio after ceded reinsurance, %	109	105
Total yield on asset management, %	12	-24
Number of customers	142,200	140,000

LÄNSFÖRSÄKRINGAR VÄRMLAND

Managing Director
Ulf W Eriksson

Board Chairman
Patrik Sandin

Population: 275,000
Number of companies: 19,000



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	40	-36
Total assets, SEK M	849	840
Solvency margin, %	108	119
Average number of employees	87	86
Bank		
Deposits, SEK M	242	212
Lending, SEK M	331	244
Lending on commission basis, SEK M	65	82
Number of customers	5,600	5,200
Mutual funds		
Market value, SEK M	43	35
Gross sales, SEK M	5	9
Number of customers	1,200	1,300
Life assurance		
Premium income, SEK M	151	151
Total insurance capital, SEK M	1,959	1,906
Number of customers	19,700	18,200
Non-life insurance		
Premium income, SEK M	364	294
Underwriting result, SEK M	27	-3
Combined ratio after ceded reinsurance, %	95	106
Total yield on asset management, %	4	-2
Number of customers	75,900	74,300

LÄNSFÖRSÄKRINGAR UPPSALA

Managing Director
Ann-Christin Norrström

Board Chairman
Björn Sundell

Population: 287,000
Number of companies: 20,500



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	65	-211
Total assets, SEK M	1,233	1,138
Solvency margin, %	162	174
Average number of employees	153	146
Bank		
Deposits, SEK M	697	585
Lending, SEK M	1,056	523
Lending on commission basis, SEK M	407	511
Number of customers	12,100	10,800
Mutual funds		
Market value, SEK M	97	78
Gross sales, SEK M	22	22
Number of customers	4,200	4,300
Life assurance		
Premium income, SEK M	300	362
Total insurance capital, SEK M	3,982	3,780
Number of customers	33,200	31,600
Non-life insurance		
Premium income, SEK M	445	410
Underwriting result, SEK M	1	-66
Combined ratio after ceded reinsurance, %	106	125
Total yield on asset management, %	10	-11
Number of customers	94,100	93,600

LÄNSFÖRSÄKRINGAR BERGSLAGEN

Managing Director
Jan Karlsson

Population: 535,000
Number of companies: 31,600

Board Chairman
Frans-Henrik Schartau



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	65	-199
Total assets, SEK M	1,497	1,465
Solvency margin, %	163	184
Average number of employees	218	204
Bank		
Deposits, SEK M	679	579
Lending, SEK M	1,136	618
Lending on commission basis, SEK M	289	382
Number of customers	13,500	12,300
Mutual funds		
Market value, SEK M	118	97
Gross sales, SEK M	19	41
Number of customers	2,900	3,000
Life assurance		
Premium income, SEK M	502	438
Total insurance capital, SEK M	4,804	4,577
Number of customers	36,800	34,600
Non-life insurance		
Premium income, SEK M	572	477
Underwriting result, SEK M	-6	-51
Combined ratio after ceded reinsurance, %	105	116
Total yield on asset management, %	8	-9
Number of customers	115,600	114,700

LÄNSFÖRSÄKRINGAR STOCKHOLM

Managing Director
Carl Dahlberg

Population: 1,850,000
Number of companies: 189,000

Board Chairman
Bengt Ljungqvist



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	112	-314
Total assets, SEK M	2,630	2,204
Solvency margin, %	51	51
Average number of employees	504	495
Bank		
Deposits, SEK M	3,708	3,469
Lending, SEK M	3,172	1,677
Lending on commission basis, SEK M	1,021	1,260
Number of customers	60,000	59,100
Mutual funds		
Market value, SEK M	499	509
Gross sales, SEK M	61	162
Number of customers	10,900	11,900
Life assurance		
Premium income, SEK M	1,993	1,971
Total insurance capital, SEK M	32,009	28,943
Number of customers	143,100	132,700
Non-life insurance		
Premium income, SEK M	1,577	1,325
Underwriting result, SEK M	45	-97
Combined ratio after ceded reinsurance, %	103	112
Total yield on asset management, %	9	-9
Number of customers	243,600	245,000

LÄNSFÖRSÄKRINGAR SÖDERMANLAND

Managing Director
Anna-Greta Lundh

Board Chairman
Axel von Stockenström

Population: 260,000
Number of companies: 15,500



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	91	-93
Total assets, SEK M	970	853
Solvency margin, %	162	155
Average number of employees	110	106
Bank		
Deposits, SEK M	416	342
Lending, SEK M	906	538
Lending on commission basis, SEK M	121	160
Number of customers	8,600	7,500
Mutual funds		
Market value, SEK M	53	43
Gross sales, SEK M	11	11
Number of customers	1,900	1,900
Life assurance		
Premium income, SEK M	165	167
Total insurance capital, SEK M	2,178	2,060
Number of customers	20,200	19,200
Non-life insurance		
Premium income, SEK M	376	356
Underwriting result, SEK M	35	-20
Combined ratio after ceded reinsurance, %	94	113
Total yield on asset management, %	10	-7
Number of customers	75,200	74,100

LÄNSFÖRSÄKRINGAR GÖTEBORG OCH BOHUSLÄN

Managing Director
Ingemar Larsson

Board Chairman
Bengt Wolfram

Population: 810,000
Number of companies: 66,000



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	148	-208
Total assets, SEK M	1,868	1,617
Solvency margin, %	116	118
Average number of employees	259	243
Bank		
Deposits, SEK M	1,016	853
Lending, SEK M	1,195	636
Lending on commission basis, SEK M	293	377
Number of customers	19,600	18,000
Mutual funds		
Market value, SEK M	295	264
Gross sales, SEK M	54	76
Number of customers	6,700	6,900
Life assurance		
Premium income, SEK M	836	798
Total insurance capital, SEK M	11,719	10,157
Number of customers	58,300	55,000
Non-life insurance		
Premium income, SEK M	813	733
Underwriting result, SEK M	56	2
Combined ratio after ceded reinsurance, %	95	103
Total yield on asset management, %	10	-12
Number of customers	170,400	163,900

LÄNSFÖRSÄKRINGAR SKARABORG

Managing Director
Carl Henrik Ohlsson

Population: 272,000
Number of companies: 16,900

Board Chairman
Hans Jonsson



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	70	-155
Total assets, SEK M	979	867
Solvency margin, %	133	136
Average number of employees	110	110
Bank		
Deposits, SEK M	436	372
Lending, SEK M	564	315
Lending on commission basis, SEK M	100	130
Number of customers	9,500	8,500
Mutual funds		
Market value, SEK M	128	110
Gross sales, SEK M	24	43
Number of customers	20,200	21,800
Life assurance		
Premium income, SEK M	163	172
Total insurance capital, SEK M	2,988	2,946
Number of customers	23,000	22,300
Non-life insurance		
Premium income, SEK M	400	356
Underwriting result, SEK M	0	-37
Combined ratio after ceded reinsurance, %	103	117
Total yield on asset management, %	12	-13
Number of customers	79,500	78,500

ÖSTGÖTA BRANDSTODSBOLAG

Managing Director
Anders Östryd

Population: 415,000
Number of companies: 23,700

Board Chairman
Sten Eklöf



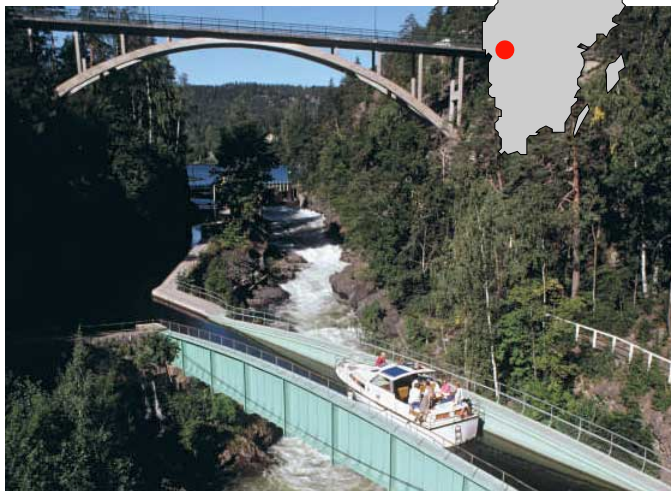
KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	119	-513
Total assets, SEK M	2,562	2,321
Solvency margin, %	252	266
Average number of employees	268	259
Bank		
Deposits, SEK M	1,489	1,202
Lending, SEK M	1,145	565
Lending on commission basis, SEK M	282	370
Number of customers	31,200	28,400
Mutual funds		
Market value, SEK M	100	72
Gross sales, SEK M	22	15
Number of customers	4,400	4,300
Life assurance		
Premium income, SEK M	520	489
Total insurance capital, SEK M	4,367	4,069
Number of customers	44,500	41,500
Non-life insurance		
Premium income, SEK M	759	652
Underwriting result, SEK M	-5	-18
Bonuses and discounts, SEK M	-41	-52
Combined ratio after ceded reinsurance, %	104	108
Total yield on asset management, %	11	-16
Number of customers	161,900	156,800

LÄNSFÖRSÄKRINGAR ÄLVSBORG

Managing Director
Jan Fager

Population: 450,000
Number of companies: 31,000

Board Chairman
Fredrik Waern



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	102	-248
Total assets, SEK M	2,043	1,850
Solvency margin, %	213	227
Average number of employees	211	214
Bank		
Deposits, SEK M	1,086	897
Lending, SEK M	1,566	890
Lending on commission basis, SEK M	426	604
Number of customers	19,700	17,900
Mutual funds		
Market value, SEK M	140	115
Gross sales, SEK M	18	25
Number of customers	45,700	50,300
Life assurance		
Premium income, SEK M	304	320
Total insurance capital, SEK M	4,473	4,329
Number of customers	37,800	35,800
Non-life insurance		
Premium income, SEK M	715	607
Underwriting result, SEK M	29	-28
Combined ratio after ceded reinsurance, %	98	110
Total yield on asset management, %	6	-10
Number of customers	142,000	139,300

LÄNSFÖRSÄKRINGAR GOTLAND

Managing Director
Bengt Wicksén (tf)

Population: 58,000
Number of companies: 4,400

Board Chairman
Gösta af Petersens



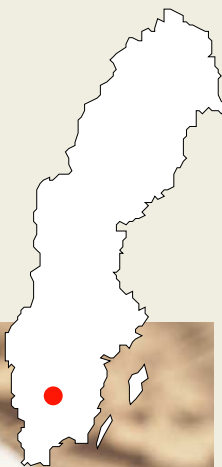
KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	51	-76
Total assets, SEK M	486	422
Solvency margin, %	309	340
Average number of employees	34	32
Bank		
Deposits, SEK M	208	174
Lending, SEK M	479	307
Lending on commission basis, SEK M	135	166
Number of customers	4,200	3,500
Mutual funds		
Market value, SEK M	12	9
Gross sales, SEK M	3	2
Number of customers	800	900
Life assurance		
Premium income, SEK M	32	37
Total insurance capital, SEK M	411	367
Number of customers	5,800	5,300
Non-life insurance		
Premium income, SEK M	115	101
Underwriting result, SEK M	7	-11
Combined ratio after ceded reinsurance, %	97	118
Total yield on asset management, %	13	-15
Number of customers	25,500	24,600

LÄNSFÖRSÄKRINGAR JÖNKÖPING

Managing Director
Johan Svedberg

Board Chairman
Evert Svensson

Population: 312,000
Number of companies: 19,200



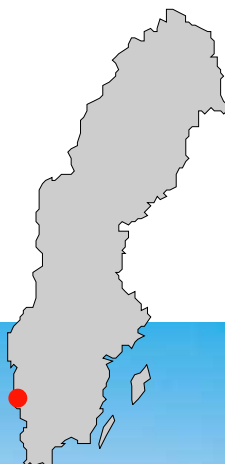
KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	134	-179
Total assets, SEK M	1,502	1,277
Solvency margin, %	149	151
Average number of employees	155	157
Bank		
Deposits, SEK M	674	535
Lending, SEK M	803	366
Lending on commission basis, SEK M	196	250
Medelantal kunder	11,800	10,100
Mutual funds		
Market value, SEK M	68	51
Gross sales, SEK M	14	12
Number of customers	2,700	2,500
Life assurance		
Premium income, SEK M	302	302
Total insurance capital, SEK M	4,058	3,853
Number of customers	31,100	29,000
Non-life insurance		
Premium income, SEK M	576	489
Underwriting result, SEK M	20	-41
Combined ratio after ceded reinsurance, %	99	113
Total yield on asset management, %	14	-10
Number of customers	114,200	112,200

LÄNSFÖRSÄKRINGAR HALLAND

Managing Director
Mats Ericsson

Board Chairman
Johan Lilliehöök

Population: 280,000
Number of companies: 20,100



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	118	-232
Total assets, SEK M	1,215	1,052
Solvency margin, %	215	225
Average number of employees	129	126
Bank		
Deposits, SEK M	768	617
Lending, SEK M	1,678	892
Lending on commission basis, SEK M	219	338
Number of customers	15,000	12,600
Mutual funds		
Market value, SEK M	106	77
Gross sales, SEK M	35	37
Number of customers	31,100	35,500
Life assurance		
Premium income, SEK M	229	300
Total insurance capital, SEK M	3,543	3,638
Number of customers	25,500	24,400
Non-life insurance		
Premium income, SEK M	388	313
Underwriting result, SEK M	34	-30
Combined ratio after ceded reinsurance, %	94	116
Total yield on asset management, %	11	-18
Number of customers	83,200	82,500

LÄNSFÖRSÄKRING KRONOBERG

Managing Director
Fredrik Daveby

Board Chairman
Per-Åke Holgersson

Population: 177,000
Number of companies: 13,800



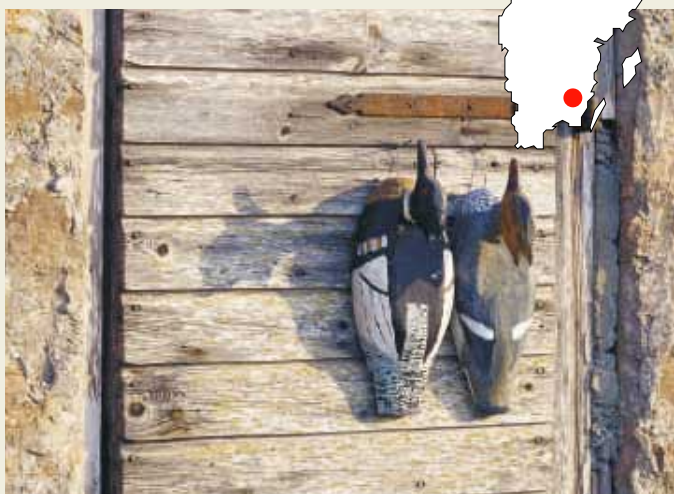
KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	44	-74
Total assets, SEK M	601	554
Solvency margin, %	125	126
Average number of employees	77	74
Bank		
Deposits, SEK M	318	264
Lending, SEK M	316	172
Lending on commission basis, SEK M	120	149
Number of customers	5,700	5,100
Mutual funds		
Market value, SEK M	38	30
Gross sales, SEK M	4	4
Number of customers	2,400	2,500
Life assurance		
Premium income, SEK M	189	193
Total insurance capital, SEK M	2,795	2,792
Number of customers	16,800	16,400
Non-life insurance		
Premium income, SEK M	266	224
Underwriting result, SEK M	13	-15
Combined ratio after ceded reinsurance, %	97	111
Total yield on asset management, %	10	-11
Number of customers	54,700	53,600

LÄNSFÖRSÄKRINGAR KALMAR LÄN

Managing Director
Lars B Danielsson

Board Chairman
Jan Peter Pontén

Population: 235,000
Number of companies: 15,200



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	79	-184
Total assets, SEK M	1,236	1,110
Solvency margin, %	222	242
Average number of employees	132	128
Bank		
Deposits, SEK M	336	283
Lending, SEK M	421	224
Lending on commission basis, SEK M	104	134
Number of customers	6,900	5,900
Mutual funds		
Market value, SEK M	49	33
Gross sales, SEK M	16	6
Number of customers	1,900	1,800
Life assurance		
Premium income, SEK M	214	253
Total insurance capital, SEK M	2,806	2,776
Number of customers	21,600	20,600
Non-life insurance		
Premium income, SEK M	426	359
Underwriting result, SEK M	7	-5
Bonuses and discounts, SEK M	-20	-29
Combined ratio after ceded reinsurance, %	100	105
Total yield on asset management, %	11	-12
Number of customers	91,000	87,700

BLEKINGE

LÄNSFÖRSÄKRINGSBOLAG

Managing Director
Jan Otterheim

Population: 150,000
Number of companies: 8,700

Board Chairman
Anders Åkesson



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	40	-115
Total assets, SEK M	546	482
Solvency margin, %	204	219
Average number of employees	59	60
Bank		
Deposits, SEK M	256	209
Lending, SEK M	405	197
Lending on commission basis, SEK M	115	147
Number of customers	5,200	4,600
Mutual funds		
Market value, SEK M	20	17
Gross sales, SEK M	5	4
Number of customers	1,200	1,200
Life assurance		
Premium income, SEK M	98	102
Total insurance capital, SEK M	1,526	1,397
Number of customers	11,200	10,300
Non-life insurance		
Premium income, SEK M	177	148
Underwriting result, SEK M	8	-23
Combined ratio after ceded reinsurance, %	99	123
Total yield on asset management, %	10	-17
Number of customers	47,700	47,400

LÄNSFÖRSÄKRINGAR

GÖINGE

Managing Director
Klas von Celsing

Population: 76,000
Number of companies: 5,400

Board Chairman
Ingemar Kristiansson



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	39	-40
Total assets, SEK M	515	466
Solvency margin, %	252	257
Average number of employees	46	44
Bank		
Deposits, SEK M	167	137
Lending, SEK M	141	55
Lending on commission basis, SEK M	53	75
Number of customers	3,000	2,600
Mutual funds		
Market value, SEK M	23	17
Gross sales, SEK M	4	3
Number of customers	900	1,000
Life assurance		
Premium income, SEK M	63	64
Total insurance capital, SEK M	1,129	1,102
Number of customers	7,900	7,800
Non-life insurance		
Premium income, SEK M	146	130
Underwriting result, SEK M	2	-11
Combined ratio after ceded reinsurance, %	102	117
Total yield on asset management, %	11	-5
Number of customers	32,100	31,300

LÄNSFÖRSÄKRINGAR KRISTIANSTAD

Managing Director
Conny Famm

Board Chairman
Göran Trobro

Population: 87,000
Number of companies: 5,800



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	31	-58
Total assets, SEK M	477	427
Solvency margin, %	222	241
Average number of employees	49	48
Bank		
Deposits, SEK M	255	214
Lending, SEK M	340	171
Lending on commission basis, SEK M	99	125
Number of customers	4,400	3,900
Mutual funds		
Market value, SEK M	31	26
Gross sales, SEK M	4	5
Number of customers	1,000	1,000
Life assurance		
Premium income, SEK M	80	108
Total insurance capital, SEK M	1,076	1,089
Number of customers	8,800	8,400
Non-life insurance		
Premium income, SEK M	161	133
Underwriting result, SEK M	0	-16
Combined ratio after ceded reinsurance, %	103	119
Total yield on asset management, %	10	-10
Number of customers	37,200	36,300

LÄNSFÖRSÄKRINGAR SKÅNE

Managing Director
Jan Fock

Board Chairman
Gunnar Kinch

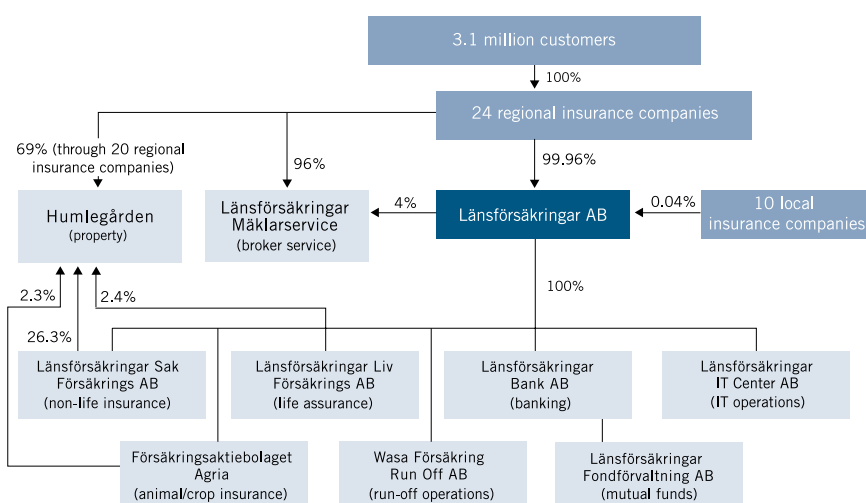
Population: 983,000
Number of companies: 76,000



KEY FIGURES	2003	2002
Income/loss before appropriations and tax, SEK M	201	-335
Total assets, SEK M	2,608	2,100
Solvency margin, %	106	104
Average number of employees	400	400
Bank		
Deposits, SEK M	838	695
Lending, SEK M	2,372	1,377
Lending on commission basis, SEK M	394	482
Number of customers	21,300	19,600
Mutual funds		
Market value, SEK M	213	198
Gross sales, SEK M	140	83
Number of customers	5,700	6,000
Life assurance		
Premium income, SEK M	816	711
Total insurance capital, SEK M	13,310	12,180
Number of customers	80,000	75,500
Non-life insurance		
Premium income, SEK M	1,163	933
Underwriting result, SEK M	62	-48
Combined ratio after ceded reinsurance, %	98	110
Total yield on asset management, %	11	-11
Number of customers	244,500	229,700

A strong year for the Länsförsäkringar Alliance's joint hub

Cooperation within the Länsförsäkringar Alliance takes place through Länsförsäkringar AB, which is jointly owned by the regional insurance companies, and its subsidiaries. Länsförsäkringar AB's basic task is to conduct and coordinate the joint strategic and development process within the Länsförsäkringar Alliance and to provide service to the regional insurance companies.



What once began as cooperation to provide the regional insurance companies with a common reinsurance facility has today developed into a comprehensive operation to take advantage of the economies of scale in banking and insurance. Reinsurance remains an important element. By spreading the risks of major damage claims between the regional insurance companies and Länsförsäkringar AB, a large portion of the reinsurance premium is kept within the Alliance. However, the assignment has been broadened and Länsförsäkringar AB today is a large development center and a financial group with operations in life assurance, accident insurance, third-party liability insurance, animal insurance and reinsurance, banking and mutual funds. Länsförsäkringar's extensive IT develop-

ment and business development, necessary to identify new ways of working that are to be supported by the new systems, are also coordinated from Länsförsäkringar AB. In addition to being responsible for service and development work, Länsförsäkringar AB also conducts certain business on its own account. However, the key element in Länsförsäkringar's business model is that responsibility for business should be exercised locally when a transaction is considered to be mature enough.

Regional insurance companies to write third-party liability insurance

All regional insurance companies have decided, starting in 2004, to expand their operations to also include third-party liability insurance. Länsförsäkringar Sak, which dealt with such policies previously, will now limit the issuance of new third-party

liability insurance policies to transactions on behalf of customers owning vehicles in several counties. This is the latest example of how Länsförsäkringar is strengthening its local concept and insurance principle to conduct business locally wherever possible.

Forms of ownership

Länsförsäkringar AB is 100% owned by the regional insurance companies and 10 local insurance companies. The shareholding is included in the net asset value of the regional insurance companies and the companies impose the same yield requirements on these shares as on listed shares and other investment assets. The ownership of Länsförsäkringar AB by the regional insurance companies, as well as the internal obligations as owners, are handled within the framework of a consortium, regulated by a consortium agreement.

Price performance of the Länsförsäkringar AB share

The regional insurance companies own shares in the joint company Länsförsäkringar AB. This is one of the cornerstones of the Alliance. Since 1999, the Länsförsäkringar AB share has increased in value by 18%.

NET ASSET VALUE OF THE LÄNSFÖRSÄKRINGAR AB SHARE

Year	1999	2000	2001	2002	2003
SEK	820	871	878	876	966

Earnings

Länsförsäkringar AB is a stable and profitable company. Since the stock market decline began in the spring of 2000, extensive measures have been taken to strengthen and develop the balance sheets in the Group and the subsidiaries. Strong efficiency-enhancing measures have been implemented with the aim of achieving lower cost levels in all areas than in comparable companies. In 2003, the expense ratio was significantly improved, amounting at year-end to 19% (24).

The Länsförsäkringar AB Group reported a pre-tax profit of SEK 750 M (34), primarily attributable to a strong underwriting result and continued efficiency-enhancing measures.

The technical result from non-life insurance operations totaled SEK 586 M (111). Within third-party liability insurance, the largest insurance sector, a loss of SEK 409 M (loss: 37) was reported. Premium increases were again implemented in 2003. Earnings were also impacted by altered assumptions for calculating claims annuities. Total investment income in 2003 amounted to SEK 898 M (801). An amount of SEK 699 M (755) was transferred to insurance operations.

Länsförsäkringar Bank generated a net profit of SEK 46 M (20) for 2003. Increased volumes contributed to greater profitability. Net profit from fund management increased to SEK 14 M (11). Länsförsäkringar Liv is not consolidated since

the company operates in accordance with mutual principles.

Consolidation

The net asset value of the Länsförsäkringar AB Group increased by SEK 747 M in 2003 to SEK 6,839 M. At December 31, 2003, the solvency margin was 147% (157).

KEY FIGURES

(Länsförsäkringar AB Group excluding life assurance operations)

SEK M	2003	2002
Premiums earned after ceded reinsurance	4,417	3,716
Investment income transferred from financial operations	699	755
Claims payments after ceded reinsurance	-3,750	-3,500
Operating expenses	-818	-885
Other revenues/expenses	37	25
Technical result, non-life insurance operations	586	111
Investment income, gross	898	801
Income before appropriations and tax	750	34

See pages 76–77 for the financial results of Länsförsäkringar AB's subsidiaries that conduct traditional life assurance, unit-linked insurance, banking and mutual fund operations.

Credit ratings for Länsförsäkringar

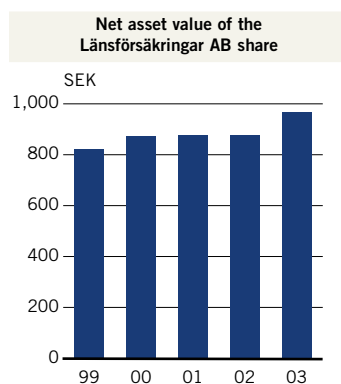
Credit ratings affect both Länsförsäkringar Sak's possibility to take out accepted reinsurance and the Länsförsäkringar AB Group's costs for raising funds in the capital markets.

The ratings reflect Länsförsäkringar's financial strength and the quality of earnings for 2003. Both Länsförsäkringar Sak and Länsförsäkringar AB were awarded the highest ratings among corresponding companies in the Nordic region.

RATINGS IN FEBRUARY 2004

Company	Institute	Rating
Länsförsäkringar AB	Standard & Poor's	A-/stable
Länsförsäkringar AB	Moody's	A3/stable
Länsförsäkringar Bank	Standard & Poor's	K1/BBB+/stable
Länsförsäkringar Sak	Standard & Poor's	A/stable
Länsförsäkringar Sak	Moody's	A2/stable
Agria Djurförsäkring	Standard & Poor's	A-/Pi ¹⁾

¹⁾ Pi means that the rating, for which there is no forecast, is based on public information such as annual reports.



The regional insurance companies own shares in the joint company Länsförsäkringar AB. The regional insurance companies place the same yield requirements on Länsförsäkringar AB as on listed shares and other investment assets. Since 1999, the share has increased in value by 18%.

Asset management in the joint companies

Responsibility for asset management within Länsförsäkringar lies with each of the regional insurance companies and Länsförsäkringar AB. Within Länsförsäkringar AB, there is a specialist function (below called “Asset Management”) that is responsible for asset management on behalf of the joint life assurance and non-life insurance companies, the mutual fund company, Agria Djurförsäkring (animal insurance) and several smaller Group companies.

An important element in creating competitive returns involves having a well-accepted decision-making process – an investment process – with distinct routines and interfaces. The investment process applied by Asset Management can be divided into decisions on two levels – strategic decisions and decisions relating to daily management.

Strategic decisions

An important strategic decision for each regional insurance company concerns the desired long-term allocation of assets. The long-term strategy is based on the visions and objectives for asset ownership, as outlined by the Boards of Directors of the companies in a number of policy documents, such as those dealing with ownership policy, solvency policy and debt-coverage policy. Asset Management calculates a long-term asset allocation by examining the risks in the assets and liabilities’ sides of the companies’ balance sheets and their co-variation – a process known as Asset Liability Management. Asset allocation is also subject to legal

restrictions and restrictions resulting from Länsförsäkringar’s visions and ownership objectives.

The long-term allocation of assets is summarized in the form of a benchmark portfolio showing the optimal long-term distribution of assets between asset classes, such as shares (listed and unlisted), interest-bearing securities, hedge funds and properties, to generate maximum yield. However, it is not always possible or optimal to invest in line with the long-term benchmark portfolio, for example due to risks in the balance sheet and in investment markets. In these situations, Asset Management calculates a shorter-term allocation of assets in the form of a normal portfolio that may deviate from the benchmark portfolio in certain respects. However, the objective is to return to the composition of the benchmark portfolio in the longer term.

Strategic decisions also include choosing a suitable management structure and types of managers.

Daily management

Länsförsäkringar AB has chosen to transfer the daily management of assets to a

number of external asset managers. ABN AMRO handles the management of the greater part of the equity and interest-bearing securities. To expose ABN AMRO to competition, a number of alternative managers – T Rowe Price, Aeltus, CDC and Lombard Odier – have been selected to manage a small percentage of the assets. Nordic Alternative Investment Advisors act as advisors for investments in unlisted shares and hedge funds, and the property portfolio is managed on behalf of the Länsförsäkringar Alliance mainly by the Humlegården real estate company.

The asset managers have been given well-defined assignments, with distinct risk levels and yield requirements set by Länsförsäkringar. The managers' task is to create the best possible return given the framework and guidelines they have received. This is achieved through active management, entailing that the composition of shares that a manager chooses for a portfolio may deviate from that in the portfolio's benchmark index.

Asset Management regularly reports yields and evaluation results to the Boards

of Directors and the management of each company. The management evaluation comprises regular qualitative and quantitative analysis of the asset managers and management results. Evaluation also includes meetings between specialists from Asset Management and the asset managers handling the daily management. The managers' adherence to prescribed frameworks and guidelines is also checked as part of the follow-ups.

Länsförsäkringar's prize-winning investment process

In November, Länsförsäkringar was awarded a prize for the Best Pension Fund in Sweden in 2003 by the leading magazine *Investment & Pensions Europe*. The selection committee praised the investment process, where Länsförsäkringar steers its portfolio internally, while daily management of the various classes of assets is handled by external specialists. In addition, the judges emphasized Länsförsäkringar's unique product range with three different types of management and Länsförsäkringar's ability and specialist expertise

within areas such as Asset Liability Management and Risk Management.

Cooperation with ABN AMRO

In the summer of 2002, Länsförsäkringar AB commenced a joint venture with ABN AMRO involving the ongoing management of the greater part of Länsförsäkringar's assets. Since ABN AMRO took over the asset management, the relative yield – the actual yield compared with the benchmark index – has improved.

For the largest management assignment – Länsförsäkringar Liv – ABN AMRO succeeded well with its short-term allocation of assets in 2003. European fixed-income securities and Swedish short-term interest-bearing securities also outperformed the index. US, European and Japanese equities are examples of portfolios that underperformed the index. Länsförsäkringar continually reviews the risk mandate for each type of management and makes amendments when such are deemed necessary.



External asset managers

Manager	Managed volume, SEK billion
ABN AMRO	114
T Rowe Price	1
Aeltus	1
CDC IXIS Asset Management	0.6
Lombard Odier Darier Hentsch	0.3

ABN AMRO Asset Management

ABN AMRO Asset Management is Länsförsäkringar's primary asset manager and manages the greater part of Länsförsäkringar's life assurance and mutual fund portfolios. ABN AMRO Asset Management, a separate division of the Dutch ABN AMRO Bank, manages assets on behalf of institutional investors such as central banks, pension funds and insurance companies, but also on behalf of private investors. ABN AMRO Bank is among the world's ten largest banks, with more than 100,000 employees. Asset Management is based in London and Amsterdam but also has large offices in Atlanta, Chicago, Hong Kong and Singapore. Asset Management is also represented through local offices on all continents.

The management agreement with ABN AMRO runs for ten years but may be terminated by Länsförsäkringar if the yield requirements are not achieved.

T Rowe Price

T Rowe Price of North America manages an equity portfolio on behalf of Länsförsäkringar Liv. The portfolio management concentrates mainly on North American equities, although the company possesses expertise of all major asset classes.

Aeltus Investment Management

Aeltus is another North American portfolio manager that manages an equity portfolio on behalf of Länsförsäkringar Liv. Aeltus is owned by the ING Group but acts as an independent company with responsibility for ING's North American equity strategies. The ING Group is a Dutch company with banking, insurance and asset management operations.

CDC IXIS Asset Management

CDC, a European asset management company, manages a European equity portfolio on behalf of Länsförsäkringar Liv. Asset Management is predominantly owned by Caisse d'Epargne (CNCE), a French savings bank, but also by the CDC Group, a government-owned institution.

Lombard Odier Darier Hentsch

Lombard Odier Darier Hentsch manages a European fixed-income portfolio on behalf of Länsförsäkringar Liv. The company is operated as a private partnership, entailing independent asset management since the company is not owned by a large financial company.

Nordic Alternative Investment Advisors

Nordic Alternative Investment Advisors advises Länsförsäkringar Liv, Länsförsäkringar Sak and Agria on private equity investments and investments in hedge funds. The company also offers advisory services to investors outside the Länsförsäkringar Alliance.

Property investments

Länsförsäkringar's real estate holdings comprise properties held by the individual regional insurance companies and those owned by a joint organization. Twenty regional insurance companies jointly own the Humlegården Fastigheter HB property company, with property holdings primarily concentrated in Stockholm city. In 2003, Humlegården and Länsförsäkringar Liv – which previously had separate organizations for property investments – formed a joint property management company that handles real estate investment and management on behalf of Humlegården Fastigheter HB and Länsförsäkringar Liv. The company also manages Länsförsäkringar AB's premises at Gärdet in Stockholm and Humlegården Slottsbacken. No profits accrue in the management company, but rather costs are covered from the various assignments.

Development of Länsförsäkringar Liv's portfolio

Prior to 2003, it was decided to reduce Länsförsäkringar Liv's portfolio and con-

centrate on office properties in Stockholm. The goal to sell real estate for SEK 2 billion in 2003 was achieved and payment was received on June 30, 2003. The portfolio is now concentrated on office property in Stockholm, a market that was weak during fiscal year 2003. Substantial vacancies arose in Länsförsäkringar Liv's properties in 2002 and 2003, partly because the life assurance operations previously located in Solna were transferred to Gärdet and partly because a few major tenants terminated their leases during the year. The property portfolio generated a total yield of 0.5%.

Development of the Humlegården portfolio

Humlegården sold properties with a market value of approximately SEK 450 M in connection with the divestment of Länsförsäkringar Liv's property portfolio. In addition, a couple of renovation projects were implemented in existing holdings. Yield amounted to 6.9% of subscribed capital (adjusted shareholders' equity).

Premises at Gärdet in Stockholm

The rebuilding and extension of Länsförsäkringar AB's premises at Gärdet in Stockholm is now complete. The market value of the premises is unchanged at approximately SEK 2 billion.

Humlegården Slottsbacken

During the year, an internal real estate fund was established, with Humlegården and five of the regional insurance companies as joint owners. The fund acquired a corner property located at Skeppsbron/Slottsbacken in Gamla Stan, central Stockholm, for approximately SEK 250 M. During its first year of business, the fund yielded a return of 9% of shareholders' equity.

Focus in 2004

Focus in 2004 will be on further refining the portfolio and making certain changes. Total returns are expected to be at approximately the same levels as in 2003.



Ownership issues

As representatives for customers with insurance or mutual fund savings with Länsförsäkringar, the company has the task of managing these savings in order to create maximum value. Länsförsäkringar is one of the larger institutional owners on Stockholmsbörsen without holding any major ownership interests in any single company. To gain influence, Länsförsäkringar therefore seeks active alliances with other large owners that share Länsförsäkringar's views on significant issues. The corporate governance policy presents Länsförsäkringar's view on important issues.

Corporate governance

The corporate governance policy contains guidelines on how Länsförsäkringar should exercise its ownership power in its capacity as representing insurance and mutual fund customers. The policy aims to create maximum value from asset management operations.

Länsförsäkringar may be a shareholder in companies even though important aspects of the relationship between the company and its shareholders are not applied in all respects. However, since the policy is intended to increase the value of the particular company, the ownership is affected by how the policy principles are applied.

Extract from Länsförsäkringar's corporate governance policy

- Nominating committees should put forward the names of prospective Board members and maximum efficiency can be achieved if the number of Board members is limited to 7–9 persons. The Board's relationship to the company, the management, groups of owners and other interested parties shall be characterized by independence.
- Nominating committees should consider each company's skills requirements and need for contacts and should seek widespread support for its proposals among

the shareholders. If a nominating committee is not appointed, the Chairman of the Annual General Meeting should report on how the proposals regarding Board members have been prepared, which considerations have been made and which contacts have been taken. If no nominating committee has been appointed, this makes it more difficult to evaluate the Board members.

- The Board of Directors and the management must provide correct and complete information on all issues that are relevant to the shareholders in order to ensure that the work of the Board is as transparent as possible.
- It is especially important that the interests of the executive management and the Board of Directors are in line with shareholder interests. Board members and executive management should therefore be shareholders. Incentive programs should be applied for executive management. There must be a clear link between pay and performance. A ceiling should be set to avoid unreasonably high remuneration. However, the outcome of option programs must not be dependent on general stock market trends. If synthetic constructions are chosen, the consequences of every conceivable outcome must be understood. Synthetic option programs should only be applied if the

persons covered by the program also hold shares in a closely related proportion to the extent of the program.

- The tasks of the nominating committee should also include determining the level of fees payable to Board members, including the evaluation of incentives programs and option programs as above.
- The Chairman of the Board should be elected by the Annual General Meeting.
- At the Annual General Meeting, the Managing Director should report on any commitments outside of the company and the time spent on such commitments.
- Ethics have a large influence on the functioning of capital markets. Each Board member therefore has a special responsibility to ensure that the company in question conducts its operations in such a manner that is in accordance with good ethics in all respects. Länsförsäkringar must also take ethics into consideration when electing Board members.
- The conduct of individual companies towards the external environment is also of major importance to the long-term welfare of the company in question and others. There is generally a high level of awareness of this. Länsförsäkringar avoids ownership in companies that consciously violate generally accepted principles.





► PERSONNEL

One of the most attractive employers in Sweden

Despite harsh criticism directed at the entire insurance industry in 2003, Länsförsäkringar has further improved its ranking in the list of Sweden's most attractive employers.

Länsförsäkringar is currently ranked sixth in the list of Sweden's most popular employers. This is an improvement on the preceding year, when Länsförsäkringar was ranked eleventh. The survey highlighted the following factors that make Länsförsäkringar so attractive:

- Länsförsäkringar takes care of its employees.
- Länsförsäkringar has a modern management style and corporate culture.
- Länsförsäkringar is a well-reputed corporate group within the industry.
- Länsförsäkringar offers career development opportunities.

The survey, conducted by Image Survey International, involved a questionnaire sent to decision makers in 250 companies. With one exception, Länsförsäkringar was ranked higher than its competitors in the insurance and financial sector.

“Rocket” ranking in student survey

Being able to attract the best employees in the future is a strategic issue for Länsförsäkringar. In a student survey called the “Corporate Barometer”, Länsförsäkringar was named the most attractive employer in the insurance industry. In addition to this top ranking, Länsförsäkringar was also singled out as a “Rocket” (that is, company that rose by at least 10 places since the preceding year). The “Corporate Barome-

ter”, which is conducted annually by Universum Communication, is a survey of attitudes among economics, technology and IT students towards future employees. A total of 7,000 students took part in the survey in 2003.

Länsförsäkringar's popularity as a prospective employer is partly a result of its strategic investment in trainee programs and active participation in labor market days and student activities. Efforts to strengthen Länsförsäkringar's image and popularity among this group were initiated in 2000.

Personnel

At year-end 2003, a total of 5,616 persons were employed in the Länsförsäkringar Alliance; 3,942 in the 24 regional insurance companies and Länsförsäkringar Mäklarservice and 1,674 in the jointly owned Länsförsäkringar AB. This represents a reduction of slightly more than 130 employees compared with the preceding year. During 2003, Länsförsäkringar continued its focus on employees through strategic skills development and leadership development and by looking at health in the workplace and raising knowledge of change management.

Strategic skills development

In the spring of 2003, a joint training department was set up in Länsförsäkringar. Coordinated training is a prerequisite for



the strategic skills development needed for the expansion of the Länsförsäkringar brand. Länsförsäkringar's business goals and strategies form the basis of the new training plans due to be compiled in 2004 for various personnel categories within non-life insurance, life assurance and banking.

The training department, which forms part of the jointly owned Länsförsäkringar AB, primarily supplies product training and management training. Training is now also offered onsite at the relevant company's premises, enabling greater cost efficiency. A total of 710 in-house training days were implemented in 2003.

Management training through international partners

Management training comprises one of Länsförsäkringar's selected areas in its partnership with Nordic Alliance (Länsförsäkringar, Tapiola, Gjensidige). Efforts have focused on trainee programs, training, development programs for young talent and management training for women. The aim of the partnership is to create an extensive network to exchange experience and enable benchmarking.

Membership in EurAPCo (European Alliance Partners Company) entitles Länsförsäkringar to take part in the annual development programs offered by Eureka Academy. Länsförsäkringar offers a Top Executive program, primarily targeting

Managing Directors and other senior managers. The Eureka Management Development Program (Eurekans) provides opportunities for younger managers, specialists and project managers to develop their management skills in an international environment together with participants from other EurAPCo companies.

Long-term healthcare initiatives pay off

Preventive healthcare initiatives are profitable in the long term and enhance Länsförsäkringar's status as an attractive employer. The preventive approach is an integral part of the insurance concept.

Procedures for regular investigation, intervention and follow-up regarding healthcare issues are beginning to take shape in Länsförsäkringar. Health at work is an important focus area within Länsförsäkringar and by introducing goals and action plans to the business plan, healthcare has been integrated in the organization.

Managers and employees in change process

During 2003, many employees and managers were involved in learning to implement changes in a successful manner. The focus on change processes was initiated in 2002. A change management model has been compiled and Länsförsäkringar can now offer its managers training in this

Employee statistics

The statistics relate to Länsförsäkringar AB, the 24 regional insurance companies and Länsförsäkringar Mäklarservice.

Total number of permanent employees at Dec 31	2003	2002
Women	3,008	3,106
Men	2,608	2,643
Total	5,616	5,749

Permanent employees who left during the year	357	338
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Permanent employees recruited during the year	308	492
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Future recruitment needs in the 24 regional insurance companies	120	185
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Average age	2003	2002
Women	42	44
Men	43	45

Age range	Number of employees 2003	2002
0–30 years	606	676
31–40 years	1,662	1,646
41–50 years	1,572	1,607
51–60 years	1,599	1,632
61–	223	218

Managers with staff responsibilities	2003	2002
Women	191	159
Men	425	412

	2003		2002	
Elected officers	Women	Men	Women	Men
Managing Director	6	28	6	26
Management teams	69	191	73	216
Board members	92	274	86	274
Assembly of delegates	302	1,183	289	1,172

Management team: includes union representatives
Board of Directors: regular members including union representatives
Delegates: Regular members

► PERSONNEL

area. This training has proved highly beneficial to managers in Länsförsäkringar's campaign to promote competitive and efficient life assurance operations. When implementing major changes, building networks and gaining the support of colleagues is essential.

The competition entails a need for rapid changes, leading to new skills requirements for employees and a will to try out new work duties. Employees are given support and guidance through various career development programs. Willingness to undergo changes is an important aspect of professional and personal development. These programs have also served

as tremendous support for employees made redundant as a result of organizational changes.

Cultural diversity in focus

As a predominant player in the local market, Länsförsäkringar must be able to satisfy the needs of all customers, regardless of ethnic background. Sustainable solutions are based on sustainable values. A staff survey has been conducted to gain an overall picture of staff attitudes towards cultural diversity. The objective of the survey is to obtain a clearer idea of how to proceed in the work on cultural diversity, based on where Länsförsäkringar stands today.

Average absence due to illness

Absence in 2003 due to illness is reported in accordance with a new model of calculation in compliance with the Annual Accounts Act (effective July 2003). Consequently, no comparison with absence due to illness in 2002 is shown.

2003	Total absence due to illness, %		Long-term sick leave ¹⁾ , %	
	Women	Men	Women	Men
29 years or younger	2.7	2.3	0.6	0.8
30–49 years	4.0	1.6	2.2	0.9
50 years or older	6.5	3.4	4.5	2.6
Total absence due to illness regardless of age and gender			3.7 %	
Long-term sick leave¹⁾ regardless of age and gender			3.0 %	

¹⁾ 60 days or more.



International cooperation benefits local customers

International cooperation enables Länsförsäkringar to develop its products and services to better meet customer needs. The regional insurance companies cooperate with other regional insurance companies and the jointly owned Länsförsäkringar AB to develop their customer offering and provide local service throughout Sweden. In the same way, Länsförsäkringar works with international partners to monitor developments and provide services for Swedish customers abroad.

The regional insurance companies provide customers in the Swedish market with local services of a high standard. Swedish customers – both private individuals and companies – are increasingly active abroad. Study, work and leisure take place in other countries to an increasing extent. Both large and small companies have operations outside Sweden. In the same way that a regional insurance company is expected to provide good insurance cover, claims service and advice throughout Sweden, customers must also be able to receive good service in other countries.

Increased travel requires that claims adjustment services are expanded to provide rapid assistance for travelers and vehicles involved in accidents in other countries. For acute situations, special resources are required. The number of claims that require specialist knowledge of foreign legislation is also increasing. Since 2003, Länsförsäkringar has been a major shareholder in SOS International, with a 12% interest.

Cooperative development

As a player in the non-life insurance, life assurance and banking markets in Swe-

den, Länsförsäkringar must study influences and innovations from other countries. A change is taking place across Europe, particularly with regard to health insurance and other traditional areas of social security. A trend seems to be emerging, whereby the involvement of the public sector is being defined more clearly and, in many cases, limited. This also provides increased openings for private insurance companies and greater clarity for customers, enabling them to evaluate their need for insurance to supplement the protection provided by society. A number of European companies have come a long way in this area. By learning from the experiences of others and possibly even developing products jointly, Länsförsäkringar can shorten development times for such products.

The most extensive insurance alliance is within the EurAPCo company (European Alliance Partners Company), formed in the autumn of 2000 to focus on development issues that can strengthen the participants in their own domestic markets. The Alliance comprises Eureko, Friends Provident, Länsförsäkringar, MAAF, Gothaer, Swiss Mobiliar and Topdanmark. In total, the companies in the Alliance



have a premium income of EUR 28 billion and employ more than 57,000 persons.

Länsförsäkringar is also a member of the Nordic Alliance. The Alliance, formed in the early 1990s, is based on a close exchange of experience and benchmarking among mutual insurance companies. The cooperation between Gjensidige NOR, Länsförsäkringar and Tapiola – which also includes bank issues – was activated further in 2003.

International cooperation also provides greater opportunities to influence the decision makers in Europe. The resources Länsförsäkringar has established as a result of representation in Brussels have proved highly beneficial for its partners, and have been strengthened through cooperation. The international alliances also provide professional development opportunities through international training programs, exchange activities and opportunities to work abroad for temporary periods. It is also important that personnel at Länsförsäkringar have an understanding of the conditions prevailing in other countries in order to keep up with international developments and provide their customers with high-quality international service.

EU directive entails simpler claims adjustment for traffic accidents abroad

The provisions of the Fourth Motor Insurance Directive require all issuers of motor insurance within the EU, the EEA (Norway, Iceland and Lichtenstein) and Switzerland to protect their customers' interests. For example, a person who is hit by a car and injured in any of the above countries may now travel home and have his claim adjusted in his home country and in his native language via a representative of the foreign insurance company. The representative adjusts the claim on the foreign insurer's account in accordance with the regulations that apply in the country in which the claim was incurred. The claimant avoids having to deal directly with a foreign insurance company in a foreign language. Corresponding rules apply for citizens from other countries within the EU/EEA who have been injured during their stay in Sweden.

Länsförsäkringar's policyholders are used to receiving help and assistance, even when the damage is caused by an external party. However, it is important to inform them of this new right. The directive is especially important for people who are injured when they are not travelling in a Swedish car, such as pedestrians, cyclists or passengers in foreign cars.

Each insurance company within the EU/EEA has therefore appointed a claims representative in other member states. Foreign insurance companies must thus appoint representatives in Sweden, and Swedish insurance companies must correspondingly appoint representatives in all other countries in the EU/EEA.

A single European insurance market – an eternal dream?

This year, the European Commission is concluding its five-year development program to create a single European market for financial services. Much has been done within the scope of the program, especially in terms of creating a single capital market. However, the step from this to foreign companies setting up in Sweden on a broad front is a large one.

Insurance has proved to be one of the most complicated areas with regard to cross-border trade. This is because insurance is subject to exceptionally extensive and detailed national regulation and it has proved very difficult to date to coordinate these regulations. Since it has proved so difficult to proceed through coordination, the European Commission has gradually initiated another strategy to achieve a single market: mutual recognition. This entails that member states accept limited harmonization but accept each other's rules. For example, an insurance company in France or Malta would be able to sell its policies in Sweden based on its own national regulations regarding marketing, consumer protection, insurance contracts, etc. In other words, the company does not

have to comply with Swedish regulations in order to operate in Sweden.

This obviously benefits the insurance companies as it facilitates access to a larger market. However, on the other hand, it places greater requirements on consumers to understand what they are buying and the terms of the purchase. With the Swedish regulations alone, insurance is already viewed as an incomprehensible product.

Sweden is relatively "highly regulated". Swedish customers thus risk negative surprises when they buy insurance from a "less regulated" country and discover that the rules that they are used to do not apply. For Swedish insurance companies, there is also a risk that they will compete on unfair grounds in their domestic market.

A specific example of this trend is the common marketing rules proposed by the European Commission. The Consumer Ombudsmen in the Nordic countries have jointly protested against these proposals on the grounds that they would lead to a lower level of protection for Nordic consumers than at present and it would not be possible to take action against advertisements made by other countries.

Insuring companies abroad

Insuring a company's operations outside Sweden is often subject to other regulations than those that apply in Sweden. The package solutions for commercial customers in Sweden are very different from those abroad. Extensive expertise is required to create a customized solution that corresponds to Swedish insurance.

In most countries, it is forbidden to take out insurance from companies that are not licensed in the country in question. In other countries, insurance premiums are subject to taxation. In addition, in some countries the company must take out insurance that is regarded as social insurance in Sweden, such as industrial injury insurance, but which is compulsory abroad and is available from regular insurance companies. Examples of such can be seen in countries as close as Denmark, Norway and Finland.

Through the International Network of Insurance (INI), Länsförsäkringar is able to arrange local non-life insurance in almost all parts of the world, giving customers the same level of cover as in Sweden.

Through the EurAPCo alliance, Länsförsäkringar can also assist commercial customers who plan to send employees to work abroad for shorter or extended periods. Customers can obtain information regarding the extent to which the employee is covered by the Swedish social insurance system and regarding terms of insurance in other countries. Through simple, direct contact with Länsförsäkringar's partners within the EurAPCo alliance, the company can arrange insurance cover for the employee during his work placement abroad.



	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland	Göteborg och Bohuslän	Skaraborg
NON-LIFE INSURANCE (INCLUDING BANK AND MUTUAL FUNDS), SEK M													
INCOME (after ceded reinsurance) 2003													
Premiums earned	110	324	218	258	247	557	308	386	513	1,363	319	717	334
Investment income transferred from financial operations	5	10	11	15	7	23	10	24	16	86	17	18	9
Claims payments	-80	-235	-148	-211	-185	-481	-233	-332	-439	-1,107	-239	-518	-274
Operating expenses	-14	-68	-58	-60	-53	-125	-58	-77	-96	-297	-62	-161	-69
Other revenues/expenses													
Technical result from non-life insurance operations before bonuses and discounts	21	31	22	3	16	-26	27	1	-6	45	35	56	0
Bonuses and discounts		-25				-30							
Technical result, non-life insurance operations	21	6	22	3	16	-56	27	1	-6	45	35	56	0
Total investment income	13	130	48	45	30	264	26	93	94	160	75	125	87
Investment income transferred to insurance operations	-5	-10	-11	-15	-7	-23	-10	-24	-16	-86	-17	-18	-9
Operating income from mutual fund operations													
Operating income from banking operations													
Other revenues/expenses	-5	-8	-1	-16	-6	-9	-3	-5	-7	-7	-2	-15	-8
Operating income	24	118	57	17	33	176	40	65	65	112	91	148	70
Balance sheet, Dec 31, 2003													
ASSETS													
Investment assets													
Shares and participations ¹⁾	110	513	308	322	308	1,612	190	594	764	945	540	818	404
Bonds and other interest-bearing securities	72	90	170	100	99	586	272	338	358	1,103	241	389	232
Other investment assets	69	590	78	82	77	123	241	87	200	10	19	161	133
Total investment assets	251	1,193	556	504	484	2,321	703	1,019	1,322	2,058	800	1,368	769
Reinsurers' portion of technical reserves	77	37	53	84	17	223	38	79	17	121	68	136	86
Bank Group assets													
Other assets	97	160	120	114	126	303	108	135	158	451	102	364	124
Total assets	425	1,390	729	702	627	2,847	849	1,233	1,497	2,630	970	1,868	979
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES													
Shareholders' equity	38	379	175	109	58	901	266	229	444	322	189	185	200
Untaxed reserves	60	344	208	186	162	636		375	308	308	294	644	210
Technical reserves (before ceded reinsurance)	247	359	268	329	271	977	355	501	536	1,615	383	815	460
Bank Group liabilities													
Other liabilities	80	308	78	78	136	333	228	129	209	385	104	224	110
Total shareholders' equity, provisions and liabilities	425	1,390	729	702	627	2,847	849	1,233	1,497	2,630	970	1,868	979
¹⁾ Of which, the value of shares in Länsförsäkringar AB	105	217	152	191	215	403	136	291	320	561	223	369	273
Net asset value	109	856	455	370	270	1,692	356	663	882	742	541	894	473
Solvency margin, %	91	253	197	134	101	290	108	162	163	51	162	116	133

Länsförsäkringar is neither a legal entity nor, in the legal sense of the term, a group; it is an alliance between 24 independent regional insurance companies that jointly own Länsförsäkringar AB.

Östgöta	Älvsborg	Gotland	Jönköping	Halland	Kronoberg	Kalmar	Blekinge	Göinge	Kristianstad	Skåne	Länsförsäkringar AB Group ²⁾	Total, Länsförsäkringar
610	561	98	508	337	228	327	154	115	121	957	4,417	14,087
20	20	4	16	13	6	9	7	4	4	42	699	1,095
-508	-440	-70	-426	-259	-178	-271	-118	-91	-103	-755	-3,750	-11,452
-127	-112	-25	-78	-57	-42	-58	-35	-25	-22	-182	-818	-2,778
											37	38
-5	29	7	20	34	13	7	8	2	0	62	586	990
-41						-20						-115
-46	29	7	20	34	13	-13	8	2	0	62	586	875
202	99	45	138	107	39	105	45	45	37	190	898	2,573
-20	-20	-4	-16	-13	-6	-9	-7	-4	-4	-42	-699	-1,095
											21	21
											65	65
-17	-6	3	-8	-10	-2	-4	-7	-4	-2	-9	-121	-282
119	102	51	134	118	44	79	40	39	31	201	750	2,157
1,327	1,115	221	699	666	256	505	261	212	216	948	5,560	13,327
464	429	60	104		107	207	211	132	131	612	10,341	17,016
419	62	78	239	193	72	266	13	87	45	313	2,740	6,258
2,210	1,606	359	1,042	1,026	435	978	485	431	392	1,873	18,641	36,600
115	100	12	4	49	61	83	16	47	40	91	3,182	1,618
											32,402	32,402
237	337	115	456	140	105	175	44	37	45	644	4,836	8,964
2,562	2,043	486	1,502	1,215	601	1,236	546	515	477	2,608	59,061	79,584
843	517	287	629	357	115	403	174	150	150	845	6,086	7,963
603	626			306	148	295	126	129	110			6,078
771	731	126	536	398	278	391	182	184	172	1,102	18,182	26,949
											28,183	28,183
345	169	73	337	154	60	147	64	52	45	661	6,609	10,411
2,562	2,043	486	1,502	1,215	601	1,236	546	515	477	2,608	59,061	79,584
405	398	53	325	210	140	207	84	105	112	590		
1,637	1,253	332	785	766	306	785	336	310	291	1,101	6,839	16,722
252	213	309	149	215	125	222	204	252	222	106	147	112

Transactions between the Länsförsäkringar AB Group and the regional insurance companies have been eliminated to achieve accurate total values for Länsförsäkringar. The value and changes in value of Länsförsäkringar AB shares and debenture loans and the Länsförsäkringar AB Group's liabilities to and receivables from the regional insurance companies have been eliminated.

²⁾ The Länsförsäkringar Liv Försäkrings AB Group is not consolidated since the company is operated in accordance with mutual principles.

Income statement

SEK M	2003	2002
Premium income, gross	8,268	8,257
Premium income, net	8,069	8,126
Investment income, net	9,139	-14,508
Claims payments	-4,336	-3,738
Change in technical reserves	-6,644	650
Operating expenses	-1,477	-1,857
Technical result, life assurance operations	4,750	-11,326
Non-technical items	-168	-145
Income before appropriations and tax	4,582	-11,471
Tax	-774	-971
NET PROFIT/LOSS FOR THE YEAR	3,808	-12,442

Balance sheet

SEK M	Dec 31, 2003	Dec 31, 2002
ASSETS		
Intangible assets	1,913	1,954
Investment assets	85,175	79,027
Investment assets for which policyholders bear the investment risk	18,164	13,762
Reinsurers' portion of technical reserves	624	478
Receivables	222	512
Other assets	3,370	4,766
Prepaid expenses and accrued income	2,989	3,186
TOTAL ASSETS	112,456	103,685

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Share capital	8	8
Other equity	15,819	14,358
Technical reserves	75,886	72,908
Provisions for life assurance for which the policyholders bear the investment risk	18,167	13,763
Provision for other risks and expenses	30	167
Deposits from reinsurers	639	476
Liabilities	1,475	1,512
Accrued expenses and prepaid income	431	494
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES	112,456	103,685

► LÄNSFÖRSÄKRINGAR BANK AB (PUBL)

SEK M	2003	2002
Consolidated income statement		
Interest revenue	1,594	1,143
Interest expense	–893	–605
Net interest income	701	538
Commission revenue	111	85
Commission expense	–83	–58
Net income from financial transactions	0	0
Other operating revenue	93	84
TOTAL OPERATING REVENUE	822	649
General administration expenses	–650	–564
Depreciation/amortization	–58	–46
Other expenses	–28	–31
Total expenses before loan losses	–736	–641
Income before loan losses	86	8
Loan losses, net	–39	–13
Income from banking operations	47	–5
Income from insurance operations	18	25
Total operating income	65	20
Tax on income for the year	–19	0
NET PROFIT/LOSS FOR THE YEAR	46	20

Consolidated balance sheet, December 31

Cash and central bank account balances	75	69
Lending to credit institutions	602	1,408
Lending to the public	30,044	19,861
Shares and participations	4	1
Bonds and other interest-bearing securities	1,243	499
Assets in insurance operations	0	12
Intangible assets	78	109
Tangible assets	26	30
Other assets	237	235
Prepaid expenses and accrued income	97	78
TOTAL ASSETS	32,406	22,302
Liabilities to credit institutions	1,357	267
Deposits and borrowing from the public	18,154	16,378
Securities issued	9,120	3,706
Liabilities in insurance operations	5	5
Other liabilities	308	234
Accrued expenses and prepaid income	459	308
Provisions	21	18
Subordinated debt	1,050	180
Shareholders' equity	1,932	1,206
TOTAL LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY	32,406	22,302

► LÄNSFÖRSÄKRINGAR
FONDFÖRVALTNING AB (PUBL)

SEK M	2003	2002
Income statement		
Revenue	305	304
Operating expenses	–285	–290
Operating income	20	14
Income from financial items	1	2
Income after financial items	21	16
Tax on income for the year	–7	–5
NET PROFIT/LOSS FOR THE YEAR	14	11

Balance sheet, December 31

ASSETS		
Fixed assets	19	16
Current receivables	76	68
TOTAL ASSETS	95	84
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	24	25
Current liabilities	71	59
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	95	84

► GLOSSARY

Absolute Return fund

An Absolute Return fund is a hedge fund with a lower correlation to the market than an average hedge fund, and normally a lower downside risk.

After ceded reinsurance

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

Alternative Investments

Assets that are not currently regarded as traditional. Alternative Investments currently comprise Private Equity and Absolute Return funds.

Business volume, Bank

The sum of deposits and loans.

Capital adequacy, Bank

The capital base in relation to the risk-weighted amount. The capital base consists of shareholders' equity plus debenture loans less goodwill and the book value of shares in WASA Garanti. The risk-weighted amount is defined as the sum of assets in the balance sheet and off-balance sheet commitments valued in accordance with the Capital Adequacy and Large Exposures (Credit Institutions and Securities Companies) Act. Pursuant to the Act, capital adequacy must be at least 8%.

Capital assured (Life)

Value of the policy as presented to the customer.

Capital base

In simple terms, the capital base refers to the available capital. A company's capital base primarily consists of the shareholders' equity. Within certain limits, debenture loans raised may also be included in the capital base. Debenture loans are loans whereby, if the company becomes bankrupt, the borrower is not required to repay the debt until after all normal debts have been fully paid. This requires that the capital base is at least as large as the required solvency margin.

Claims payments (claims costs)

The cost during the fiscal year of claims incurred, whether reported to the company or not.

Claims ratio

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

Collective consolidation (Life)

The value of the company's assets compared with the guaranteed commitments to customers and the preliminary bonus allocated to customers.

Combined ratio

Operating expenses plus claims costs in relation to premiums earned, 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.

Direct insurance

Insurance contract 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, dividends on shares and participations, and the surplus (deficit) on the company's own properties.

Embedded value

Embedded value is a net valuation of the insurance portfolio of the unit-linked life assurance company plus shareholders' equity. The valuation of the insurance portfolio is based on a present (capitalized) value calculation – per policy in the portfolio – of future revenues and expenses. The calculation is based on assumptions of future yield on equities and bonds, discount rates, inflation, fees, administrative costs and cancellations in the insurance portfolio. The valuation does not take future new sales into account.

Hedge fund

Fund that, via investments in traditional markets, seeks positive yield regardless of the general trends in these markets.

Interest margin, Bank

Difference between average interest on all assets and average interest on all liabilities.

Interest-bearing (securities)

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

Investment assets

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

Investment income

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

Loan losses

Probable loan 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. Actual losses are ascertained, for example, in bankruptcy proceedings or a settlement.

Net asset value

The sum of shareholders' equity, deferred tax liability/assets in untaxed reserves and surplus values (under values) in total assets.

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 appropriations and tax.

Premium income

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

Premiums earned

The proportion of premium income attributable to the fiscal year.

Private Equity fund

Fund that buys, develops and sells unlisted companies. The bulk of investment is made in mature, profitable companies.

Reinsurance

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

Solvency

The required solvency margin is a measure of how much capital a company requires. The calculation is made based on the company's premium income and its claims payments. The required solvency margin is the highest of the two computed values. The capital base must be at least as large as the required solvency margin.

Solvency margin (Non-life)

Net asset value in relation to premium income after ceded reinsurance, expressed as a percentage.

Solvency ratio (Life)

The value of the company's assets compared with the guaranteed commitments to customers.

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

Allocation between various types of assets in a portfolio, for example the desired proportion of shares and interest-bearing investments. Reallocation is made based on assessments of market trend.

Total yield

The sum of direct yield, realized gains and losses, and unrealized changes in the value of assets in relation to the average value of investment assets, defined and classified in accordance with the investment income table.

Transfer option

Possibility of transferring pension capital from a policy with one insurer to another.

Underwriting result (Non-life)

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

► ADDRESSES

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► DEFINITIONS

Länsförsäkringar

A partnership between the 24 regional insurance companies and Länsförsäkringar AB.

Länsförsäkringsbolag

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

Länsförsäkringar AB

The Parent Company of a financial Group owned primarily by the 24 regional insurance companies and 10 local insurance companies. The Group provides services to the regional insurance companies in the following areas: non-life insurance, life assurance, banking, mutual funds, asset management and animal insurance. The Group is also responsible for the Alliance's development operations.

Länsförsäkringar Sak

Conducts non-life insurance operations on behalf of the Länsförsäkringar AB Group.

Länsförsäkringar Liv

Conducts traditional life assurance operations and, via the Länsförsäkringar Fondliv Försäkrings AB subsidiary, unit-linked life assurance. Operations are conducted in accordance with mutual principles, and hence all profits accrue to customers.

Länsförsäkringar Fonder

Conducts mutual fund management operations.

Länsförsäkringar Bank

Conducts banking operations targeting private individuals and the agricultural sector.

Länsförsäkringar Mäklarservice

The company, owned jointly by the regional insurance companies and Länsförsäkringar AB, offers brokers a uniform conduct of operations and a reinforced service through regional broker desks.

Agria Djurförsäkring

Insures animals and crops.

EurAPCo

European insurance alliance in which Länsförsäkringar is one of seven partners. The EurAPCo partnership is designed to create opportunities for an exchange of experience at the international level. The various partner companies operate completely independently and are leading players in their national markets.

Ordering annual reports

Additional copies of this annual report can be ordered from
Communications Unit, Länsförsäkringar AB Tel. +46 8-588 415 38, Fax +46 8-588 433 65
www.lansforsakringar.se

The annual reports of the regional insurance companies, Länsförsäkringar Liv and Länsförsäkringar Bank
can be ordered from the addresses listed on page 79.

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