

# 2008

## Länsförsäkringar Alliance Operations Report

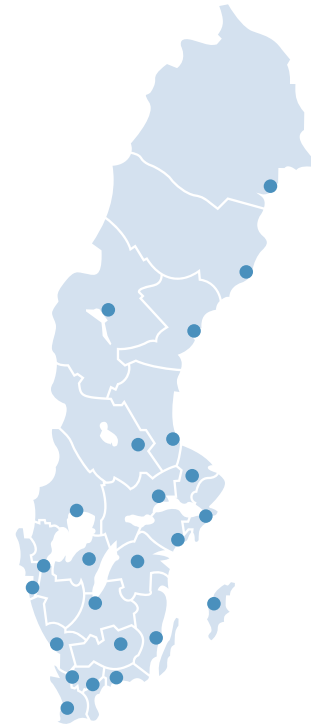
A summary of the banking and insurance year for  
the 24 local regional insurance companies in cooperation



# Länsförsäkringar in brief

## Respect for customers' money

Long-term respect for customers' money is fundamental to Länsförsäkringar. Our approach is always characterised by our view that we are handling our customers' money, not our own, regardless of whether we are dealing with insurance, pension savings or banking services. We have no external shareholders and no financial interests besides what is best for our customers. Our only task is to respect their money and ensure security.

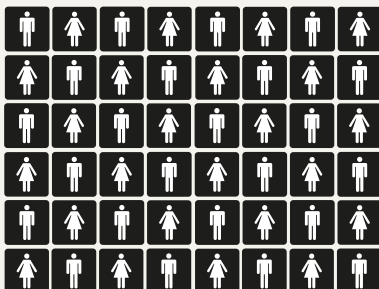


### Everything under one roof

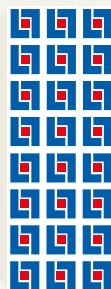
Under a single brand, customers are provided with a complete offering of banking and insurance services through the regional insurance companies. A comprehensive approach to customer meetings characterises the entire operation. Regardless of whether they occur in

person or via the Internet, customer meetings shall be based on the customer's needs and the breadth of Länsförsäkringar's offering. This holistic approach is taken into consideration in the development and offering of non-life insurance, life assurance, pension insurance and banking services.

3.2 MILLION CUSTOMERS



24 COMPANIES



OFFERING



### Local decision-making authority

Länsförsäkringar's definition of local focus is about more than a broad network of branches throughout Sweden. The regional insurance companies have a total of 140 branches, from Ystad in the south of Sweden to Luleå in the north. This is one definition of being close to customers. But the major difference between Länsförsäkringar and other companies is that the decisions that are important to our customers are made locally. Länsförsäkringar's local branches are not run from a head office with responsibility for all of Sweden. Everything is based on the experience of local decision-making authority combined with joint strength, creating added value for our customers.

## Private individuals, Companies and Farmers

Target-group-adapted total solutions are what create Länsförsäkringar's unique offering. Länsförsäkringar develops products and concepts that are adapted to the situation of its cus-

tomers. The Alliance looks for ways to create the best solutions for private, corporate and agricultural customers, solutions that include optimal, individually adapted combinations.



### Long-term security

What people value most in times of uncertainty is security. The feeling of a long-term approach and stability. The sense that someone is on their side. Länsförsäkringar has no external shareholders and no financial interests besides what is best for its customers. Each regional insurance company is owned by its customers and is governed by respect for customers' money and security.

### Life assurance –

#### Bonuses for pension savers

We have stood by our non-life insurance customers for 200 years and spent slightly more than 25 years supporting our life-assurance customers and pension savers. Länsförsäkringar's life-assurance operations continue to display a stable performance, based on the same recipe for success as the non-life insurance operations. The company is currently the third-largest life assurance company in Sweden, with ambitions of further growth. In the past five years, life-assurance customers and pension savers with traditional management have enjoyed a better return on their depos-

ited capital than they would have received anywhere else in the industry.

### Banking – Sweden's most satisfied bank customers

The banking operations continue to report strong growth and increasing market shares. Länsförsäkringar offers a full range of banking services primarily to the retail and agricultural market. Länsförsäkringar has Sweden's most satisfied bank customers in the retail market and most satisfied retail mortgage customers – and is increasing its lead over other players.

### Non-life insurance –

#### Largest player in non-life insurance

Länsförsäkringar has insured Swedes for more than 200 years and, today, more than 2.8 million people are private customers of the local regional insurance companies, corresponding to every third Swede. Confidence is equally high among companies in Sweden – the market share is slightly more than 35%. Moreover, more than 80% of farmers have selected Länsförsäkringar.

### Vision and business concept

*Joint vision of the Länsförsäkringar Alliance*

- Länsförsäkringar is the customer's natural choice for non-life insurance, life assurance and banking services.
- Länsförsäkringar's financial position enables sustainability, development and value-for-money.
- Länsförsäkringar is widely trusted in Swedish society.

*Joint business concept*

*of the Länsförsäkringar Alliance*

- The Länsförsäkringar Alliance offers private individuals, companies and farmers reasonably priced services in non-life insurance, life assurance and banking. The operations are characterised by customer-ownership, a local presence, availability and personal service.

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## Satisfied customers

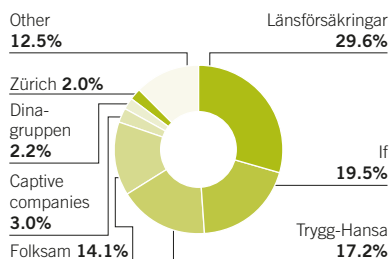
Each year, when the Swedish Quality Index measures how satisfied Swedish customers are with their bank and insurance company, Länsförsäkringar receives a top ranking. In the most recent survey, Länsförsäkringar received a first-place ranking for the most satisfied bank customers in the retail market and retail mortgage customers and ranked among the top three in all categories.

# Key figures 2008

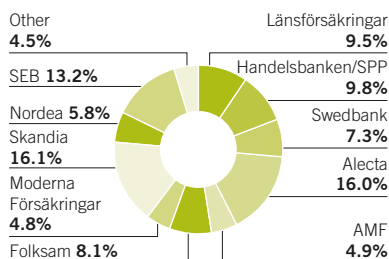
- The Länsförsäkringar Alliance remained stable during the financial crisis. The capital situation is favourable and the company strengthened its profitability and market position during the year.
- The non-life insurance operations continued to perform strongly with high profitability, and the technical result amounted to SEK 2,453 M (2,322). The solvency margin remained high at 146% (198). The total operating result declined to a loss of SEK 7,511 M (profit: 3,606) due to the impact of the financial crisis on investment income. The combined ratio remained in line with the preceding year at 93%. The negative investment income for non-life insurance for the period amounting to SEK 7,410 M (pos: 3,660) can be compared with an average return of SEK 2 billion per year over the past five years.
- Due to its successful risk measures, the life-assurance company preserved its capital and financial strength despite the financial crisis. During a year in which global stock markets fell by between 30 and 50%, pension savers with traditional management received an average bonus rate of 3.5% before tax and fees. The total return amounted to negative 0.6% (pos: 6.7) and collective consolidation to 105% (114) at year-end.
- Länsförsäkringar improved its position in the bank market and is now the fifth-largest retail bank in terms of deposits. Operating profit excluding restructuring costs rose to SEK 272 M (238). Lending to the public rose 17% to SEK 79 billion (67) and deposits from the public increased by 18% to SEK 35 billion (30). Retail mortgage lending rose 13% to SEK 54 billion (48).
- The jointly owned Länsförsäkringar AB focused on profitability over volumes. Extensive efficiency-enhancement measures led to a reduction in operating expenses for 2009 of approximately 20%. A loss before tax of SEK 3,395 M (profit: 1,270) was recognised in the Länsförsäkringar AB Group.
- The number of customers in the regional insurance companies at year-end totalled slightly more than 3,250,000, an increase of nearly 30,000 during the year. The trend in full-service customers in 2008 was the strongest ever.



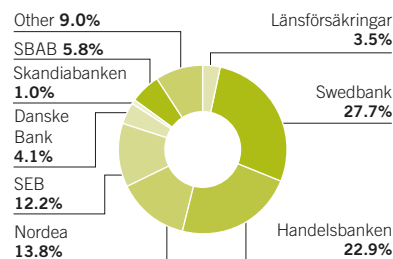
**MARKET SHARES OF NON-LIFE INSURANCE**  
(share of premiums paid)



**MARKET SHARES OF TRADITIONAL LIFE ASSURANCE**  
(new sales)



**MARKET SHARES OF HOUSEHOLD AND RETAIL MORTGAGE LENDING**







## FIVE-YEAR SUMMARY

### Länsförsäkringar Alliance, non-life insurance

	2004	2005	2006	2007	2008
Solvency capital, SEK M	20,249	27,738	32,093	34,140	25,916
Solvency margin, %	125	169	195	198	146
Premiums earned after ceded reinsurance, SEK M	15,861	16,216	16,362	16,671	17,406
Technical result, SEK M	1,957	2,515	2,114	2,322	2,453
Operating profit/loss, SEK M	3,213	7,075	4,545	3,606	-7,511
Combined ratio	93	89	93	93	93
Return on shareholders' equity, %	24	34	16	11	-25

### Länsförsäkringar AB Group<sup>1)</sup>

	2004	2005	2006	2007	2008
Solvency capital, SEK M	7,603	9,703	10,713	11,652	7,907
Solvency margin, %	389	497	498	429	252
Total assets, SEK M	69,414	80,478	91,184	116,241	130,554
Return on shareholders' equity, %	9	19	8	10	-29

<sup>1)</sup> Excluding the life-assurance operations, which are conducted with a prohibition against issuing dividends.

### Länsförsäkringar Bank

	2004	2005	2006	2007	2008
Deposits from the public, SEK M	20,048	21,535	24,379	29,735	35,090
Lending to the public, SEK M	39,426	47,094	53,884	67,040	78,564
Operating profit, SEK M	127	154	198	238	245

### Länsförsäkringar Liv

	2004	2005	2006	2007	2008
Premium income, SEK M <sup>1)</sup>	8,676	9,472	10,141	10,794	11,247
Net profit/loss for the year, SEK M	2,348	4,584	7,646	11,361	-30,126
Collective consolidation, %	103	114	114	114	105
Solvency ratio, %	123	126	136	152	114

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition.

### Agria Djurförsäkring

	2004	2005	2006	2007	2008
Premiums earned after ceded reinsurance, SEK M	787	844	948	1,089	1,223
Technical result, SEK M	81	61	45	99	69

## CREDIT RATING

Company	Agency	Short-term rating	Long-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-
Länsförsäkringar AB	Standard & Poor's	A-/Stable	-
Länsförsäkringar AB	Moody's	A3/Stable	-
Länsförsäkringar Sak	Standard & Poor's	A/Stable	-
Länsförsäkringar Sak	Moody's	A2/Stable	-
Agria Djurförsäkring	Standard & Poor's	A-/pi <sup>2)</sup>	-

<sup>1)</sup> Pertains to the company's covered bonds.

<sup>2)</sup> pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

## PROFIT/LOSS OF THE REGIONAL INSURANCE COMPANIES

SEK M	Technical result		Operating profit/loss	
	2007	2008	2007	2008
Länsförsäkringar Norrbotten	34	6	38	-85
Länsförsäkringar Västerbotten	128	83	242	-77
Länsförsäkringar Jämtland	13	30	267	-129
Länsförsäkringar Västernorrland	23	8	253	-110
Länsförsäkringar Gävleborg	56	57	181	-100
Dalarnas Försäkringsbolag	174	126	427	-669
Länsförsäkringar Värmland	70	70	98	-30
Länsförsäkringar Uppsala	18	15	111	-383
Länsförsäkringar Bergslagen	27	149	178	-360
Länsförsäkringar Stockholm	184	187	197	-619
Länsförsäkringar Södermanland	81	54	138	-241
Länsförsäkringar Göteborg och Bohuslän	154	182	351	-649
Länsförsäkringar Skaraborg	76	50	87	-568
Östgöta Brandstodsbolag	99	118	207	-447
Länsförsäkringar Älvsborg	113	118	230	-364
Länsförsäkringar Gotland	24	23	46	-21
Länsförsäkringar Jönköping	155	113	243	-246
Länsförsäkringar Halland	82	104	148	-304
Länsförsäkringar Kronoberg	46	86	83	-89
Länsförsäkringar Kalmar län	110	124	181	-235
Länsförsäkringar Blekinge	33	29	51	-101
Länsförsäkringar Göinge	45	31	70	-78
Länsförsäkringar Kristianstad	27	28	53	-91
Länsförsäkringar Skåne	182	221	269	-743



# Comments: Stable foundation in financial crisis



Länsförsäkringar has maintained a stable foundation during the financial crisis. Although we were naturally affected when the global stock markets fell between 30 and 50% during the year, Länsförsäkringar is among the financial players that coped best with the impact of the crisis. While solvency for non-life insurance has declined, it remains uniquely strong. And due to a strong result in asset management, given the circumstances, our pension customers with traditional management enjoyed an average bonus rate of 3.5% after tax and fees, one of the highest returns among comparable companies. The fact that our pension savers were able to watch their savings capital grow instead of declining in value in a year such as this confirmed our strength and demonstrated that our asset management model is also able to endure difficult times. As a result of its successful risk measures, which enabled a gradual reduction in equities risk and interest-rate risk, we preserved our capital and financial strength. It is our customers' money that is growing, not ours, and this is the very foundation of our operations at Länsförsäkringar – respect for customers' money.

## **Long-term security has never been more important**

All of Länsförsäkringar's core operations are profitable and most areas of the company experienced earnings improvements in 2008. In addition to a stable financial foundation, the strength of our brand has never been more valuable than it is now. Customers are seek-

ing security and reliability and no company in our industry is more closely associated with these characteristics than we are. The security we offer is not only appreciated by our customers but also by our creditors. Quite simply, we represent stability, from which we and our customers stand to benefit more than ever before.

## **Strong earnings and market success in non-life insurance**

The non-life insurance operations grew in terms of premiums and the technical result was further strengthened to slightly more than SEK 2.4 billion, compared with the preceding year. We maintained an extremely strong financial position, despite the marked effects of the financial crisis on capital. The combined ratio remained at 93%.

During the year, we strengthened our market-leading position. Growth was favourable within household, motor-vehicle and commercial insurance. We maintained our role as the clear market leader within agricultural and animal insurance.

We are also the market leader in medical insurance, with a market share of 32%. Despite the current economic downturn, sales remained strong and this is a market that offers considerable future potential. In the summer, we completed the acquisition of insurance operations from the Federation of Swedish Farmers (LRF). The intensified cooperation with LRF has resulted in an even stronger total offering to our agricultural customers.

We sold our first insurance policy in the Baltic States at the beginning of the year and expect to capture between 5 and 10% of the market within a five-year period. Agria's operations with its animal insurance activities in Norway and the UK are proceeding well.

## **Confirmation of strength to our pension savers**

Länsförsäkringar has one of the strongest life-assurance companies in Sweden. Since it was founded in 1985, it took slightly more than 20 years to establish the company that is now one of the financially strongest players and one of the life-assurance companies that provide the best short and long-term returns for its savers. For the past 20 years, the average return has been one of the very best and, compared with the most recent five years, the return was higher than in any other comparable company. The basis of this favourable return was the management model, which is based on our brand and, ultimately, on our values: management should be secure and stable, without sudden fluctuations in results. This is not a guarantee of future returns, but rather confirmation that the company's conditions are favourable. With a solvency margin of 105% at year-end, we have a sufficient buffer to cope with continued fluctuations in the market.

Our approach is always characterised by our view that we are dealing with our customers' money, not our own. We have no external shareholders and no financial interests besides what is best for our customers. Long-term respect

for customers' money and ensuring security is our only task. With this as our focus, we now intend to further strengthen our life-assurance company. In the autumn, customers voted in favour of the demutualisation of the company to a profit-distributing company and an application was submitted to the Swedish Financial Supervisory Authority before Christmas. Operating as a profit-distributing company will be beneficial for our customers since it will provide increased security in savings and opportunities for higher returns. Our goal is to build a life-assurance company with even better conditions for future growth while maintaining our focus on reducing costs.

#### **Curves pointed in the right direction in the banking operations**

Volume growth continued within the banking operations and profit targets were achieved. All curves, with the exception of the fund operations, are pointed in the right direction. We strengthened our position as the bank with Sweden's most satisfied retail bank and retail mortgage customers and increased our lead over other Swedish banks, particularly in terms of customer loyalty. Total assets in the banking operations increased by 22% to SEK 104 billion and we are now Sweden's fifth largest retail bank in terms of deposits. The financing and liquidity situation is favourable, as is the quality of the credit portfolio.

Since February 2008 when its partnership agreement with Landshypotek expired, Länsförsäkringar Bank has offered its own first-lien mortgages for agricultural and forestry properties. The idea of providing first-lien mortgages to the agricultural sector is to offer improved total solutions in banking and insurance products specially adapted to farmers. After ten months, measured from the launch in February 2008, we now have the largest proportion of new sales, which certainly says something about the strength of our brand.

The banking operations play a major role in our efforts to expand our customers' commitments with Länsförsäkringar. Customer meetings often begin with a banking transaction and from there grow into a long-term and regular relationship.

#### **Insurance brokers play an increasingly important role**

The importance of insurance brokers is increasing steadily and Länsförsäkringar continuously works to improve this significant form of cooperation. Surveys show that brokers have a positive attitude toward us because we offer good support and administration and are proficient at establishing strong relationships. Our excellent product range and favourable returns are naturally also attractive to insurance brokers' customers.

#### **More people should discover all Länsförsäkringar has to offer**

The market strategy on which we base the future development of the Länsförsäkringar Alliance focuses largely on how we can convince more of our customers to conduct business within all of our core operations. With more than 2.6 million non-life insurance customers, we have a unique base. Our task is to become even better at showing customers the benefits of gathering their household financing and pension savings with their local regional insurance companies. We also know that the larger a customer's commitment with us, the longer they stay – and the fewer claims they report. In other words, the goal of growing by attracting more full-service customers complements our long-term profitability targets.

The number of new full-service customers in 2008 was the highest to date, but our goal for the coming years is considerably larger. We strive to establish a presence in areas where customers are interested in purchasing banking and insurance services. Our fast-growing real-estate broker Länshem, already the fifth-largest brokerage chain, is an excellent example of a meeting place that utilises the benefits of our full offering. In addition to traditional real-estate brokerage services, the company offers links to various areas throughout the private finances chain: retail mortgage lending, savings, non-life insurance, pensions, investments, advisory services and expert assistance in such areas as taxes and legal matters.

#### **Correctly positioned for the future**

Like everyone, we have lost money as a result of the ongoing crisis. We have now established a clear focus on profitability for the coming years in order to regain the money we have lost, remaining well aware that we are dealing with our customers' money, not our own. We have high expectations of the ongoing work to increase our competitiveness while cutting costs, but more importantly, we are correctly positioned for the future. We remain financially strong. Our customers have confidence in us and we are expanding our operations based on a brand characterised by values that are currently in high demand. We are now facing a number of challenges in our banking and insurance operations. We have a fast-growing real-estate brokerage in Länshem Fastighetsförmedling, which will become a further integrated part of our total offering to private customers. We will further improve our asset management model to enable our savers to continue enjoying first-rate returns. The healthcare area will continue to grow. The restructuring of the life-assurance company will create an even stronger alternative for our customers. And last, but certainly not least, we will present our customers with an even stronger argument in favour of gathering a larger portion of their commitments with us. The world may be in the middle of a financial crisis, but when the Länsförsäkringar Alliance takes its next step, we will do so from a position of real strength.

Stockholm, March 2009

On behalf of the  
24 regional insurance companies



Håkan Danielsson  
*President of Länsförsäkringar AB*

# This is Länsförsäkringar

## **Vision**

- Länsförsäkringar is the customer's natural choice for non-life insurance, life assurance and banking services.
- Länsförsäkringar's financial position enables sustainability, development and value-for-money.
- Länsförsäkringar is widely trusted in Swedish society.

## **Business concept**

The Länsförsäkringar Alliance offers private individuals, companies and farmers reasonably priced services in non-life insurance, life assurance and banking. The operations are characterised by customer-ownership, a local presence, availability and personal service.

## **Cooperation**

Cooperation in the Länsförsäkringar Alliance has evolved gradually from an exchange of experience to today's extensive 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 an organisation and business model that are based on local, independent and customer-owned regional insurance companies cooperating on a voluntary basis. This local proximity and independence have been decisive factors in the Alliance's vast success. Decisions that are important to customers are made in close proximity to the customers – the Annual General Meeting and Board of Directors of each regional insurance company are the highest decision-making

The Länsförsäkringar Alliance is unique in the Swedish bank and insurance market. The 24 customer-owned regional insurance companies cooperate, thereby combining the ability of a small company to adapt to its customers with the strength of a large company. All of the companies have a strong local base in their individual home markets and have no ownership interests other than those of their own customers. Everything developed in the form of products, concepts and system support is based exclusively on customer needs. The company's task is to offer total solutions based on different combinations of non-life insurance, accident and medical insurance, life assurance, pension-saving plans, fund savings and various banking services.

authorities on matters pertaining to the particular company's operations.

Cooperation among the 24 regional insurance companies takes place through the jointly owned Länsförsäkringar AB and its subsidiaries. The company was formed in 1936 to meet the regional insurance companies' need for reinsurance. Assuming 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 necessary prerequisites for the regional insurance companies to be successful in their respective markets by conducting business, service and development operations.

## **Local and joint**

The basis for cooperation within the Länsförsäkringar Alliance is that the operations, wherever possible, are conducted by the local companies and essentially all customer contact occurs at the local regional insurance companies. Most of the non-life insurance operations are conducted under concessions held directly by each of the regional insurance companies. At the same time, the company's insurance and

financial services provide extensive economies of scale, which is why the concession for life assurance and some areas of non-life insurance and the charter for the banking operations are held by the jointly owned Länsförsäkringar AB. For example, there are not formally 24 banks throughout Sweden, but this is how it appears from the customer's perspective. The basic idea behind the Länsförsäkringar concept is that the residents and companies of a county should be provided with all types of insurance and banking services through their local company. The strength of the local concept is not affected by whether the concession or charter is local or jointly held.

## **A broad offering**

Under a single brand, customers are provided with a complete offering of banking and insurance services through the regional insurance companies. The simplicity, proximity and local decision-making authority upon which the success of the non-life insurance operations was built has also been applied to the financial services. Länsförsäkringar's leading position in the non-life insurance market has been strengthened and



the life-assurance operations' focus on growth and enhanced efficiency have yielded favourable results. The banking operations are growing in terms of both volume and profitability and Länsförsäkringar remains an important price-pressure force in the Swedish bank market. The healthcare area is a strong emerging market for the Länsförsäkringar Alliance, as is real-estate brokerage through Länshem. However, more than attractive products are required in order to measure up to the customer-oriented concept that forms the foundation of Länsförsäkringar's operations. Customers must consider gathering their banking and insurance commitments with their local regional insurance company to be a natural and beneficial step. This approach characterises our entire business. Another distinct customer benefit is our comprehensive approach to customer meetings. Regardless of whether they occur in person or via the telephone or Internet, all customer meetings are based on the customer's needs and the comprehensive nature of Länsförsäkringar's offering.

### Strong brand

Länsförsäkringar's brand is extremely strong compared with its competitors in the banking, insurance and pension industry. The brand survey of private individuals and businesses in Sweden conducted by SIFO Research International revealed that Länsförsäkringar has the strongest brand in the private and commercial market. Swedbank is close behind in the private market, but there is a large gap in the commercial market between Länsförsäkringar and Handelsbanken in second place. According to a study conducted by GFK Sverige AB, Länsförsäkringar's red and blue square is recognised by 89% of Swedes.

### Owner control

The regional insurance companies are simultaneously members of a federation, principals and users of Länsförsäkringar AB's services, distributors of Länsförsäkringar AB's products and owners of Länsförsäkringar AB. Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, the regional insurance

companies have together created joint forms for owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time take into account the federal conditions of the cooperation between the companies.

The regional insurance companies as institutional owners of Länsförsäkringar AB have a number of comparative advantages; there is a reasonable number of regional insurance companies, they possess in-depth knowledge of the operations, have the aim of being an active owner, have a clear purpose with their ownership and, collectively, there is sufficiently large financial capacity to ensure long-term ownership. It is not uncommon for institutional owners to have both different purposes with their holding and different conditions for being able to take an active role. Accordingly, such owners have different incentives for acting as owners. For example, institutional owners may have different ambitions regarding the long-term perspective of their ownership.

## Market strategy

The basis of the Länsförsäkringar Alliance's market strategy is simple: it is intended to result in an increased number of customers who choose Länsförsäkringar for both non-life insurance and life assurance as well as their banking needs. In other words, the target is to attract more full-service customers, a goal that is to be achieved by shifting from a product-oriented approach to a customer-oriented approach.



### Success factors

- Adaptation based on customer needs
- Well-developed distribution channels
- Active sales
- Active sales-management work
- Clear and strong brand profile

### Strategic target groups

- Homeowners and their families
- Small companies with fewer than 50 employees
- Farmers

### Strategy

Adaptation to the customers' needs and situation and increased activity will result in customers with a broader and more extensive commitment

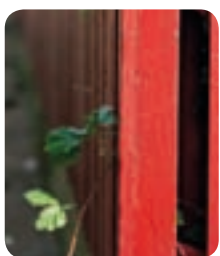
### Strategic market targets

- Profitable growth
- The most satisfied customers
- Higher percentage of full-service customers

### Long-term respect for customers' money and security

The fact that Länsförsäkringar does not have any external shareholders in turn guarantees a long-term approach to customers. Each regional insurance company is owned by its non-life insurance customers, which in practice means that each company's capital belongs to its customers and that no profit is distributed to shareholders in the same way as in a limited liability company. The profit of the regional insurance companies accrues in its entirety to the customers through bonuses or the establishment of credit. The only financial interest guiding the operations is a respect for what is best for the customer and long-term financial interests are always prioritised over short-term interests.

The best praise a customer-owned company can receive is recognition based on the opinions of its customers. Länsförsäkringar has highly satisfied customers among both businesses and private individuals, a fact confirmed by the results of the 2008 Swedish Quality Index conducted by the Stockholm School of Economics.



# Customer meetings

### Close proximity to customers throughout Sweden

The success of Länsförsäkringar is based on personal meetings, value-for-money and our close proximity to customers. This close proximity permeates our values and is ensured through our local presence with sales organisations at all 24 customer-owned, independent companies. The companies operate a total of more than 140 branches throughout Sweden, supplemented with Internet services adapted to the needs of the local markets. Länshem offers real-estate brokerage and related services through its "housing stores." In addition, local agents are in place at locations where there are no actual branches and the banking operations cooperate with Forex branches throughout Sweden. Independent franchisees and established freelance insurance brokers work with corporate customers as a complement to Länsförsäkringar's own sales force.

### New websites launched

The Länsförsäkringar Alliance's new websites were launched in spring 2008. One major change is that customers can now manage all of their products through a single login function. The systems are essentially the same as before, but the information and services are presented to the customer in a more uniform manner and using more attractive graphics.

When customers log in, they are now presented with a clear overview of all their products – and the products they do not have. This makes Länsförsäkringar unique – no other player is able to offer a comprehensive approach within banking, insurance and pensions. The overview customers see when they log in looks the same as the annual printed statements sent out each year. The new websites function to a much greater degree as business sites rather than information sites. Purchasing our most common products is now simple. The local online experience has also been improved.

- Since the launch of the new websites, the share of transactions conducted via the Internet has increased by 50%.
- The rate of use for some services has increased as much as 350%.
- Within certain services/products, the Internet now accounts for 25% of sales.

In autumn 2008, Länsförsäkringar's websites were awarded a silver medal at the Swedish Design Awards ("Svenska Designpriset") and the title of Sweden's Best Bank and Insurance Website. According to the magazine Internet-world, Länsförsäkringar was ranked 24th on the list of Sweden's 100 best websites.

### Länshem

Länshem Fastighetsförmedling is Länsförsäkringar's real-estate brokerage. Länshem provides a concept that enables the regional insurance companies to broaden their brand by becoming associated with a real-estate broker. Expansion is based on a concept whereby "housing stores" are opened by franchisees. At year-end 2008, real-estate brokerage operations were conducted through 74 "housing stores." A number of additional franchise agreements have since been signed and this strong growth is continuing. Länshem is Sweden's fifth-largest real-estate brokerage.

The customer value of the business concept is to offer total solutions in conjunction with mortgage transactions. This means that customers have access to a complete range of financial and insurance services related to their mortgage transactions. Accordingly, in addition to traditional real-estate brokerage services, the company offers links to various areas throughout the private finances chain: retail mortgage lending, savings, non-life insurance, pensions, investments, advisory services and expert assistance in such areas as taxes and legal matters.

### Broker market

The number of customers who choose to be represented by independent insurance brokers continues to increase. The brokered non-life insurance premium amounted to SEK 1,162 M (1,141) at year-end and brokered sales of life-assurance and pension products totalled SEK 10,634 M (9,226) in sales value. The broker channel now accounts for a third of the total insurance premiums in both the life-assurance and non-life insurance business.

### Brokered life assurance

Länsförsäkringar's brokered life-assurance business increased by 15% in 2008 compared with 2007. During the year, the group medical-insurance market was characterised by continued price pressure and intensifying competition. Nonetheless, Länsförsäkringar was able to increase its number of group-medical insurance policies by up to 60% through a small number of major partners. The

company's Voluntary Medical Plan was also a success, with the brokered portfolio increasing by 1,000 insurance policies during the year.

In 2008, the brokered life-assurance market was characterised by continued consolidation. An increasing number of brokerage companies turned to large brokerage companies and chains. One of the major driving forces behind this trend is the opportunity to gain access to support in such areas as analysis, compliance and technical development. Important news items among brokerage companies in 2008 included the following developments:

- Söderberg & Partners continued establishing a number of new branches throughout Sweden and Max Matthiessen recruited another broker to its operations.
- Säkra and Sfs, which merged in 2007, officially established their cooperation during the year.
- Nordic Broker Association (NBA) entered the market and assembled slightly more than 200 brokers for its new concept.

### Brokered non-life insurance

Länsförsäkringar's brokered non-life insurance transactions increased slightly in 2008 compared with 2007. The non-life insurance market generally reported a favourable profitability level and the trend of more new players entering the Swedish market continued. At the same time, the presence of new competitors in the non-life insurance market resulted in more intense competition in every procurement process. The clear trends among non-life insurance brokers in 2008 included:

- A growing number of brokers becoming involved in new segments in the form of small companies and private customers.
- The Internet becoming an increasingly important channel in such areas as the quest to improve efficiency.
- New forms of procurement being performed in the market, including portfolio procurement, whereby a certain customer segment in a brokerage's customer portfolio is provided with the same insurance solution.
- Branded products becoming more common.



# Non-life insurance: Favourable growth and profitability



The Länsförsäkringar Alliance maintained its position as a market leader in the Swedish non-life insurance market. The technical result remained strong and amounted to SEK 2,453 M (2,322). Price trends in global stock markets had a very negative impact on operating profit, although Länsförsäkringar maintained its financial position with strong solvency. Länsförsäkringar was named Non-Life Insurance Company of the Year for the sixth consecutive year according to the Finansbarometern survey.

## Market position, sales and market shares

Most of the Länsförsäkringar Alliance's non-life insurance operations are conducted under concessions held directly by each of the regional insurance companies, while concessions for certain non-life insurance classes, such as animal and medical insurance, are held by the jointly owned Länsförsäkringar AB. Of the Länsförsäkringar Alliance's total premiums earned of SEK 17.4 billion, SEK 3 billion is in Länsförsäkringar AB

and the remainder in the 24 regional insurance companies.

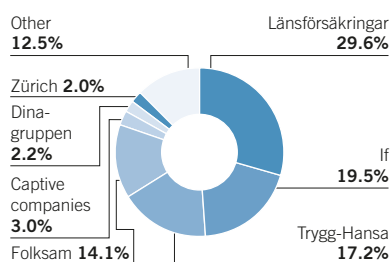
As experienced by the rest of its industry, the Länsförsäkringar Alliance's non-life insurance operations was impacted by the financial crisis. Alongside negative investment income during the year, the underlying operations performed well and the technical result continued to display a positive trend. The negative investment income in 2008 amounting to SEK 7,410 M (pos: 3,660) can be compared with an average return

of SEK 2 billion per year over the past five years. Solvency for the non-life insurance operations remains very strong.

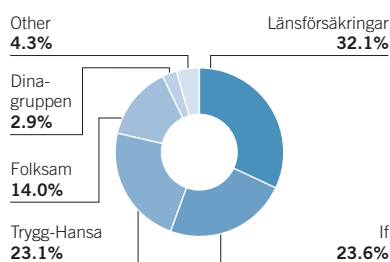
The total market share measured in premiums paid remained stable in 2008 and amounted to 29.6% (29.4). Both the portfolio and market shares grew in household insurance, which was also the case for motor-vehicle insurance. The Länsförsäkringar Alliance has a strong position in commercial insurance that continued during the year despite com-

## Market shares

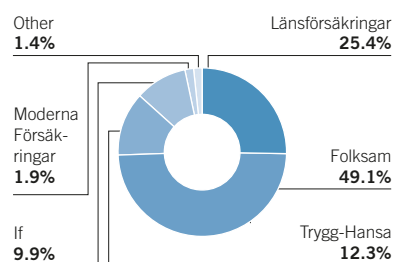
### NON-LIFE INSURANCE (share of premiums paid)



### THIRD-PARTY LIABILITY INSURANCE (share of premiums paid)



### HOUSEHOLD INSURANCE (share)







petition intensifying. The number of insurance policies fell at the beginning of 2008 but later rose slightly during the remainder of the year and premium volumes increased at a corresponding level. Länsförsäkringar retained its strong, leading position in the agricultural market, despite elevated competition. LRF Försäkrings' personal insurance operations were acquired during the year and the Länsförsäkringar Alliance can now offer its agricultural customers a very broad range of personal insurance.

The Länsförsäkringar Alliance is a market leader in medical insurance in Sweden with a market share of 32% and more than 126,000 customers. The sale of medical insurance remained positive in 2008 despite the decline of the stock market and the gloomier economic outlook. Länsförsäkringar offers competitive solutions in group personal and medical insurance, primarily to small and medium-sized companies and their employees, as well as the agriculture sector. The Länsförsäkringar Alliance's

specialist company for animal and crop insurance, Agria Djurförsäkring, retained its leading position in the market.

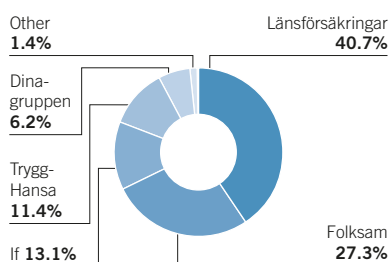
#### Brokered sales

Länsförsäkringar's brokered non-life insurance transactions increased slightly in 2008 compared with 2007. The brokered non-life insurance premium amounted to SEK 1,162 M (1,141) at year-end. The non-life insurance market generally retained a favourable profitability level, which continued to support the trend of more new players entering the Swedish market.

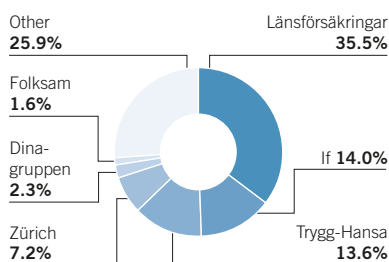
#### Internet – an increasingly important channel

The Internet is becoming an increasingly important channel to non-life insurance customers. All customers are now able to log in and see a summary of their entire holdings, and also administer and add to their holding. Customers who are logged-on can receive more customised advisory services and unique

#### HOMEOWNER INSURANCE (share)



#### COMMERCIAL AND PROPERTY INSURANCE (share of premiums paid)



#### 2008 in brief

- The position as the market leader was further strengthened with market shares rising to 29.6% (29.4)
- The non-life insurance operations continued to perform strongly with high profitability, and the technical result amounted to SEK 2,453 M (2,322). Solvency remained strong at SEK 25,916 M (34,140). The solvency margin was 146% (198). The combined ratio amounted to SEK 93 M (93) and the claims ratio 72 (72).
- The financial crisis and sharp declines in the stock-market led to significantly negative investment income for the year. The negative investment income for the period amounting to SEK 7,410 M (pos: 3,660) can be compared with an average return of almost SEK 2 billion per year over the past five years.
- The operating result declined to a loss of SEK 7,511 M (profit: 3,606) due to negative investment income.
- The healthcare venture continued and Länsförsäkringar has a leading position in medical insurance in an expanding market.
- Länsförsäkringar was Non-Life Insurance Company of the Year for the sixth consecutive year according to the Finansbarometern survey.

offers based on their existing holding. In 2008, sales via the Internet rose by 25% and the number of claims reported via the Internet rose by a full 150%.

#### Continued high customer satisfaction

Despite fiercer competition, the Swedish Quality Index revealed that Länsförsäkringar continues to be one of the insurance companies that has the most satisfied non-life insurance customers. Länsförsäkringar's ability to maintain a top ranking in 2008 was primarily due to the continued high ranking it received from customers in the area of service. Proximity to customers, the ability to find flexible solutions and the company's fast and unbureaucratic claims adjustment were some of the reasons stated for this success.

In 2008, Länsförsäkringar was ranked second in Private non-life insurance, Private non-life insurance/Car insurance and Commercial non-life insurance. According to the Swedish Quality Index, the Länsförsäkringar Alliance boasts the highest level of customer satisfaction in medical insurance. One of the reasons for this result is that the Länsförsäkringar Alliance has the largest network of caregivers in the market. Länsförsäkringar's status as the only company that can offer a total solution of banking services, life assurance and non-life insurance under a single brand further contributes to customer satisfaction.

#### More full-service customers

The total number of non-life insurance customers amounts to slightly more than 2.6 million and the cultivation of the non-life insurance customer base is also the foundation for growth in life assurance and banking. The aim is that even more non-life insurance customers will discover the advantages of becoming full-service customers.



## Market and business environment

The entire non-life insurance market in Sweden measured in premiums paid declined slightly by 1.1% in 2008. The market in 2008 totalled SEK 57,257 M, corresponding to a decline of SEK 631 M.

The negative trend is due to such factors as the many years of stable profitability in the market, which has led to an increase in the number of players in the Swedish non-life insurance market. Competition from banks offering non-life insurance, small traditional insurance companies, foreign companies and completely new players has been intense,

which resulted in price pressure. Price competition abated in the latter half of 2008, as the financial crisis hit and the economic slowdown began, and premium levels appear to be rising again.

Sale channels are continuing to be developed and both the Internet and broker channels are growing in importance. Insurance solutions in the form of group insurance contracts and insurance related to consumer products such as white goods and electronics are on the rise, as are various forms of loyalty and full-service customer programmes.

#### FACTS ABOUT THE SWEDISH NON-LIFE INSURANCE MARKET

SEK M	2008
Premiums paid, total	57,257
Commercial and property insurance	13,823
Household and homeowner insurance	11,395
Third-party liability insurance	9,171
Motor-vehicle insurance	12,621
Medical and accident insurance	5,680
Marine and cargo insurance	1,064

Source: Swedish Insurance Federation



## Growing areas in the non-life insurance market

### *Healthcare area*

The market for insurance within the healthcare area is continuing to expand rapidly. Demand for insurance solutions among companies is increasing substantially in the areas of healthcare, rehabilitation, preventive healthcare and other solutions that supplement the protection of the public. The key reason for this is that companies' operations are exposed to substantial disruptions if employees are absent due to illness. Healthy employees increase profitability. With medical insurance, Länsförsäkringar shows how private healthcare can supplement public healthcare. The market for these products is growing and about 6% of the Swedish population currently has medical insurance, privately or as a fringe benefit.

### *Intensified cooperation with the Federation of Swedish Farmers*

At the end of 2007, the Länsförsäkringar Alliance's acquired insurance operations from the Federation of Swedish Farmers (LRF) and the transaction was finalised on July 1, 2008. The acquired insurance operations comprise individual and group life, medical and accident insurance and the acquisition is part of the continuing growth strategy.

The intensified cooperation with LRF provides greater know-how about the agricultural market in Sweden and the basis for identifying customer needs at an early stage and developing new insurance solutions. The Länsförsäkringar Alliance can now offer its agricultural customers a more attractive and complete offering of banking and insurance services.



### *Environmental insurance*

The recycling insurance that is now available as part of most regional insurance companies' agricultural insurance has received a very positive reception from customers, and is an example of product development based on customer requirements.

Once a year, Länsförsäkringar collects environmentally harmful waste and scrap free of charge from agricultural operations. Taking out recycling insurance reduces the risk of damage and negative environmental impact at the same time as customers solve their waste problems in a secure and environmentally correct manner.

### *Establishing operations abroad*

In 2008, the Länsförsäkringar Alliance established non-life insurance operations on a small scale in Latvia and Lithuania. The first insurance policy was sold at the beginning of 2008 and now personal property and motor-vehicle insurance are sold to private individuals. The first year in the market was successful and the sales targets were attained despite a

slowdown in the economy. Agria was successful with the establishment of its own operations in Norway and the UK and through partners in Finland, Iceland and the Åland Islands.

### *Expanded third-party liability insurance*

One of the major issues for the Länsförsäkringar Alliance and the insurance industry is the proposed changes to third-party liability insurance. Due to the complexity of the investigation, an extended investigation period has been requested until June 15, 2009.

The Länsförsäkringar Alliance is monitoring developments to influence the outcome and find the best possible solution for its customers.





# Lines of business in non-life insurance

## Motor-vehicle insurance

### Positive portfolio trend

The number of newly registered private cars in 2008 declined by 17.2% to 252,982. The percentage of newly registered environmentally friendly passenger cars amounted to 33%, up 16 percentage points compared with 2007. The total number of passenger cars on the road also increased slightly and amounted to approximately 4.2 million at the end of 2008.

The trend in the Länsförsäkringar Alliance's motor-vehicle insurance portfolio in 2008 was positive. The market share for private car insurance according to the Swedish Insurance Federation was 31.7% at year-end.

Motor-vehicle insurance	2008	2007
Premiums earned, gross, SEK M	6,614	6,683
Private cars, number of policies	1,532,900	1,538,300
MCs, number of policies	132,500	124,600
Market share, percentage of insured vehicles, %	37.2	37.0



## Home insurance

### Maintained leading position

The Länsförsäkringar Alliance remained the market leader in home and leisure-home insurance. The new competitors who entered the market have expanded, which has led to price pressure and an increase in different discounts and loyalty programmes.

The Länsförsäkringar Alliance's market share, measured in the number of insurance policies, rose for household insurance but declined slightly for homeowner and leisure-home insurance. The market share for homeowner insurance was 40.7% (40.9) and 25.4% (25.0) for household insurance. The claims costs for homeowner insurance remained essentially unchanged in 2008 compared with 2007. The number of customers with mortgages and household insurance continued to increase in the Länsförsäkringar Alliance, and this increase totalled 10% (15) in 2008. Partnerships between banks and insurance companies are becoming increasingly common and indicate that more and more companies are realising the advantages of offering customers both banking services and non-life insurance.

Home insurance	2008	2007
Premiums earned, gross, SEK M	3,207	3,226
Household, number of policies	734,900	728,200
Homeowners and home content, number of policies	672,200	678,000
Leisure home, number of policies	249,000	250,600



## Boat insurance

### More than 80,000 boats insured

The Swedish portfolio of leisure boats has increased for many years and the total number of leisure boats rose by 0.8% or 2,441 boats in 2008. There are now 290,000 separately insured leisure boats in Sweden and the Länsförsäkringar Alliance's market share is 27.2%. The portfolio surpassed 80,000 insured leisure boats at mid-year.

The Internet has become a key sales channel for the sale of boat insurance. In 2008, more than 18,500 calculations took place, corresponding to 7.7% of new policies underwritten.

Boat insurance	2008	2007
Premiums earned, gross, SEK M	132	129
Leisure boats, number of policies	79,000	78,700
Market share, number of policies, %	27.2	27.2





## Commercial insurance

### Leading position and developed offering

The Länsförsäkringar Alliance retaining its leading position in the commercial market. The market share for the commercial area was 35.5% (35.4). The number of insurance policies fell at the beginning of 2008 but rose slightly to 230,900 (230,600) later in the year. Premium volumes also increased at the same rate to SEK 38,168 M. The number of claims remained unchanged for the year and the claims ratio was about 70%. The total offering to business customers has been developed and adjusted to new business trends, for example, employment agencies and the consulting sector. In line with Länsförsäkringar's environmental activities, a new insurance solution for wind farms was produced in partnership with the German insurance company Gothaer Allgemeine Versicherung AG. The concept includes a unique recycling insurance policy that offers customers a solution to the problem of dismantling the obsolete wind farms. The Länsförsäkringar Alliance increased its presence in insurance procured on a group basis, for example, by expanding an agreement with the Swedish Bar Association with a supplementary insurance policy and signing an agreement with the Swedish Federation of Consulting Engineers and Architects. Länsförsäkringar also increased its presence in major commercial risk requiring international solutions.

Commercial insurance	2008	2007
Premiums earned, gross, SEK M	3,901	3,937
Number of policies	230,900	230,600
Market share, commercial and property, %	35.5	35.4



## Healthcare insurance

### Success in the market

The Länsförsäkringar Alliance is a market leader in medical insurance in Sweden with a market share of about 32% and more than 126,000 customers. The medical insurance market was dominated by fierce competition and some small foreign players decided to withdraw from the Swedish market in 2008.

Länsförsäkringar offers competitive solutions in group personal and medical insurance, primarily to small and medium-sized companies and their employees, as well as the agriculture sector. The sale of medical insurance in the Länsförsäkringar Alliance remained positive in 2008 despite the decline of the stock market and the gloomier economic outlook. LRF Försäkring's personal insurance transactions were acquired on July 1 as part of the closer cooperation between Länsförsäkringar and LRF. The integration of both the operations and IT progressed quickly and according to plan. This means that Länsförsäkringar Alliance can now offer its agricultural customers a very broad range of personal insurance.

Sales in the healthcare area were positively affected by the changes made to medical insurance by the Swedish Government with the introduction of a "rehabilitation chain." The new regulations imposed stricter requirements on employees and employers in connection with sickness absence. According to a survey performed by the Länsförsäkringar Alliance in September 2008, slightly more than seven out of ten companies and nine out of ten private individuals do not understand the new rules of the rehabilitation chain. Länsförsäkringar's rehabilitation insurance supplements the company's medical insurance and the new regulations are creating an increased demand for this type of cover among employers.

Medical and accident insurance	2008	2007
Premiums earned, gross, SEK M	1,013	853
Market share, medical and accident insurance, %	19.7	16.8
Medical insurance, number of insured parties	126,000	110,000
Market share, medical insurance, estimate, %	32	31

## Agriculture insurance

### Intensified partnership with LRF

The restructuring in Swedish agriculture is continuing. Active agriculture is increasing in use, while smaller-scale agricultural activities are increasingly used solely for housing and leisure activities. To adapt to the changes in the agricultural market, the Länsförsäkringar Alliance started the process of modernising its agricultural products and a new product, Farm Insurance, was launched during the year. Farm Insurance is primarily aimed at residential and leisure farmers with little or no production. A product for production agriculture will be launched in 2009.

Länsförsäkringar retained its strong, leading market position despite elevated competition in the market. The claims trend from 2007 is continuing and claims cost are at the same level. However, a greater number of and higher claims costs for animal stables and older barns with other operations were noted. The main causes behind the higher number of claims for animal stables are electricity and heating.

A new partnership agreement was signed with LRF during the year when Länsförsäkringar purchased LRF Försäkring's personal insurance portfolio. LRF Försäkring's central and local personnel were taken over in conjunction with the acquisition. The aim of the new partnership agreement with LRF is to safeguard value for LRF's members by offering competitive insurance solutions adapted to their needs and further strengthening Länsförsäkringar's position in the agricultural market.

Agriculture	2008	2007
Premiums earned, gross, SEK M	1,279	1,228
Agricultural insurance, number of policies	194,200	194,100
Tractor insurance, number of policies	265,500	265,700



# Agria Djurförsäkring

## Strong inflow of customers continues

Premium income for Agria's Swedish animal and crop insurance, which surpassed SEK 1 billion in 2007, increased further in 2008 to SEK 1,293 M. Over a five-year period, premium income has increased by slightly more than 56.8%. In a market in which five players offer animal insurance, Agria has a market share of 60% (60).

The technical result for 2008 amounted to SEK 69 M (99). The number of customers continued to grow this year, with dog and cat insurance responsible for the majority of this increase. The number of horses declined slightly during the year and the livestock and crop business area was also characterised by the structural changes in the agricultural sector. However, the reduced number of farm animals is offset in terms of premiums by an increasing trend toward insuring animals.

Agria Dyreförsäkring, which sells small-animal and horse insurance in Norway, experienced a strong inflow of customers, matching its sales for the preceding year as early as September. Agria Dyreförsäkring was operated within

Agria Djurförsäkring for most of the year. During the fourth quarter, the operations in Agria Dyreförsäkring were reported by Agria International Försäkring AB.

## Higher claims costs

Costs for veterinary care are continuing to increase, which affected Agria's claims payments. Accordingly, the total claims ratio rose slightly to 69% (68).

## Agria focuses on future

The major investment during the year was in the development of a new insurance system for the UK subsidiary Agria Pet Insurance together with Agria International. The insurance system includes IT solutions and work processes.

Agria also developed its breeder club. Agria Breeders Club comprises a new website, new concept and new knowledge-enhancing activities. Agria Breeders Club was launched at the beginning of December and 2,500 members had joined the club after only one month.

Agria has been pursuing a project over the past year to reduce claims costs. The project encompasses claims-prevention

measures and the relationship between insurance companies, veterinary surgeons and animal owners.

In 2008, Agria contributed SEK 4.6 M to veterinary research. In addition, Agria supports a number of projects that seek to improve animal health, for example, Agria finances scientific studies of Agria's claims statistics to provide Swedish pedigree clubs with a better basis for healthy dog breeding.

Agria, SEK M	2008	2007
Premiums earned after ceded reinsurance	1,223	1,089
Profit/loss before appropriations and tax	-93.7	139.0
Technical result for insurance operations	69.4	98.9
Solvency margin, %	69	75
Expense ratio	27	27
Combined ratio	96.4	95.5



## Reinsurance

Profit for the reinsurance operations amounted to SEK 44.1 M, which is the best result to date. Internationally assumed transactions reported favourable results and the market situation has improved. The Länsförsäkringar Alliance's primary need in terms of reinsurance is protection against storms and other natural damages. This cover was expanded to SEK 7,000 M for 2008, and since the exposure is deemed to be the same, the same cover was renewed for 2009.

The Länsförsäkringar Alliance received very few major claims during the year. The largest claim was a fire at an apartment building in Gothenburg at a cost of SEK 71 M. In addition, many of the large claims incurred in 2007 did not turn out to be as costly as initial calculations had initiated. The positive claims profile strengthened the procurement of reinsurance for 2009 and the prices for external reinsurance have been marginally increased.

Costs for Hurricane Ike, which hit the state of Texas and surrounding states in the US in September 2008, were higher than first estimated. The insurance claim now amounts to almost USD 20 billion and is one of the largest claims ever. The hurricane will cost Länsförsäkringar approximately SEK 16 M.

The financial crisis had a deep impact on banks and insurance giant AIG in 2008, although some reinsurance companies also suffered. Those companies affected had financial guarantee agreements and other commitments with banks and financial institutions, but losses were limited compared with the losses suffered by the banks. Nevertheless, a number of companies have reported weak earnings. Despite the magnitude of these events in the reinsurance market, the significance for the Länsförsäkringar Alliance is minor. Reinsurance companies have attempted to offset soaring claims costs by raising prices, something with which only a few companies have been successful given the continued high capacity in the market. The price situation has now stabilised and has improved slightly after many years of falling prices.

## Run-Off

Wasa Run-Off AB is the Länsförsäkringar Alliance's company for run-off transactions and a wholly owned subsidiary of Länsförsäkringar AB. As part of the streamlining of Länsförsäkringar AB's tasks, the subsidiaries WASA International Försäkrings AB and Återförsäkrings AB Stockholm were sold to the UK run-off specialist Compre Holdings. The transfer is conditional pending such details as the Swedish Financial Supervisory Authority's approval of the new owner, which was granted in March 2009. The companies will be transferred to Compre Holding LTD in 2009.

Run-Off, SEK M	2008	2007
Technical result	19.6	11.6
Net profit for the year	6.4	7.1
Technical reserves	533.2	314.5



# Claims adjustment: Claims service focusing on customer



Each individual regional insurance company offers a wide range of non-life insurance products for private, agricultural and corporate customers. The companies also have their own claims specialists, who offer claims service in close proximity to customers. The companies' local strength, combined with their ability to jointly utilise resources and expertise, results in high-quality customer service for all types of claim incidents. The local concept ensures swift processing by skilled employees located close to customers. Approximately 1,100 people work in the area of claims adjustment within the Länsförsäkringar Alliance, and Länsförsäkringar's international network of partners also guarantees service outside Sweden.

Claims adjustment is an important means of delivering the product purchased by the customer and should be characterised by active customer service. Claims are adjusted in cooperation with the customer as soon as possible after the claims have arisen. 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. The goal is for Länsförsäkringar's claims service to be perceived as flexible and adapted to customers' individual needs. The Länsförsäkringar Alliance always strives to take measures and decisions to ensure that customers are well-informed of their rights and obligations.

In 2008, slightly fewer than 550,000 claims were adjusted, of which more than half pertained to damage to motor vehicles. Household insurance was another

major claims area, with 185,000 claims at a cost of nearly SEK 2 billion, of which water damage accounted for nearly 30%. In total, water damage accounted for costs totalling nearly SEK 1 billion.

	Number of claims	Claims cost, SEK M
Commercial	23,800	1,906
Civil	185,000	1,904
Agriculture	22,000	672
Accident	33,900	237
Boat	1,450	32
Private automotive	200,000	2,237
Commercial automotive	79,500	1,266

## Insurance fraud a growing problem

Insurance fraud is a major and steadily growing problem in the insurance industry and Länsförsäkringar is also affected by attempts at fraud. For customers, insurance fraud ultimately results in an increase in the cost of insurance since insurance policies are charged with claims that will not actually be compensated. To counteract insurance fraud, a

team of 38 investigators within the Länsförsäkringar Alliance has been assigned the task of investigating suspicious claims. In 2008, their efforts resulted in the non-payment of insurance claims worth slightly more than SEK 90 M.

About 12% of these pertained to payments for personal injury claims and false information was discovered in more than 62% of the cases that were subject to special investigation. Unfortunately, since many cases of insurance fraud remain undetected, the development and quality assurance of the investigations operations remains an area of focus.

## Claims-prevention activities remain important

Claims-prevention activities remain a key focus area. Advice and guidelines are provided to customers both as a preventive measure and after claims have occurred. This type of information is

## Cost of claims affects prices

The prices Länsförsäkringar charges for its products are based on the number of claims and average claims cost, the operating expenses for administering insurance and adjusting claims, and the investment income earned on the premium. When evaluating the various parameters that impact the premium withdrawal, Länsförsäkringar firstly considers the confirmed past history and then makes an estimate of future changes that may affect the claims cost. Such changes may include changes in claims risk, future inflation and changes

in legislation or 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 a financially sound insurance business is calculated. Finally, the total premium withdrawal is divided among various types of insurance according to their risk exposure. This involves taking differences in risk into account, for example between models of cars, types of housing, mileage and geographic location.



## Meeting customer needs across borders

Increased travel requires that claims-adjustment services be expanded to provide rapid assistance abroad. For emergency claims, special resources are required. Accordingly, the Länsförsäkringar Alliance has been a major shareholder in SOS International since 2003, with a 12% interest. The company's ability to provide service to customers suffering damage or injury while abroad was demonstrated in the face of great adversity in conjunction with the tragic tsunami disaster in 2004.

### Simple claims adjustment for traffic accidents abroad

The provisions of the EU's Fourth Motor Insurance Directive require all issuers of motor-vehicle insurance in the EU, the EEA

and Switzerland to protect their customers' interests. For example, a person who is hit by a car and injured in another EU/EEA country may now travel home and have his or her claim adjusted in his or her home country and native language via a representative of the foreign insurance company. Through a well-functioning network of insurance companies, the regional insurance companies are able to provide a high-quality service for customers who have suffered damage or injury abroad.

### Insuring companies abroad

Insuring a company's operations outside Sweden is often subject to other regulations than those that apply in Sweden. The common package solutions for corporate

customers in Sweden are generally very different from those abroad. Insurance regulations in different countries – even among EU countries – are far from harmonised. Through the International Network of Insurance (INI), the Länsförsäkringar Alliance is able to offer local non-life insurance in almost all parts of the world. Through the INI, assistance is received from 60 insurance companies with operations in a total of 80 countries, giving customers the same level of cover as in Sweden. Through the European Alliance Partners Company (EurAPCo), the regional insurance companies can also assist corporate customers who plan to send employees to work abroad for shorter or extended periods.

provided in a manner that is as easily understandable and unbureaucratic as possible to ensure that customers are able to utilise it, thereby limiting the scope of the claim.

In addition to a reduction in claims, successful claims-prevention work also results in a reduction in environmental impact. For example, a decrease in the number of fires contributes to a reduction in carbon emissions. Calculations indicate that a fire in a private home can generate emissions of slightly more than 25 tonnes of gases, dust and waste products.

Länsförsäkringar also imposes demands on the quality and environmental work of its claims contractors. It is important that claims are dealt with in a high-quality manner to avoid new claims occurring. The contractors are offered further training to maintain a high quality level and feedback is given on new information. Claims-prevention work had a broad focus. A new, interactive service focused on avoiding claims in various areas was launched and several claims-prevention activities were implemented. These activities targeted such areas as water damage, fire damage, burglary prevention, safe handling of electricity, motor-vehicle damage and traffic safety.

### Major claims require special resources

A major claim is an event that encompasses large sums of money or many policyholders, that occurs quickly and unexpectedly, and that requires rapid decisions and concentrated efforts. Examples of such events include fires in apartment buildings or factories, natural disasters on a massive scale and epidemics. Decisive action and rapid decisions are required when extreme events occur to reduce the extent of the damage as far as possible and assist customers who have been affected.

The Länsförsäkringar Alliance has prepared an emergency plan for managing major claims and the regional insurance companies also continuously monitor the risks in their local areas. As part of this work, the competencies in specific subject areas and the requirements arising in connection with mass-claims handling are catalogued. The primary purpose of the emergency plan is to establish a state of preparedness within the regional insurance companies, and also to coordinate existing resources. Local cataloguing makes it easier to organise assistance from other regional insurance companies.

The results are documented and the emergency plans that are drawn up

contain checklists, descriptions of procedures and a division of responsibility for the work related to major claims. As a result of all of these preparations, the Länsförsäkringar Alliance is well-equipped and prepared for any major claim that may occur. The emergency plans have been extremely helpful to the regional insurance companies in the claims work following the Asian tsunami, hurricanes that have hit Sweden and other cases of extensive damage in Sweden. The plans are continuously developed and improved by adding experiences.



## Comments on the financial results for non-life insurance

The Länsförsäkringar Alliance's earnings and key figures for non-life insurance comprise the sum of the earnings of the 24 independent regional insurance companies and the Länsförsäkringar AB Group.

The Länsförsäkringar Alliance reported stable earnings, with the technical result amounting to SEK 2,453 M (2,322) and a combined ratio of 93% (93). The Alliance's operating loss for 2008 totalled SEK 7,511 M (profit: 3,606), of which investment income accounted for negative SEK 7,410 M (pos: 3,660).

Despite price competition in the commercial market and small portfolio increases within private insurance, the Länsförsäkringar Alliance's total premiums earned rose by 4% to SEK 17,406 M (16,671).

The Länsförsäkringar Alliance has focused on profitability improvements in the form of claims-prevention measures for many years. The trend in claims costs remained stable in terms of the increase in the number of policies in the insurance portfolio and amounted to SEK 12,472 M (12,063).

The claims ratio was unchanged at 72% (72). Few major claims were incurred in 2008 and the cost for several of the major claims incurred in 2007 proved to be lower than previously expected. This positive claims trend strengthened the procurement of rein-

surance for 2009. The largest claim in 2008 was for a fire in an apartment building in Gothenburg at a cost of SEK 71 M.

The expense ratio was also unchanged at 21% (21). However, operating expenses increased by SEK 324 M, partly due to the restructuring of Länsförsäkringar AB and continued investments in prioritised markets.

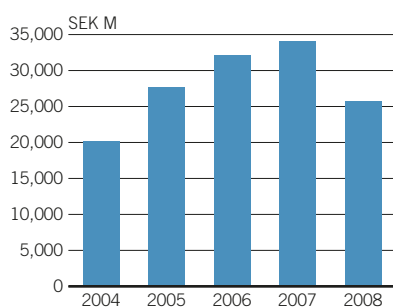
An improved and expanded Internet functionality was launched in spring 2008 and the development of the motor-vehicle insurance systems continued through the platform commissioned in 2006.

Solvency capital for the Länsförsäkringar Alliance's non-life insurance operations remained strong and the solvency margin at year-end was 146% (198).

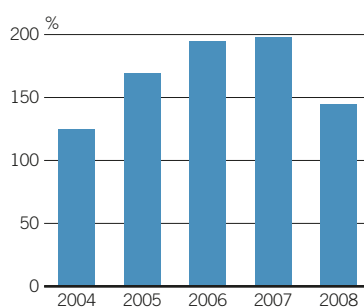


Non-life insurance	2008	2007
Premiums earned after ceded reinsurance, SEK M	17,406	16,671
Technical result before bonuses, SEK M	2,453	2,322
Operating profit/loss, SEK M	-7,511	3,606
Expense ratio, %	21	21
Claims ratio, %	72	72
Combined ratio, %	93	93
Technical result as a percentage of premiums earned after ceded reinsurance	14	14
Solvency capital, SEK M	25,916	34,140
Solvency margin, %	146	198
Return on shareholders' equity, %	-25	11
Total return on investment assets, %	-12.2	6.4

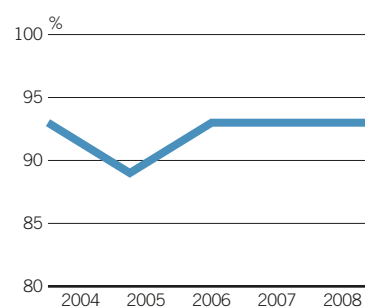
**SOLVENCY CAPITAL**



**SOLVENCY MARGIN**



**COMBINED RATIO**







# Life assurance: Respect for customers' money



Due to its successful risk measures, the life-assurance company preserved its capital and financial strength despite the financial crisis. During a year in which global stock markets fell by between 30 and 50%, customers with traditional pension savings received an average bonus rate of 3.5% before tax and fees. This is the highest rate among comparable companies. The total return amounted to negative 0.6% and collective consolidation to 105% at year-end. Länsförsäkringar was named "Life-Assurance Company of the Year" and Sweden's best pension manager.

## Market position, sales and market shares

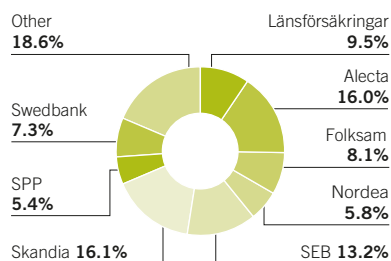
Like other life-assurance companies in the Swedish market, Länsförsäkringar's life-assurance operations have felt the impact of the financial crisis. However, through successful risk work and a continuous reallocation from share investments to interest-bearing securities, Länsförsäkringar Liv finished the year with some of the strongest key figures in the industry. Collective consolidation at

year-end was 105%. Despite the downturn in global stock markets, customers with traditional pension savings received an average bonus rate of 3.5% before tax and fees. This shows that Länsförsäkringar has an asset management model that is also able to endure difficult times. Länsförsäkringar was named "Life-Assurance Company of the Year" in Swedish business daily *Affärsvärlden's* annual survey, and named Sweden's best pension manager by the European

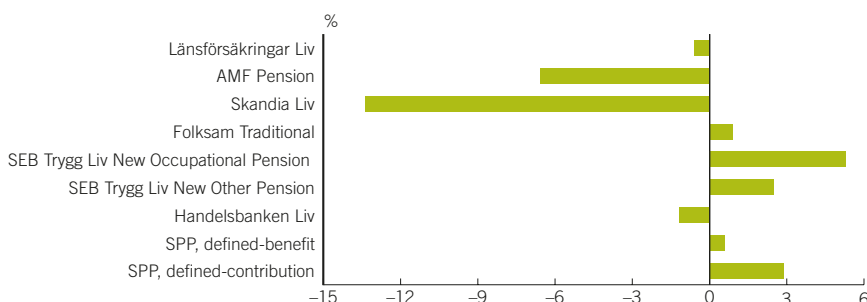
industry magazine *Investment & Pensions Europe (IPE)*.

Sales of collective agreement pensions and private pensions were strong, which contributed to an excellent trend in full-service customers among the regional insurance companies. The increases, that is to say, new sales on existing agreements, rose by 20% during the year. However, new sales as defined by the Swedish Insurance Federation, where increases are not reported, fell by

## MARKET SHARE, NEW SALES



## TOTAL RETURN ON INVESTMENT ASSETS 2008





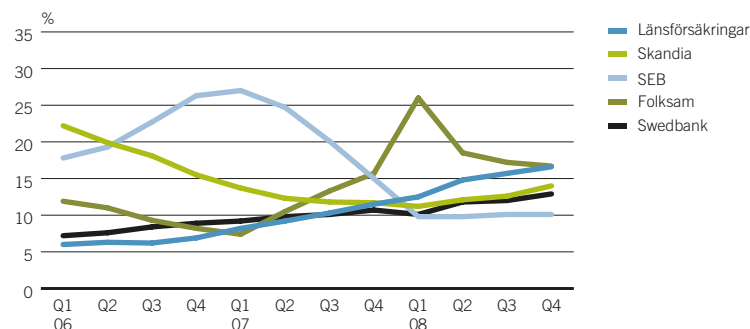
4.5% compared with the preceding year to SEK 16,553 M (17,341). This entails a decline in market share to 9.5% (11.1). Nevertheless, Länsförsäkringar remains the fourth largest life-assurance company in Sweden. One of the reasons that the market share decreased is that after private-sector employees made their ITP pension choices, figures for those who did not make an active choice are now reported in the statistics, which was not previously the case. This had an adverse impact on Länsförsäkringar and other life-assurance companies that are not alternatives for those not making active choices.

Private pension insurance accounted for the very strongest sales growth, up 29% compared with the year-earlier period. This result reflects Läns-

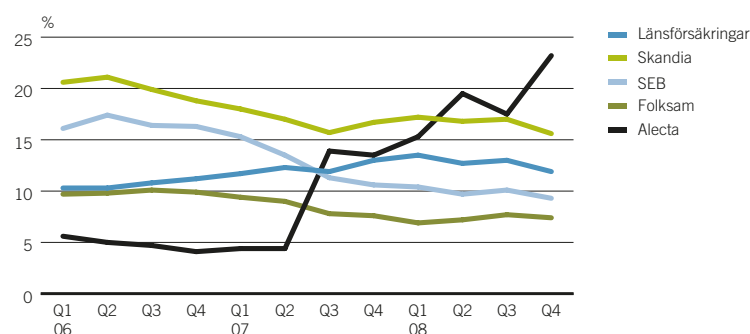
#### 2008 in brief

- During a year in which global stock markets fell by between 30 and 50%, customers with traditional pension savings received an average bonus rate of 3.5% before tax and fees. This is the highest rate among comparable companies. The total return amounted to negative 0.6% (pos: 6.7) and collective consolidation to 105% (114) at year-end.
- In December, an application was submitted to the Swedish Financial Supervisory Authority to restructure the company to a profit-distributing, limited liability life-assurance company (demutualisation). The plan is that the demutualisation will take place on January 1, 2010.
- Länsförsäkringar was named "Life-Assurance Company of the Year" in Swedish business daily *Affärsvärlden's* annual survey, and named Sweden's best pension manager by the European industry magazine *Investment & Pensions Europe (IPE)*.
- Brokered sales rose 15% and amounted to SEK 10,634 M (9,226).

PRIVATE PENSION MARKET, market share of new sales per quarter



OCCUPATIONAL PENSION MARKET, market share of new sales per quarter



försäkringar's trends and major shift in this area, from a ninth-place ranking in the private market three years ago to being one tenth of a percentage point away from first place. Although sales growth in the occupational pension market was 1% lower than in 2007, Länsförsäkringar remained the third-largest pension company in the occupational pension market. The savings market, which primarily comprises endowment insurance products, declined by 43%.

#### **Brokered sales**

Half of Länsförsäkringar's sales take place through independent insurance brokers. The importance of this channel is increasing steadily and Länsförsäkringar works continuously to improve this significant form of cooperation. The sales value through independent insurance brokers amounted to the record figure of SEK 10,634 M (9,226) during the year, up 15% compared with 2007. Surveys show that Swedish life-assurance brokers have a highly positive attitude to Länsförsäkringar. This is due to Länsförsäkringar offering excellent support and administration to brokers and Länsförsäkringar's ability to create productive relationships with independent insurance brokers. Furthermore,

the total product offering, in the form of product range and returns, is attractive to the insurance brokers' customers. In summary, the independent brokers find working together with Länsförsäkringar to be easy.

In 2008, Länsförsäkringar was named "Best Broker Desk of the Year" for the second consecutive year by the industry organisation, the Swedish Insurance Intermediaries Association, and in the "Market Indicators" attitude study, Länsförsäkringar was at the top of the list of companies that life-assurance brokers prefer to work with. These distinctions are clear evidence of a strong sales organisation and an attractive offering of products.

#### **Internet – an increasingly important channel**

The Internet is becoming an increasingly important channel for life-assurance and pension customers. All customers are now able to log in and see a summary of their entire commitments, and also administer and make additions. Customers who are logged-on can receive more customised advisory services and unique offers based on their existing commitments. Several different tools that simplify pension calculations were

launched in 2008, and these were positively received by customers, leading to increased sales via the Internet.

#### **Continued high customer satisfaction**

Every year the Swedish Quality Index surveys customer satisfaction among Swedish life-assurance customers to analyse their opinions of goods and services in Sweden. Total customer satisfaction in the private area rose to 63.3 points during the year, corresponding to a 2.3-point increase compared with 2007. Länsförsäkringar ranked second with a rating of 68.1, the highest rating since 2001.

Total customer satisfaction in the commercial market fell marginally from 63.9 in 2007 to 63.8 in 2008. Länsförsäkringar's customer rating in the commercial market also declined to 65.8 points (66.3), although remained well above the average.



## **Demutualisation of Länsförsäkringar Liv**

In autumn 2008, the customers in Länsförsäkringar Liv voted in favour of the proposed demutualisation of the company to a profit-distributing, limited liability life-assurance company. A total of 80% of customers voted in favour of restructuring and 20 percent voted against. Of the total number of customers, 3.7% voted no. Accordingly, the formal requirements are met to submit an application to the Swedish Financial Supervisory Authority regarding restructuring to a profit-distributing, limited liability life-assurance company. Voting took place between September 8 and October 29 and 692,000 customers were entitled to vote. A total of 20% of customers exercised their right to vote.

Länsförsäkringar Liv is a limited liability company. The shares in Länsförsäkringar

Liv have been owned by Länsförsäkringar AB since 1985, when the company was founded and Länsförsäkringar began conducting life-assurance operations. Länsförsäkringar AB is jointly owned by the 24 regional insurance companies, which in turn are owned by their non-life insurance customers. In December 2008, the Board of Directors of Länsförsäkringar Liv submitted an application to the Financial Supervisory Authority to restructure the company to a profit-distributing, limited liability life-assurance company. The plan is that the demutualisation will take place on January 1, 2010.

A profit-distributing company is positive for customers since it will lead to greater security in savings and the possibility of higher returns. After demutualisation, the

owner will inject any lacking capital required for the guaranteed value of an insurance policy. This cost is currently shared between all pensioners. A ceiling for capital fees, fixed fees and premium fees will be introduced in the restructured limited liability life-assurance company. Returns can be raised by increasing the proportion of investments in equities. A profit-distributing company is also beneficial to the owner and regional insurance companies. The life-assurance company will become more competitive and the regional insurance companies will have a greater incentive to develop their business. Distributed profits will always accrue to the regional insurance companies' customers and not to external parties.

# Targets and target fulfilment

The life-assurance operations have a key role in the aim of realising the Länsförsäkringar Alliance's vision and targets. The life-assurance operations offer financial security by combining long-term savings with insurance coverage. Life assurance and pension insurance are to be an attractive component in Länsförsäkringar's offering and thereby be a natural choice for Länsförsäkringar's customers.

## Strategic targets

Like so many other industries, the Swedish life-assurance market is characterised by elevated competition and price pressure. This situation imposes demands on increased volumes and even more efficient operations. Länsförsäkringar's life-assurance operations have been working with strategic targets for the period until 2011 for a couple of years. The objective is to become a leader in the Swedish life-assurance and pension-insurance market. The objective means that Länsförsäkringar is to be the largest player measured in terms of new sales. Key markets for achieving this growth success are the occupational pension market and collective agreement pension market. Satisfied customers is another prerequisite for achieving sales success and Länsförsäkringar continuously endeavours to have the industry's most satisfied customers.

Robust investment income is a condition for a competitive life-assurance company in the long term. Länsförsäkringar's aim is not only to have robust investment income but also to have the best investment income in the industry.

A successful life-assurance company must also have competitive fees and a sound balance between fees and cost levels. Accordingly, Länsförsäkringar's aim is to further enhance the efficiency of its operations. Länsförsäkringar started work on reducing its number of IT systems in 2005. Reducing the number of systems will also lower IT costs in the future. This measure will also result in shared systems support for all newly subscribed products and a tool that will facilitate administration. Having fewer IT systems will also enhance development efficiency, which will enable Länsförsäkringar to offer lower fees to customers in the future.

## Target fulfilment of life-assurance operations in 2008

In 2008, Länsförsäkringar's life-assurance operations worked on attaining the high operational targets established for the areas of investment income, growth, efficiency, employees and environment.

### Investment income target

- Achieve the best investment income in traditional management of all players in the market and have a fund offering that is better than the average of eight out of 12 fund categories.

The basis for achieving high investment income is in-depth and broad knowledge of asset management combined with an extensive and structured investment process. Despite the Nasdaq OMX Stockholm falling approximately 40%, customers received an average return of 3.5% before tax and fees during the year.

This is the best result among comparable companies and a clear indication of the success of Länsförsäkringar's management model. For the full-year 2008, the total return on investment assets for traditional management amounted to negative 0.6%. Investment income in unit-linked insurance varied during the year. The best results were that ten out of 12 fund categories were better than the average. The weakest results were that five fund categories were below the average.

### Growth targets

- Premium income will grow to SEK 12 billion and the company will be number two in the Swedish market, measured in new sales.

Länsförsäkringar Liv concluded the year with some of the market's best key figures. Despite this result, the company was unsuccessful at reaching its premium income target of SEK 12 billion, generating premium income of SEK 11,247 M<sup>1)</sup>. One of the reasons for this was the financial situation in the autumn and the decrease in the tax deduction for private pension savings to SEK 12,000. New sales amounted to SEK 16,553 M<sup>1)</sup>, corresponding to a 5% decrease compared with the preceding year.

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.



#### Efficiency targets

- The target is to achieve a balance over time between the fees levied to customers and costs for conducting and administering the operations. For risk-related transactions, the claims ratio will amount to a maximum of 80%.

Länsförsäkringar has evolved into one of Sweden's strongest life-assurance

companies in the past few years. Costs have been reviewed continuously over time and the target is to continuously maintain a balance between the fees levied to customers and costs for conducting and administering the operations. Measures to further enhance the company's competitiveness were announced in August. From January 2009, service and administration resources will be shared among the subsidiaries and oper-

ations within Länsförsäkringar AB. Operating expenses in Länsförsäkringar Liv are to be reduced in 2009.

The efficiency of the life-assurance operations is to be enhanced by the claims ratio of risk-related transactions amounting to maximum of 80. This ratio is measured as paid claims payments and changes in reserves in relation to risk premiums. The claims ratio at year-end was 33.



## Market and business environment

The market in 2008 was most clearly characterised by the negative trend in the global economy in the autumn.

Despite this turbulence, sales of life-assurance products were favourable. At year-end, the Swedish life-assurance market had a total sales value of slightly more than SEK 174 billion, an increase of 12% compared with 2007. The market is divided into three areas: occupational pension, private pension and the savings market. The occupational-pension market is the largest of the three and accounts for 68% of the total market. The sales value for the year amounted to nearly SEK 120 billion, an increase of 8% compared with 2007. The savings market also increased by 31%, while the private market dropped 11% compared with 2007.

#### Pension choices increasingly important

The procurement process surrounding the new and changed collective pension agreements is an important part of the life-assurance market since the changes have resulted in a gradual increase in the portion of the total occupational-pension premium that the individual can choose. Two major procurement processes took place in 2008 and Länsförsäkringar was eligible in both.

#### FTP agreement

The FTP agreement was renegotiated in 2007, which meant that approximately 15,000 people in the insurance industry selected their pension funds in 2008. Länsförsäkringar was highly successful in the selection process; nearly half of the individuals who made an active

choice selected Länsförsäkringar as their manager for traditional insurance and unit-linked insurance.

#### PA-KFS

During the year, a procurement process was conducted for the PA-KFS 09 pension agreement. The agreement encompasses 19,500 employees within municipal companies and Länsförsäkringar was eligible for both traditional insurance and unit-linked insurance.

#### SAF – LO

In May 2007, the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation reached agreement on a new pension agreement for nearly 2.6 million private-sector employees. However, since the parties





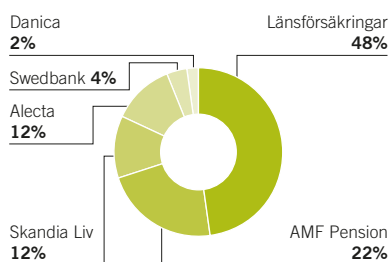
were unable to reach an agreement on how the offers received were to be assessed, the committee decided to discontinue the procurement process. Instead, a new procurement process was carried out in 2008, during which Länsförsäkringar was one of six eligible life-assurance companies in traditional insurance. The premium volume is approximately SEK 9.5 billion and the agreement is valid from January 1, 2009.

#### Transfer ban repealed

On May 1, 2008, the Swedish Government repealed the transfer ban on pension insurance introduced in 2007. At the same time, opportunities for conducting deductible pension savings with insurers throughout the EEA were introduced. To avoid tax planning, tax controls for pension capital were intensified. This primarily involved more extensive control of transferred pension capital and foreign pension insurance.

Transfer rights entitle customers to transfer their saved pension capital from one insurance plan to another. Transfers may be made from one insurer to another or between two different insurance plans with a single insurance company.

FTP CHOICE 2008  
PERCENTAGE OF TOTAL CHOICES



# Länsförsäkringar's offering within life assurance and pension insurance

Länsförsäkringar offers various management forms for customers who save in pension and capital-endowment insurance. Traditional management, New World management and Insured Pension are offered through Länsförsäkringar Liv, and Unit-linked insurance through Länsförsäkringar Fondliv. The management forms offer different advantages depending on the objectives of the savings and the level of risk the saver is willing to take.

#### Traditional management

Traditional management provides a guaranteed annual return on saved capital. Since the operations of the limited liability company are conducted in accordance with mutual principles, returns that exceed the guaranteed return are preliminarily allocated to customers in the form of bonuses. In the event that the bonuses are lower than the guaranteed return, the preliminary distribution of the bonus is reallocated.

#### Total return and bonuses

During a year in which global stock markets fell by between 30 and 50%, the total return in the traditional life-assurance operations amounted to negative 0.6% (pos: 6.7) on December 31. The average total return for the past five years amounted to 7%, which is the best return in the industry. Customers received an average bonus rate of 3.5% in 2008 before tax and fees, which is also the highest among comparable companies. The bonus

rate was successively lowered during the year and amounted to 0% on December 31. The average bonus rate since Länsförsäkringar's life-assurance operations were started in 1985 is 9.2% per year.

#### Investment orientation

Normally, investments in traditional life assurance are primarily made in listed shares and interest-bearing securities, as well as properties and alternative investments. Länsförsäkringar's long-term goal is for 50% of pension savers' money to be invested in equities, 35% in interest-bearing securities, 10% in property and 5% in alternative investments. Due to the turbulence in the financial market in the autumn, active risk work resulted in the company's investments deviating from the long-term portfolio, and as of December 31, 2008, 10.6% was invested in equities, 76.3% in interest-bearing securities, 8.8% in property and 4.3% in alternative investments.

#### Return by type of asset

At year-end, the return on the equity portfolio was a negative 38.7% (pos: 11.1) and the return on the fixed-income portfolio was 8.9% (3.3). Slight currency exposure in the portfolio had a positive impact on returns since the SEK weakened substantially during the year. The property portfolio generated a positive return of 2.7% (12.5) and alternative investments a negative return of 32.6% (pos: 18.8).

A new management model with increased focus on total return after expenses was introduced. In brief, the new management model is based on

ensuring that the implementation of various markets takes place as efficiently, flexibly and inexpensively as possible. Active positions are taken only where it is deemed highly possible that active management can create added value. The success of this new management model can be seen in earnings for 2007 and 2008, where returns are among the highest of all Swedish pension companies.

#### Solvency and collective consolidation

The solvency ratio was 114% (152) on December 31, 2008. Solvency is a measure of the financial position and strength of a life-assurance company. It shows the value of the company's assets in relation to the guaranteed commitments to customers. The measure is theoretical since it reflects a situation in which the company would pay out the entire capital assured during a single day. However, the shortest payment period for a traditional life assurance is five years and the average maturity is about 20 years.

On December 31, 2008, collective consolidation was 105% (114), which is among the best in the industry. Collective consolidation is a measure of a traditional life assurance company's capacity to provide a bonus and describes the market value of the company's assets in relation to the guaranteed commitments and the preliminary bonus allocation.

#### New World management

New World management is only available at Länsförsäkringar and is suitable for customers seeking to combine security with opportunities for favourable value trends in funds. New World includes a guarantee after five years of saving. As a minimum, customers are guaranteed to receive the money invested from the day when payment of the

insurance is to begin, with a deduction for calculated expenses and tax.

As of December 31, 2008, 70% of New World investments were in equities and 30% in interest-bearing securities. Within the equity portfolio, 20% is invested in North American shares, 15% in Swedish shares, 15% in European shares, 10% in Japanese shares and 10% in Asian shares.

Several of the equities markets in which New World has investments experienced a difficult period during the year. The return amounted to a negative 28.1% (pos: 4.2) on December 31. Since assets in New World are hedged, the returns are not affected by trends in the exchange rate between the SEK and other currencies. The average annual return since New World management began in 1996 amounts to 4.9%.

#### Insured Pension

Länsförsäkringar's private pension product, Insured Pension, enables customers to take advantage of upturns in the stock market without risking invested funds due to stock market decline. Savings comprise a bond that extends until the year in which the saver plans to retire and a fund for which the return level depends on the trends of global stock exchanges. As a result, the savings perform differently depending on the saver's age.

For customers who save in Insured Pension until the year they retire, the pension will never be smaller than the total of the deposits, only larger. During the savings period, customers are able to see how large the pension will be on the pension date. This is known as the insured value and constitutes the pension the saver is guaranteed to receive when he or she turns 65. The pension cannot be lower than this amount – in fact, it will probably be higher.

For the average saver, the insured value was 7% higher at December 31 than at the beginning of the year. The insured value has risen despite the downturn in the stock markets. Practically the entire increase took place during the second quarter when interest rates rose. Bonds purchased on behalf of savers at this time become less expensive, while giving higher interest rates until the date of retirement. This had the most positive effects for customers who are far off retirement.

#### Unit-linked insurance

Pension saving with unit-linked insurance allows the customer to choose the investment orientation and level of risk. Customers can choose between equity funds and fixed-income funds and it is the customers themselves who assume the risk for the value trends of the funds. Unit-linked insurance involves a possibility of high returns, but also a higher level of risk than traditional management.

#### Broad, cutting-edge offer

Länsförsäkringar's unit-linked insurance offer comprises funds from leading fund managers in Sweden and abroad. The goal is to have the strongest fund offering in Sweden. The offering should be clear and of high quality, while meeting the needs of active customers as well as customers who are not interested in switching funds during the duration of their savings.

The fund offering includes both Länsförsäkringar's own funds and funds from a number of other well-known companies, such as Alfred Berg, Blackrock, Carlson, Catella, Fidelity, FIM, Lannebo, SEB and Skagen. The offering is to comprise high-quality funds that represent a variety of investment areas and management styles. Länsförsäk-

#### TOTAL RETURN 2008, LÄNSFÖRSÄKRINGAR LIV, TRADITIONAL MANAGEMENT

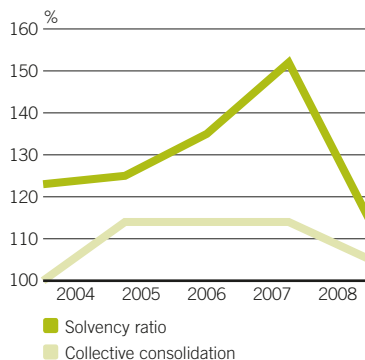
Investments	Market value Jan. 1, 2008, SEK M		%	Market value Dec. 31, 2008, SEK M		Total return, %
Interest-bearing	40,769	39.2		74,933	76.3	8.9
Equities	54,065	52.0		10,408	10.6	-38.7
Alternative investments	2,687	2.6		4,266	4.3	-32.6
Property	6,479	6.2		8,688	8.8	2.7
<b>Total</b>	<b>104,000</b>	<b>100</b>		<b>98,285</b>	<b>100</b>	<b>-0.6</b>

If other assets and management costs are added to the return on investment assets above, the total return for traditional management would amount to 7.3% (7.2).

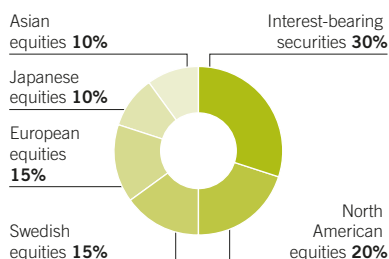
#### TOTAL RETURN AND BONUSES



#### SOLVENCY RATIO AND COLLECTIVE CONSOLIDATION IN TRADITIONAL LIFE ASSURANCE



#### ASSET ALLOCATION, NEW WORLD, DECEMBER 31, 2008



#### RETURN, NEW WORLD



ringar aims to have an attractive base offering, complemented by specialised funds that meet the needs of more demanding fund savers. In the autumn, Länsförsäkringar also introduced opportunities for direct saving in several funds.

#### Continuous monitoring

Länsförsäkringar continuously monitors the results of its funds and funds that do not fulfil the company's strict requirements undergo a special review. The manager is contacted to discuss the fund's performance, to propose changes or to end the cooperation. Länsförsäkringar also supplements the offering and makes other changes as necessary to ensure that it meets the company's goals. The offering includes several of the best funds in the market, and according to Morningstar, had an average rating of 3.0 in December. A total of six funds have a rating of five and 10 funds have a rating of four.

#### Gloomy year for equity funds

The sharp decline in the stock exchanges during the year impacted negatively on many of Länsförsäkringar's unit-linked insurance funds. The market is characterised by considerable uncertainty, which has resulted in customers choosing interest-bearing securities over equities.

Fixed-income funds performed best during the year since they benefitted from declining long-term interest rates. Länsförsäkringar's Euro Bond Fund was the fund in the offering that gener-

ated the highest return, up 26.5%. In addition to lower interest rates, the fund benefited from the weaker SEK.

Länsförsäkringar's Japan Fund (neg: 14%) and North America Fund (neg: 21.6%) were among the equity funds that fared the best compared with other such funds. The weakening of the SEK against such currencies as the USD, EUR and JPY during the year benefited Swedish savers who invested in funds outside Sweden.

The funds that performed particularly poorly during the year included last year's star funds – those investing in emerging markets – although differences varied largely between individual markets. The impact on small markets in times of uncertainty is exceptionally severe. Oil-dependent markets, such as Russia, declined sharply during the autumn as oil and commodities prices fell in pace with the downturn in the global economy.



# Asset management life assurance: Modern management model to succeed in difficult times

The aim of asset management is to create a stable and high return on policyholders' money in the long term. This is achieved through a modern and competitive management model that was recently awarded a prize by leading industry magazine *Investment & Pensions Europe*.



A modern and competitive management model is a prerequisite for generating a stable and high return on investment assets in the long term. Accordingly, Länsförsäkringar works continuously on developing its model to ensure that management is always at the forefront. This applies to the choice of investment assets and the methodology and approach applied. The management model was put through a very hard test in 2008 as a result of the worst financial crisis in several decades. Länsförsäkringar is very gratified to state that the model is also able to succeed in difficult times with sharp declines on the stock markets. In brief, the management model is based on ensuring that various

risks are implemented as efficiently, flexibly and inexpensively as possible.

Länsförsäkringar's portfolio structure for market exposure focuses on selecting the asset allocation desired in the portfolios. Great importance is attached to identifying the best method of achieving the desired market exposure. Länsförsäkringar also endeavours to identify other efficient solutions to obtain passive market exposure than via traditional management mandates.

The strategy involves reducing active management mandates in markets that are broad, transparent and efficient and instead implementing simple and inexpensive passive solutions for capturing market exposure. This approach is sup-

plemented with actively taking risk in areas in which it is deemed that managers can generate added value. This applies to both less efficient listed and non-listed markets.

Earnings for 2008 amounted to negative 0.6%. Länsförsäkringar Liv is the life-assurance and pension company in Sweden that has performed the best of all companies in the past five years. In November, Länsförsäkringar Liv was named Sweden's best pension manager by leading industry magazine *Investment & Pensions Europe*, which is further evidence of the management model's competitiveness.

## **Risk diversification**

The single most important element in the management of the life-assurance company's portfolio is asset allocation. Risks are diversified and the total risk of the portfolio declines if investments are spread over different types of assets. Since the choice of assets has a significant impact on returns, Länsförsäkringar has allocated major resources to this area. The aim is to produce an asset portfolio – known as market exposure – that is expected to yield the highest returns over time, given a specific risk level. This involves making assessments about the future in models where risk





and uncertainty are identified and the consequences of different events are tested. Once the assets have been determined, these are allocated to various markets throughout the world to further diversify risk. In recent years, such diversification has been heightened by reducing investments in Sweden in favour of foreign and alternative investments.

In addition, continuous and structured risk activities are performed that result in various types of protection strategies.

Another key component besides high returns is costs. Great importance is attached to identifying the best method of achieving the desired exposure to secure cost-efficient market exposure. For example, this can take place via investments in different types of derivative instruments, instead of in individual securities as is traditionally the case, which generates added value through reduced management costs and simplified administration of transactions. Another advantage with the derivative solution is that market exposure becomes flexible and more manoeuvrable than for investments in individual securities, which means that changes in the markets can be rapidly converted into changes in asset allocation. Derivative solutions are also actively utilised to hedge the portfolios from different types of risks, such as equities risk and the risk of increases in interest rates.

The derivative strategies proved to be highly valuable in 2008. With manoeuvrable asset allocation, the portfolios could be quickly adapted to market conditions and hedge strategies made a significant contribution to minimising losses in the investment portfolios. Accordingly, Länsförsäkringar Liv continued to report strong collective consolidation and a “green light” in the Swedish Financial Supervisory Authority’s traffic-light test despite the crisis in the financial markets in 2008.

#### Long-term managers

The long-term approach the life assurance company adopts in its management makes it possible to increase returns in the long term by investing in assets that are not tradable in the short-term, known as alternative investments. In recent years, Länsförsäkringar Liv has focused intently on this type of assets and has invested an increasing amount in Private Equity, properties and diversified strategies (mostly forest and infrastructure).

It is essential to have the best managers to generate high returns. This applies to listed portfolios, but is even more important for the unlisted portfolios, where managers’ results vary more greatly. It has been shown that few active managers succeed in surpassing indexes in well-functioning and transparent markets such as in the US and Europe. Instead, Länsförsäkringar chooses to



seek out the best active managers in ineffective markets in which it is highly likely that excess returns and index returns can be expected.

#### Optimal organisation

The modern management method is supported by a suitably adapted organisation. Having all operating management outsourced to external managers, Länsförsäkringar can focus its resources on the central areas of asset allocation, risk management, alternative investments and increasing the number of managers. The investment organisation is supplemented with efficient administration and, naturally, efficient control, monitoring and reporting.

## Comments on the financial results for life assurance

Total premium income as defined by the Swedish Insurance Federation amounted to SEK 11,247 M (10,794), corresponding to a 4.2% increase compared with the year-earlier period. Gross premium income according to the income statement amounted to SEK 6,236 M (6,547). The difference compared with the preceding year is primarily explained by the decline in fee income. Claims payments after ceded reinsurance in Länsförsäkringar Liv amounted to SEK 4,245 M (3,698). The change compared with the preceding year is primarily attributable to the increase in periodic payments and repurchases.

Net investment income amounted to negative SEK 17,596 M (pos: 8,066). The decline in the value of the invest-

ment assets for which the policyholders bear the investment risk amounted to SEK 13,213 M (increase: 910). The net loss for the year in Länsförsäkringar Liv amounted to SEK 30,126 M (profit: 11,361). This decrease in earnings is explained by changes in accounting principles whereby trends in interest rates had a very negative impact on earnings in the calculation of technical reserves and the negative trend in the financial markets during the year.

Investment assets in Länsförsäkringar declined to SEK 102,388 M (114,600) during the year. Primarily the value of equities and participations declined during 2008, amounting to SEK 22,664 M (51,402) at year-end. Equities exposure reduced during the year in favour of interest-bearing securities. The investment assets for which the policyholders bear the investment risk

declined to SEK 31,676 M (40,871) during the year. Life assurance reserves amounted to SEK 94,942 M (77,367). The increase is attributable to changes to accounting principles during the year.

Shareholders' equity during the year was impacted by changes to accounting principles. On April 1, 2008, the Swedish Financial Supervisory Authority's regulations on the choice of interest rate in calculations of technical reserves were changed. The adjustment amount, SEK 6,235 M, which is attributable to previous years, was reported directly against shareholders' equity due to the changed regulation.

Länsförsäkringar Liv's solvency ratio was 114% (152) on December 31, 2008. Collective consolidation at year-end 2008 amounted to 105% (114).

## LÄNSFÖRSÄKRINGAR LIV, GROUP

### KEY FIGURES

	2008	2007
Premium income, SEK M <sup>1)</sup>	11,247	10,794
Total assets, SEK M	150,216	162,793
Return, New World, %	-28.1	4.2
Total return, traditional life assurance, %	-0.6	6.7

<sup>1)</sup> In accordance with the Swedish Insurance Federation's definition measured as rolling 12-month figures.

### INCOME STATEMENT

SEK M	2008	2007
Premium income before ceded reinsurance	6,236	6,547
Premium income after ceded reinsurance	5,820	6,150
Investment income, net	-17,596	8,066
Claims payments	-4,245	-3,698
Other underwriting income	252	594
Change in technical reserves	-11,495	2,834
Operating expenses	-1,641	-1,441
<b>Technical result for insurance operations</b>	<b>-28,905</b>	<b>12,505</b>
Non-technical expenses	-196	-195
<b>Profit/loss before tax</b>	<b>-29,101</b>	<b>12,310</b>
Tax	-1,025	-949
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>-30,126</b>	<b>11,361</b>

### BALANCE SHEET

SEK M	Dec. 31, 2008	Dec. 31, 2007
<b>ASSETS</b>		
Intangible assets	1,197	1,457
Investment assets	102,388	114,600
Investment assets for which policyholders bear the investment risk	31,708	40,900
Reinsurers' portion of technical reserves	792	796
Receivables	3,088	261
Other assets	8,117	2,025
Prepaid expenses and accrued income	2,926	2,754
<b>TOTAL ASSETS</b>	<b>150,216</b>	<b>162,793</b>

### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

	2008	2007
Share capital	8	8
Funds plus net profit for the period	11,043	36,632
Technical reserves	97,992	80,720
Provisions for life assurance policies for which policyholders bear the investment risk	31,709	40,905
Provisions for other risks and expenses	234	246
Deposits from reinsurers	853	860
Liabilities	7,723	2,858
Accrued expenses and deferred income	654	564
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>150,216</b>	<b>162,793</b>

Effective January 1, 2007, Länsförsäkringar Liv transferred to new accounting regulations, legally restricted IFRS. One effect of the new accounting principles is that paid premiums for financial instruments in the unit-linked insurance operations are reported as a deposit via the balance sheet, instead of being reported as income in the income statement. In the same manner, claims payments are reported as withdrawals from the insurance operations in the balance sheet. Instead, those fees paid by the customer are reported as premium income and costs for insurance risk are reported as a cost.





# Banking: Volume growth with improved profitability



## 2008 in brief

- Profit before loan losses excluding restructuring costs rose to SEK 337 M (290) and operating profit excluding restructuring costs rose to SEK 272 M (238).
- Net interest income increased by 19% to SEK 1,211 M (1,017). Loan losses remained low and amounted to SEK 65 M (51).
- Lending to the public rose by 17% to SEK 79 billion (67) and deposits from the public increased by 18% to SEK 35 billion (30). Retail mortgage lending rose 13% to SEK 54 billion (48).
- The banking operations have a low risk profile that has not changed appreciably during the financial crisis.
- Länsförsäkringar has Sweden's most satisfied bank customers in the retail market and the most satisfied retail mortgage customers in a comparison between all Swedish banks according to the Swedish Quality Index (SQI).

The strong growth of Länsförsäkringar's banking operations continued in 2008. The company's market position was strengthened and the total business volume increased to SEK 165 billion (162). According to the Swedish Quality Index, Länsförsäkringar has Sweden's most satisfied bank customers in the retail market and most satisfied retail mortgage customers – and is increasing its lead over other players.

## Market position, sales and market shares

The banking operations continued to display strong growth and strengthened their position in the market with increasing market shares. According to the 2008 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied bank customers in the retail market and most satisfied retail mortgage customers. The company also increased its lead over other Swedish banks during the year, particularly in terms of customer loyalty.

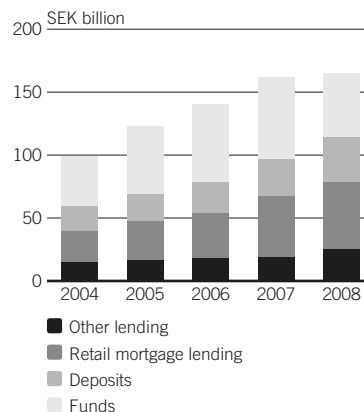
The total business volume rose to SEK 165 billion (162), including an increase in lending and deposit volumes and a decrease in the company's fund volume due to the decline of the stock market.

Total lending amounted to SEK 79 billion (67), an increase of 17%, and retail mortgage lending amounted to SEK 54 billion (48), an increase of 13%.

Länsförsäkringar's market share for household and retail mortgage lending rose to 3.5%. The percentage of market growth amounted to 6.4% for the year.

Deposits increased to SEK 35 billion (30), an increase of 18%. The market share for deposits rose to 3.2% and the

## BUSINESS VOLUME





percentage of market growth amounted to 6.3%. Accordingly, Länsförsäkringar is Sweden's fifth largest retail bank in terms of deposits.

The fund volume decreased to SEK 51 billion (65) due to the sharp decline of the stock market during the year. Nonetheless, Länsförsäkringar strengthened its market position as Sweden's fifth largest fund player with a market share of 4.2% (3.9).

As of December 31, 2008, the number of bank customers amounted to 700,000 (665,000), an increase of 5% or 35,000 compared with the preceding year. The number of household financing customers rose by 5% and eight of ten are also non-life insurance and/or life-assurance customers. The number of retail mortgage customers in the banking operations rose to 118,000 (108,000) during the year. Most retail mortgage customers have first-lien mortgages with the subsidiary Länsförsäkringar Hypotek, and as of December 31, 2008, these customers amounted to 115,000 (106,000).

### Financial security

Länsförsäkringar aims to provide people and companies with opportunities for financial security. The bank offering is part of Länsförsäkringar's offering to the retail and agricultural markets and the banking operations are an excellent complement to the insurance operations. By acting as a challenger with attractive customer offerings and maintaining a low level of risk in its operations, the company builds long-term relationships and a stable, secure and customer-owned bank.

### Continued growth

Banking transactions are becoming an increasingly large source of income for the Länsförsäkringar Alliance. In 2008, ten new branches were opened and the number of bank advisors continued to increase. Länsförsäkringar's ownership structure and the strength of its financial structure benefit the company's banking operations and growth.

### Reasonably priced banking services

The banking operations offer reasonably priced banking services to private individuals and farmers. Länsförsäkringar

acts a challenger in the market, with attractive products, customer service and value-for-money.

### Market goal – profitable growth and the most satisfied customers in the market

The banking operations aim to contribute to the market goal of the Länsförsäkringar Alliance, which includes:

- Profitable growth in all sub-markets and core business.
- The most satisfied customers within banking and insurance.
- Increased proportion of customers with a close relationship to Länsförsäkringar.

The banking operations have grown steadily since they were formed in 1996. The business volume has increased from SEK 99 billion in 2004 to SEK 165 billion in 2008.

According to the 2008 Swedish Quality Index, Länsförsäkringar had Sweden's most satisfied bank customers in the retail market and most satisfied retail mortgage customers. This is the second consecutive year that Länsförsäkringar has been awarded this distinction. The 2008 survey also indicated that Länsförsäkringar has increased its lead over its competitors in terms of satisfied bank customers in the retail market.

The banking operations have a strategic focus on increasing the number customers who have frequent contact and a close relationship with the bank.

### Strategy – strong brand, large customer base, local market awareness and a personal approach

The regional insurance companies handle all customer contact on the bank's behalf. The local, independent regional insurance companies know their customers and markets best and build strong customer relations. Local offerings, which lead to more customers, are launched continuously and joint offerings are also offered. Länsförsäkringar's overall core values – local focus, sustainability, clarity and value-for-money – are part of the strategy to earn the customer's confidence.

There are one million homeowner insurance customers in the Länsförsäkringar Alliance who require banking services, particularly retail mortgage loans and household financing services.



# Market and business environment

## Economic downturn

At the end of the third quarter of 2008, the financial turmoil that began in the capital market in 2007 entered an extremely turbulent phase. A crisis of confidence arose, which led to a substantial weakening of the function of the capital market, resulting in a liquidity shortage. As a result of the massive support measures implemented by various national governments and central banks, this financial turbulence subsided toward the end of the year.

While the lack of confidence among the players in the banking and financial sectors also affected Swedish banks, the Swedish capital market functioned better than other markets.

Throughout the entire period of financial turbulence, the Swedish TED spreads – the difference between inter-bank interest rates and government securities' rates – have essentially been lower than in the US, the UK and other EU countries, for example, which indicates a higher level of confidence in the Swedish market.

## Global economy and business environment

At the end of the year, the global economy was subject to major imbalances and the impact on the real economy

began to take effect through declining growth and a weaker labour market. The US GDP fell 0.8% in 2008. US households began saving at the end of the year for the first time in many years. This will have a negative short-term effect on the US GDP, 70% of which comprises private consumption. Unemployment has also risen in the US, resulting in lower incomes and a decline in consumption. The EU countries, which reported a 0.7% drop in GDP, entered the financial crisis at a later stage but are expected to experience the same trend as in the US.

## Swedish economy

Sweden's GDP fell 0.2% in 2008, primarily due to a substantial reduction in inventories in industry and a slowdown in household consumption. Growth declined sharply during the fourth quarter and the number of layoff notices increased at an unprecedented rate. Not since the beginning of the 1990s has the number of layoff notices been as high. The number of hours worked dropped as a result of a decline in demand and unemployment rose.

The OMX Nordic Exchange Stockholm fell 42% during the year, which is slightly worse than the global index, which fell 41%. Prices stabilised toward

the end of the year, with positive exchange trends reported in December despite profit warnings, negative economic statistics and numerous layoff notices.

Sweden has a national budget surplus and relatively small national debt, which are strengths in the face of the downturn in the economy and the political measures that may result from it.

## Housing-price trends

Sales of private homes and tenant-owned apartments declined slightly in Sweden during the year and Swedish housing prices declined by 2%. However, this decrease was lower compared with most of the western world, where the fall in housing prices was greater. For example, housing prices dropped 9% in the UK and 18% in the US.

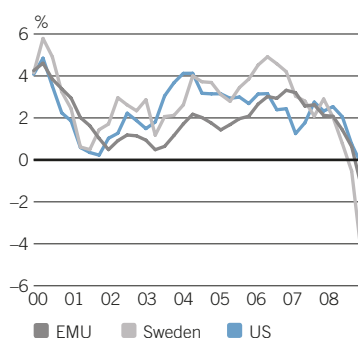
## Weakened SEK

The SEK declined substantially in relation to both the USD and EUR. Measured on the TCW index, the SEK fell nearly 13% in 2008 compared with Sweden's largest trading partners.

## Interest-rate trends

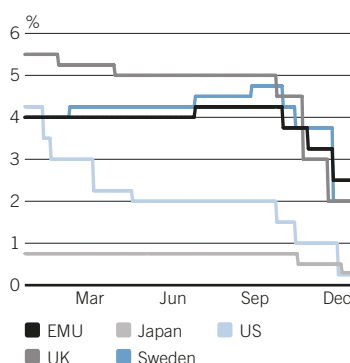
The world's central banks implemented massive measures at the end of the year to increase liquidity in the finance sys-

GDP GROWTH 2000–2008



Source: Reuters EcoWin

KEY INTEREST RATES 2008



Source: Reuters EcoWin

CURRENCY EXCHANGE RATES 2008



Source: Reuters EcoWin

tem and diminish the financial turbulence. Key interest rates were also cut as part of these measures. In December, the US Federal Reserve lowered its interest rate to essentially zero. In Sweden, the Riksbank lowered its interest rate by 2.75 percentage points in the autumn from 4.75% and thereafter the repo rate was 2%. The Bank of England and ECB also reduced their interest rates by 2% and 2.5%, respectively.

During the autumn, long-term interest rates fell due to the start of

the economic downturn and concerns regarding deflation, and the central banks' substantial reductions in their key interest rates strengthened the reduction of the long-term interest rates. During the autumn, the Swedish ten-year interest rate dropped from 4.5% at mid-year to 2.4% at year-end. The US ten-year interest rate fell from 4.0% to 2.2% and the German from 4.6% to 2.9%. Short-term interest rates also fell sharply as a result of the lowered key interest rates.



# Länsförsäkringar's bank offering

Länsförsäkringar offers customers products and services that generate financial security and the goal is for customers to have several products with Länsförsäkringar. The banking operations offer a full range of banking services primarily to the retail and agricultural market. These include loan and financing products, for example, retail mortgage lending, and leasing and financing products through the subsidiary Wasa Kredit. A broad range of savings and investment products is offered to customers, as is life assurance, endowment insurance and pension insurance through Läns-

försäkringar Liv. Payment services are offered for example via the Internet, bank cards and private giro and via cash-handling services.

## Increased retail mortgage and household lending

Lending to Swedish households rose to SEK 2,126 billion (1,949) in the Swedish market in 2008. Competition among Swedish mortgage players remained intense and retail mortgage lending increased to a total of SEK 2,033 billion (1,823). While the increase during the first six months of the year was in line with 2007, a distinct slowdown was noted toward the end of the year. Loans with variable interest rates accounted for 62% of new lending, which is the

highest percentage with variable interest rates since 2000. Housing price trends weakened toward the end of the year and the full-year price decrease for 2008 was 2%. Among customers, high-quality advisory services have become significantly more important when choosing a mortgage provider compared with earlier years. Value-for-money and good customer service also play a central role in customers' selection.

Länsförsäkringar's lending amounted to SEK 79 billion (67), an increase of 18%. Retail mortgage lending in Länsförsäkringar Hypotek rose to SEK 54 billion (48), up 13%. The market share for household and retail mortgage lending rose to 3.5% (3.2) and the percentage of market growth was 6.4%. This increase in lending and market growth is attributable to Länsförsäkringar's attractive offering, which includes mortgages as an integral part. Loan origination is always based on the goal of maintaining favourable credit quality. Although the retail mortgage market was characterised by lower activity during the second half of the year, Länsförsäkringar maintained a favourable volume trend. Länshem



Fastighetsförmedling is a meeting place with approximately 74 housing stores throughout Sweden at year-end. Wasa Kredit's lending volume amounted to SEK 9 billion (9). Leasing assets rose, while the unsecured loan portfolio declined slightly during the year. The number of retail mortgage customers in the Banking Group rose to 118,000 (108,000) and the number of retail mortgage customers in Länsförsäkringar Hypotek was 115,000 (106,000).

### Positioning in agriculture

Länsförsäkringar's bank and insurance offering to farmers is one of the strongest in the market and is based on a historically long relationship with the agricultural sector. During the year, the regional insurance companies continued to grow strong in the area of banking advisory services to farmers.

Since the launch of its first-lien mortgages in February 2008, Länsförsäkringar has captured a position in the market for first-lien mortgages to Swedish agricultural properties. Second-lien mortgages and operating credits for farmers also increased during the year. Agricultural mortgages totalled SEK 6,506 billion (3,093) and first-lien mortgages for agricultural and forestry properties amounted to SEK 3,226 M (0). The number of agricultural customers in the bank rose to 53,000 (45,000). Confidence in Swedish agriculture has risen among consumers from both a proximity and environmental point of

view. The property market in land and forestry stabilised during the second half of 2008 after a market rise in the price of land during the first six months of the year.

### Fifth largest bank in deposits

Toward the end of the year, the real-economic effects of the financial crisis and the onset of the recession started to impact Swedish households. A resulting trend was that customers demanded secure, low-risk investments.

Länsförsäkringar's deposits increased by 18% to SEK 35 (30) billion. The market share, measured as deposits from households, rose to 3.2% (2.9) and the share of market growth amounted to 6.3%. Accordingly, Länsförsäkringar is Sweden's fifth largest retail bank in deposits. The increase in deposits is explained by customers entrusting Länsförsäkringar to manage more of their savings, attracted by the company's strong offering. Länsförsäkringar also represented a secure choice for customers in a turbulent banking market during the year.

In 2008, deposits from Swedish households rose to SEK 900 billion (828) in the Swedish bank market. The net wealth of Swedish households declined to SEK 2,253 billion (2,954) and financial savings fell to SEK 72 billion (94).

### Funds and Fund Market

Länsförsäkringar is the fifth largest fund company in Sweden with a market share

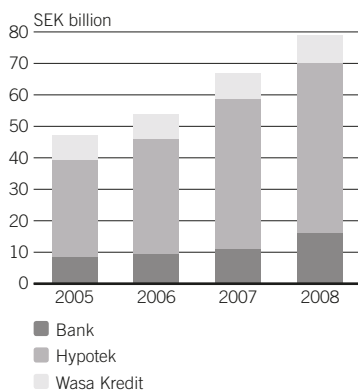
of 4.2% (3.9), measured in managed assets. A total of SEK 51 billion (65) was managed in 29 (31) investment funds with different investment orientations. The reason for the decrease in the fund volume was the decline in value of the stock market during 2008. Swedish fund wealth fell by 28% from SEK 1,416 billion to SEK 1,017 billion. Unlike the Swedish fund market, which reported a negative net flow of SEK 7.7 billion in 2008, Länsförsäkringar had a positive net flow of SEK 2.4 billion during the year. Customers mainly invested in fixed-income funds during the year, but also to a certain extent in equity funds.

Länsförsäkringar's management strategy is based on an extensive evaluation process that ensures that each fund has the best possible manager. A Fund Market ("Fondtorget") for direct savings was launched in November, whereby Länsförsäkringar's own funds are supplemented with 25 external funds that will provide the customers with greater freedom of choice in investment alternatives. The Fund Market's direct-savings funds will be coordinated as far as possible with the existing fund unit-linked insurance savings range.

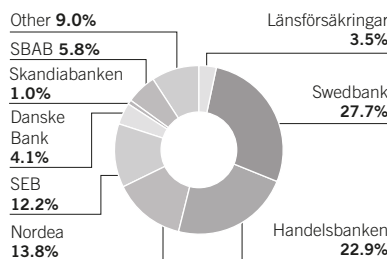
### Growth in card and payment transactions

The use of bank cards as a means of payment continued to rise, with cards being used increasingly often to purchase for smaller amounts. Bank cards accounted for approximately 36% of the

### LENDING VOLUMES

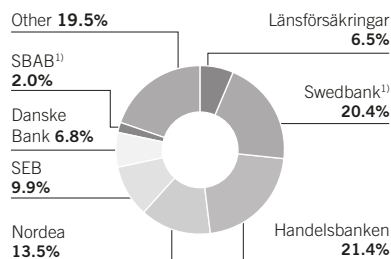


### MARKET SHARES OF HOUSEHOLD AND RETAIL MORTGAGE LENDING



Source: Statistics Sweden

### PERCENTAGE OF MARKET GROWTH IN HOUSEHOLD AND RETAIL MORTGAGE LENDING



<sup>1)</sup> Swedbank's percentage has been adjusted for Swedish Jordbrukskredit and SBAB's percentage has been adjusted for FriSpar Bolån.  
Source: Statistics Sweden



total number of transactions in 2008. Customers with salary accounts and bank or credit cards are a priority target group. Payment transactions rose to 74 (57), corresponding to a 30% increase. Income from payment transactions continued to increase during the year. Of the payment services, bank card transactions, bank giro and private giro accounted for the largest volumes. Payments via the Internet rose to 84% (81) of all payment transactions. The number of cards rose to 181,000 (151,000), an increase of 20%, and the number of ATMs amounted to 77 (67) at year-end.

Länsförsäkringar has a unique pin-code service for customers via the Internet that increases the security of paying by card. More than half of card-holders have received their pin code via the Internet since the service was introduced.

The work on the SEPA (Single Euro Payments Area), which is based on joint regulations for all European countries, continued in 2008 and will be fully implemented in 2010. SEPA's objective is to standardise the format of payment thus creating a borderless European payment area.

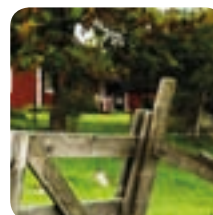
### Cash handling

Länsförsäkringar endeavours to meet all retail customers and farmers' banking needs, which includes cash handling. For this reason, as a replacement for the cash-handling services previously offered by Svensk Kassaservice, Länsförsäkringar Bank signed an agreement

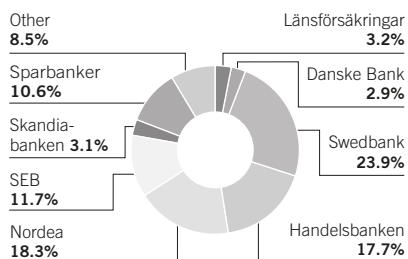
with Forex Bank for free withdrawals and deposits at Forex Bank's approximately 100 outlets throughout Sweden. In the future, automated cash deposit machines will also be offered as a cash-handling service to customers.

### Regional insurance companies own bank

The banking operations have a special offering to satisfy the 24 regional insurance companies' savings and payment-service requirements. The number of transactions is growing and the companies' savings and payment flows increased during the year.

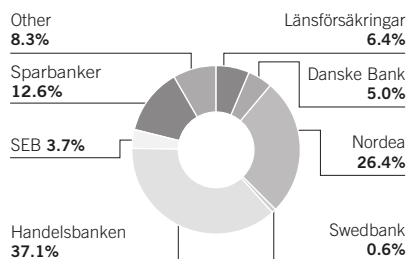


### MARKET SHARES OF DEPOSITS



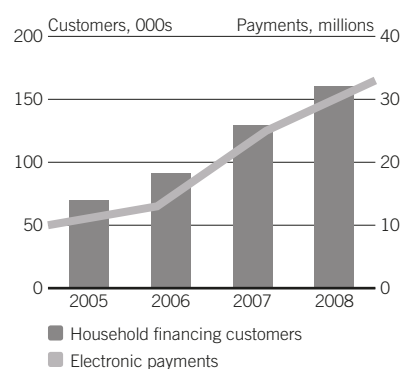
Source: Statistics Sweden

### PERCENTAGE OF MARKET GROWTH IN DEPOSITS



Source: Statistics Sweden

### HOUSEHOLD FINANCING CUSTOMERS AND ELECTRONIC PAYMENTS



# Credit quality

## Excellent quality

A total of 87% of the Banking Group's credit portfolio comprises household loans. Lending to the agricultural segment amounts to approximately 8%, of which a large share pertains to lending to family-owned farming businesses. The company has a low risk profile and the portfolio is of a high quality that has not been appreciably impacted by the slowdown of the real economy.

## Credit portfolio

The Banking Group's credit portfolio, totalling SEK 79 billion (67), has maintained a high level of quality and has not been appreciably impacted by the slowdown of the real economy.

A total of 87% (89) of the portfolio comprises household loans, according to product-defined portfolio. Of the total portfolio, 77% (78) pertains to retail mortgage lending, of which 84% (85) comprises collateral in single-family dwellings and 16% (15) tenant-owned apartments. In geographic terms, the credit portfolio has a favourable spread across Sweden.

Lending to the agricultural segment comprises approximately 8% (5) of the credit portfolio, half of which is first-lien mortgages mainly to family-owned agricultural properties.

Essentially all lending that occurs in the subsidiary Länsförsäkringar Hypotek qualifies to be included in the covered-bond operations in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223). On December 31, 2008, the cover pool had a volume of SEK 52 billion (45). The pool comprises only lending to private individuals with private residences as collateral. These private residences are located only in Sweden and have a favourable geographic spread. A total of 44% of commitments amounted to less than SEK

500,000 and the average commitment totalled SEK 733,000. The loan-to-value ratios or weighted average LTV<sup>1)</sup> in the cover pool amounted to 58% (59) on December 31, 2008.

Länsförsäkringar Hypotek's cover pool has an OC<sup>2)</sup> target level of 5%. On December 31, 2008, actual OC amounted to 24% (30), and in addition to lending, comprised an amount of SEK 9.7 billion (3.3) of funds deposited in the special account for the covered bond operations, which corresponds to 15.7% (6.7) of the total cover pool.

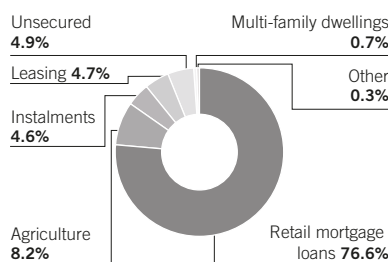
During a stress test of the cover pool based on a 20% price drop in the market value on December 31, 2008, the weighted average LTV increased to 65% compared with a weighted average LTV of 58% on December 31, 2008.

## Doubtful loan receivables

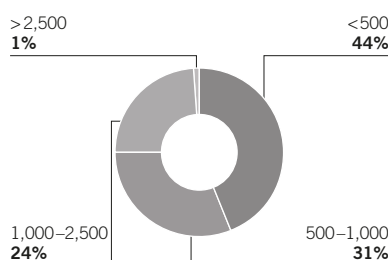
Doubtful receivables amounted to 0.32% (0.26) of the lending portfolio before provisions. Accordingly, doubtful receivables account for a minor percentage of total lending.



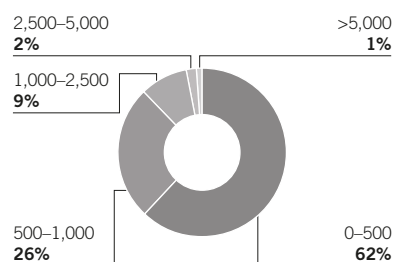
## LENDING PRODUCTS BY VOLUME



## COMMITMENTS IN THE COVER POOL BY PROPERTY, SEK 000S

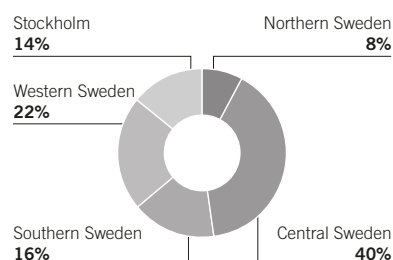


## CREDIT PORTFOLIO BY SIZE, SEK 000S<sup>3)</sup>



<sup>3)</sup> Excluding Wasa Kredit.

## CREDIT PORTFOLIO BY GEOGRAPHIC REGION<sup>3)</sup>



<sup>3)</sup> Excluding Wasa Kredit.

<sup>1)</sup> Loan-to-value.

<sup>2)</sup> OC indicates the relationship between the assets (lending) and liabilities (borrowing) in relation to the liabilities. High OC indicates that the operations have a large surplus of assets and a favourable margin in the event of, for example, a price drop in the value of the assets.

# Borrowing and liquidity

## Financing with covered bonds

Länsförsäkringar Bank's financing sources include shareholders' equity, subordinated loans, deposits, inter-bank borrowing and borrowing in the capital market. Most of the banking operations' borrowing occurs through the subsidiary Länsförsäkringar Hypotek. Borrowing in Länsförsäkringar Hypotek is conducted with covered bonds, which have the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA). The covered bonds are pledgeable at the Riksbank.

## Objective and strategy

The aim of the operations is to cover short and long-term capital requirements at a price in line with relevant competitors' prices.

Länsförsäkringar Bank has a very strong liquidity situation. The majority of lending occurs through the subsidiary Länsförsäkringar Hypotek, which is financed through the issuing of covered bonds and to a certain extent through the use of Länsförsäkringar Bank's deposit surplus. Länsförsäkringar Bank's deposits are sufficient to finance the uncovered lending operations of Länsförsäkringar Bank.

The primary source of financing is borrowing in covered bonds in Sweden, with benchmark loans for the institutional market. Issues are concentrated to large volumes in a number of bond loans that provide the conditions for generating high liquidity. The benchmark curve in the Swedish market includes bonds with maturity periods of one to five years issued through on-tap issues. FRN loans are also issued regularly, normally in large volumes to generate higher liquidity. International borrowing has occurred in the Swiss market to date. The subsidiary Länsförsäkringar Hypotek works to secure as broad an investor base as possible in the markets deemed to be central to achieving the financing strategy.

There are five market makers for borrowing and trading with covered bonds: Danske Bank Consensus, Swedbank,

SEB, Nordea and Svenska Handelsbanken. In addition, Länsförsäkringar Bank is a dealer for the subsidiary Länsförsäkringar Hypotek's new domestic MTN programme for covered bonds

## Borrowing operations during the year

Despite increased turbulence in the capital market and a decline in market liquidity, primarily during the second half of the year, Länsförsäkringar's banking operations have maintained favourable access to financing during every stage of the crisis.

Borrowing increased to SEK 49 billion (46), of which covered bonds amounted to SEK 42 billion (37). The remaining amount pertains to commercial papers. This increase is attributable to financing of higher lending volumes.

The average maturity period was two years. Sales in foreign currencies amounted to SEK 8.0 billion (9.3), corresponding to 16% of the total borrowing. Covered bonds totalling SEK 17.5 billion were issued during the year. Repurchases totalling SEK 5.7 billion were conducted to extend the duration and past due securities amounted to SEK 7.4 billion.

As of December 31, 2008, the subsidiary Länsförsäkringar Hypotek had four outstanding benchmark loans, which will fall due between 2009 and 2013. Benchmark bonds totalling SEK 9.3 billion were issued during the year. A five-year benchmark bond 505 was also issued during the year and was granted benchmark status immediately upon issue. The outstanding volume of benchmark bonds at year-end totalled SEK 29.3 billion (24.6).

Bonds issued in Länsförsäkringar Hypotek's MTCN programme amounted to SEK 6.8 billion and the outstanding volume of bonds totalled SEK 7.1 billion (5.3) as of December 31, 2008. Bonds issued in Länsförsäkringar Hypotek's EMTCN programme amounted to SEK 1.4 billion and the volume of bonds totalled SEK 6.0 billion (7.1) as of December 31, 2008.



Länsförsäkringar Bank issued SEK 23.5 billion (11.8) in its DCP programme in 2008.

Financing with long-term borrowing is adjusted in terms of maturity through swap contracts to achieve a fixed-interest period to match the lending.

## Strong credit rating

During the year, Länsförsäkringar Bank maintained its credit ratings of A (stable) from Standard & Poor's and A 2 (stable) from Moody's. The rating for short-term borrowing is A-1 from Standard & Poor's and P-1 from Moody's. The company also maintained a Financial Strength Rating of C.

The stable credit rating is a strength given the turbulence experienced in the capital and credit markets during the year. This credit rating is attributable to the company's continued positive trends with strong growth, high credit quality, a low level of loan losses and favourable liquidity, as well as the strategic significance of the banking operations in the Länsförsäkringar Alliance.

The subsidiary Länsförsäkringar Hypotek's covered bonds maintained the highest credit rating from Moody's (Aaa) and from Standard & Poor's (AAA). Länsförsäkringar Hypotek is one of four players in the Swedish market for covered bonds with the highest rating from both rating agencies.

## Liquidity portfolio

Länsförsäkringar Bank's liquidity portfolio comprises investments with very high credit quality in SEK. On December 31, 2008, the percentage of government securities or government-guaranteed investments amounted to 72%. The remaining portion primarily comprised investments in covered bonds. The level of liquidity in these investments is extremely high since all of the investments can be used as collateral for loans from the Riksbank.

## The Riksbank's actions during the year

During the second half of 2008, the Riksbank was forced to take strong action to supply the capital market with liquidity and implemented a number of measures. One measure was to increase the proportion of covered bonds that may be used as collateral by related institutions in the RIX payment system. The Riksbank also established a programme for three and six-month borrowing in SEK, thereby allowing banks to borrow directly from the Riksbank. Furthermore, the Riksbank introduced a credit facility in USD that functions in the same way. These measures helped to meet the liquidity requirements of Swedish banks.

The turmoil that accelerated during the autumn of 2008 resulted in national governments worldwide adopting guarantee programmes for banks. The Swedish guarantee programme enables banks, mortgage institutions and certain credit market companies to issue a state guarantee that can be used by investors if the borrower is unable to pay its commitments. The Swedish guarantee programme applies until April 30, 2009 and amounts to SEK 1,500 billion.

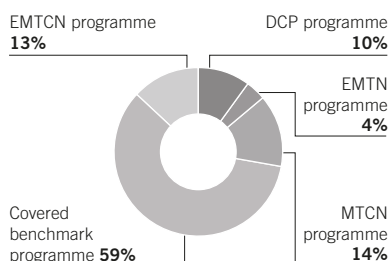
## BORROWING PROGRAMMES

	Programme	Currency	Nominal framework, SEK M	Remaining maturity, years	Remaining nominal value, SEK M
Hypotek	MTCN	SEK	20,000	1.4	7,132
	Benchmark	SEK	Unlimited	2.1	29,268
	Private Placement International	CHF	–	4	240 <sup>1)</sup>
	EMTCN	EUR	2,000	1.2	390 <sup>2)</sup>
Bank	MTN	SEK	20,000	1.5	18
	DCP	SEK	15,000	0.3	5,146
	ECP	EUR	1,500	–	–
	EMTN	EUR	2,000	1.1	185 <sup>2)</sup>

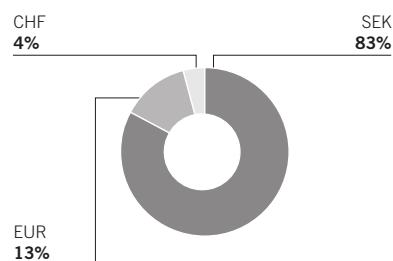
<sup>1)</sup> Amount in CHF M

<sup>2)</sup> Amount in EUR M

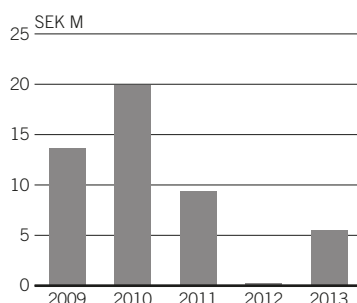
## BORROWING BY PROGRAMME FOR THE GROUP



## BORROWING BY CURRENCY FOR THE GROUP

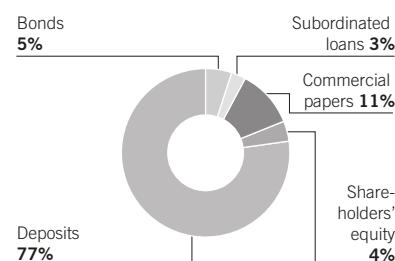


## FINANCING BY MATURITY FOR THE GROUP



SEK 0.2 billion is due for payment in 2012.  
In addition, SEK 0.4 billion is due for payment in 2018.  
All volumes are at par value.

## FINANCING SOURCES FOR THE GROUP EXCLUDING SUBSIDIARY LÄNSFÖRSÄKRINGAR HYPOTEK





### Comments on the financial results for the banking operations

Profit before loan losses excluding restructuring costs rose to SEK 337 M (290) and operating profit excluding restructuring costs rose to SEK 272 M (238). This corresponds to an average return on shareholders' equity of 4.9% (5.0). Profit before loan losses including restructuring costs rose to SEK 310 M (290) and operating profit including restructuring costs amounted to SEK 245 M (238). This corresponds to an average return on shareholders' equity of 4.4% (5.0).

Net interest income rose by 19% to SEK 1,211 M (1,017), an increase attributable to higher lending and deposit volumes to the public, a higher return on shareholders' equity and cash flows and relatively improved borrowing costs for retail mortgages. A total of SEK 11 M (12) was charged against net interest income for mandatory government deposit insurance. The investment margin was 1.30% (1.43). This lower investment margin was attributable to a change in the product mix in the lending portfolio and the larger liquidity portfolio during the year. The investment margin strengthened compared with the preceding quarter. Net commission revenue declined to negative SEK 138 M (neg: 45). This decline was attributable to lower fund management volumes as a result of the year's stock-market decline and higher compensation to the regional insurance companies. Payment commission increased net commission. Income rose by a total of 11% to SEK 1,225 M (1,106). In total, income increased in all operating areas during the year, with the exception of the fund operations, whose income was impacted negatively by share-price trends.

Operating expenses excluding restructuring costs rose 9% to SEK 888 M (816). Operating expenses including restructuring costs rose 12% to SEK 915 M (816), of which SEK 27 M pertains to restructuring costs. The remaining increase is attributable to restructuring in the Länsförsäkringar AB Group and to a certain extent to the number of new employees, higher management costs and an increase in amortisation of capitalised development costs. Restructuring costs totalling SEK 27 M refer to sever-

ance pay and pension provisions in the Banking Group in conjunction with the reorganisation in the Länsförsäkringar AB Group. The cost/income ratio before loan losses and excluding restructuring costs amounted to 0.72 (0.74). The cost/income ratio was 0.75 (0.74) before loan losses and including restructuring costs.

Loan losses remain low and the credit portfolio is of excellent quality. Loan losses amounted to SEK 65 M (51), net, with the majority of losses pertaining to the subsidiary Wasa Kredit. Depending on the product, provisions were mostly made after group-wise appraisal and only to a limited extent after individual review. Doubtful receivables rose to SEK 255 M (176), corre-

sponding to a gross share of doubtful receivables amounting to 0.29% (0.24) and a net share totalling 0% (0). The value of the collateral has not been taken into consideration in the reporting of doubtful receivables.

### LÄNSFÖRSÄKRINGAR BANK, GROUP

Key figures	2008	2007
Deposits from the public, SEK M	35,090	29,735
Lending to the public, SEK M	78,564	67,040
Operating profit <sup>1)</sup> , SEK M	272	238
Return on shareholders' equity <sup>1)</sup> , %	4.9	5.0
Cost/income ratio before loan losses <sup>1)</sup>	0.72	0.74

<sup>1)</sup> Excluding restructuring costs.

### INCOME STATEMENT

SEK M	2008	2007
Net interest income	1,211	1,017
Net commission	-138	-45
Other operating income	152	134
<b>Total operating income</b>	<b>1,225</b>	<b>1,106</b>
Personnel costs	-331 <sup>1)</sup>	-276
General administration expenses	-531	-468
Other operating expenses	-53	-72
<b>Total operating expenses</b>	<b>-915</b>	<b>-816</b>
<b>Profit before loan losses</b>	<b>310</b>	<b>290</b>
Loan losses, net	-65	-51
<b>OPERATING PROFIT</b>	<b>245</b>	<b>238</b>
Tax	-68	-63
<b>NET PROFIT FOR THE YEAR</b>	<b>177</b>	<b>176</b>

<sup>1)</sup> Of which restructuring costs amount to SEK 27 M.

### BALANCE SHEET

SEK M	Dec. 31, 2008	Dec. 31, 2007
<b>ASSETS</b>		
Eligible treasury bills	-	7,964
Lending to credit institutions	9,831	5,234
Lending to the public	78,564	67,040
Bonds and other securities	10,446	3,105
Intangible assets	327	247
Tangible assets	21	21
Other assets	4,947	1,483
<b>TOTAL ASSETS</b>	<b>104,136</b>	<b>85,094</b>

### SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

Liabilities to credit institutions	9,113	707
Deposits and borrowing from the public	35,090	29,735
Securities issued	48,985	45,981
Other liabilities	6,657	4,847
Shareholders' equity	4,291	3,824
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>	<b>104,136</b>	<b>85,094</b>

# Social responsibility: Major commitment to local society



For Länsförsäkringar, social responsibility means contributing to the economic, social and ecologically sustainable development of society as far as possible. Länsförsäkringar aims to be associated with reliability and respect, both through the products and services offered by the regional insurance companies and through its long-term efforts to reduce accidents and damages.

Länsförsäkringar's social responsibility work has been established within the organisation for many years and is closely linked to the fundamental values – customer ownership and local presence. Cooperation between the regional insurance companies and local society is extensive. There is also a strong involvement in the development and growth of the local community. Many regional insurance companies support and actively work together with organisations, clubs, associations and sports clubs, as well as the business sector.

Security is the very foundation of Länsförsäkringar's operations. We have long held the aim of creating individual security by offering insurance. In parallel with this, an important part of our work has involved minimising risks and creating security in the environments in which people live and work. These are efforts that not only benefit our own customers, who are also our owners, but society as a whole. Specific examples of this work are traffic-safety activities, preventive healthcare measures and active environmental and climate activities in local areas and across Sweden. Länsförsäkringar has a highly credible reputation in environmental issues. For several years, Länsförsäkringar has held

climate seminars. Länsförsäkringar conducts active claims-prevention work, which helps to reduce both claims compensation costs and carbon emissions. Lower claims compensation costs are beneficial for customers since they ensure continued competitive premiums, while a reduction in emissions will benefit future generations.

Long-term activities are also underway to contribute to research in areas that aim to increase individual security and reduce risks in society. In 2008, SEK 10 M was reserved for research in areas that can help to improve health, reduce illnesses attributed to lifestyle,

alleviate mental illness and treat relational disorders. The Länsförsäkringar Alliance also funded research in the areas of arson, wind-power plant recycling and the role of animals in rehabilitation.

## Good examples

Within the Länsförsäkringar Alliance, there are several examples of activities intended to benefit local society and the people who live in the local community. Examples from 2008 include the following:

For the fourth consecutive year, Länsförsäkringar visited a number of



upper-secondary schools in Sweden's *Blekinge* region to provide information about the effects of having alcohol in the body when driving. The company also handed out free reflective vests to nursery-school children and motorcyclists and sponsored a number of associations for children and young people, including sports and cultural groups.

*Länsförsäkringar Värmland* wants to help ensure that more of the good ideas developed in the county are given an opportunity to become a reality. An "invention prize" worth SEK 100,000 is awarded each year to the person who comes up with the most beneficial idea. One example is a cutting tool that is currently used by ambulance personnel to cut the clothing worn by accident victims.

In recent years, *Länsförsäkringar Gotland*, when issuing bonuses to its customers, has also handed out no fewer than 15,500 fire extinguishers and fire alarms to its customers living in private homes, leisure homes and agricultural properties. Once the fire extinguishers are used up, they are replaced by *Länsförsäkringar* free of charge. In several cases, this initiative has enabled fires to be prevented and limited the scope of fires that have occurred.

During one week in the spring and one week in the autumn, *Länsförsäkringar Södermanland* contributes to the education of pupils aged six and 13 in the municipalities of Nyköping, Oxelösund, Trosa and Gnesta, in cooperation with such organisations as the emergency rescue services, ambulance services and the police. The company also contributes to the *Rörelsebarometern*, an activity organised in schools to encourage students to become more active, and hands out reflective vests to nursery schools.

*Länsförsäkringar Halland* works actively to achieve its vision of a "safe Halland to live and work in." The company focuses on contributing to or supporting activities and associations that reach out to all residents of Sweden's Halland region, based on the concept that everyone benefits from reducing the risk of crime, injuries and accidents. A market survey shows that 45% of the 5,000 people surveyed were aware of this commitment to society. The best-known contributions are Neighbourhood Watch and the 120 boxes of sand used to prevent accidents caused by slippery conditions throughout the county.



# Environment: Environmental consideration a key component of the operations

The Länsförsäkringar Alliance strives to take the environment into consideration in all areas of its operations, including business development, sales, customer claims and office work.

One of the focus areas of the company's environmental work is reducing customer claims. Every claim impacts the environment in the form of energy consumption, decontamination, transports, material use and waste. According to Länsförsäkringar's calculations, water damage results in 300 kg of carbon emissions. Approximately 80 kg come from transports, 10 kg from dehumidification and 210 kg from the manufacturing and handling of materials. Accordingly, helping customers to avoid damages is an important environmental measure.

## **Environmentally approved contractors**

Should a customer nonetheless be affected by damages, Länsförsäkringar attempts to reduce the environmental impact, particularly the impact caused by damages to buildings. Every year, the Länsförsäkringar Alliance hires a large number of contractors, corresponding to an operation of 1,000 carpenters. These contractors are quality and environmentally approved by Länsförsäkringar and are kept up to date on new results and improved methods through continuous training and current information. Customers looking to carry out maintenance and repair work can receive advice on what they need to think about.

## **Reducing the direct environmental impact**

To reduce direct impact on the environment, train travel is increasingly used for business trips. The use of environmentally friendly company cars also increased during the year. An increasing number of meetings now take place in the form of telephone, video or web conferences as a means of reducing total accumulated travel. A large portion of the electricity purchased by the company is eco-labelled, district heating is used as a source of heat and many energy-saving measures have been taken in the Länsförsäkringar Alliance's properties. One of the targets of the developments carried out in the Länsförsäkringar Alliance is to reduce the flow of paper both within the company and sent to customers. To reduce the consumption of paper, digital solutions and efficient printing and copying solutions are being developed. The expansion of the Internet channel offers more opportunities to reduce the amount of paper sent to customers. Today, insurance conditions are no longer sent in paper form; instead, these documents are available on the regional insurance companies' websites. Customers are also offered the option of choosing not to have account and loan statements sent to their home address, and as many paper dispatches as



possible are packaged together to reduce the flow of paper.

## **Environmentally classified properties**

Led by the Ministry of the Environment, the Swedish Government has gathered a number of players in the construction and real estate sector to actively work toward achieving sustainable development through various undertakings. Länsförsäkringar is participating in a project to establish an industry-wide, voluntary system for classifying the environmental quality of buildings.





The objective is to classify all newly built buildings and 30% of existing buildings based on their building-related health and environmental impact by 2009. The main purpose is to ensure sound function and a healthy indoor climate in a resource-efficient manner and with the smallest environmental impact possible. In 2008, some of Länsförsäkringar's properties were used to test the environmental classification system.

#### **Wind farms**

A new concept for large-scale wind farms was launched in 2008, providing customers with financing, as well property, loss-of-profit, fire and recycling insurance, which guarantees the decommissioning and recycling of wind farms.

#### **Environmental aspects of investment decisions**

In 2008, Länsförsäkringar Liv invested SEK 1 billion in the World Bank's (International Bank for Reconstruction and Development, IBRD) "green" bond. The bond has a credit rating of AAA and is guaranteed by the IBRD. The bond yields a slightly higher return than a Swedish government bond. The proceeds earned from this issue are to be used to invest in technology that reduces emissions of carbon dioxide in develop-

ing countries. For Länsförsäkringar, this investment is a way of generating higher returns while supporting the environment.

#### **Unique recycling insurance**

The Länsförsäkringar Alliance is the only insurance group that offers recycling for farmers throughout most of Sweden. Recycling insurance entitles farmers and residents of agricultural properties to have their environmentally harmful waste and agricultural scrap removed from their farms and dealt with appropriately once a year, free of charge. In 2008, approximately 10,000 tonnes of scrap, 1,200 tonnes of waste oil, 145 tonnes of liquid pesticides and 90 tonnes of non-liquid pesticides were collected.

To gain further knowledge, Länsförsäkringar contributes to environmental research. Some of the projects currently being funded focus on analysing preventive measures against landslides and avalanches and examining how the consequences of flooding in cities' water systems can be reduced.

#### **Systematic environmental work**

All companies in the Länsförsäkringar Alliance are environmentally certified in accordance with ISO 14001. This means



that the environment is taken into consideration in the decisions and actions of the companies in an effort to constantly reduce their environmental impact and contribute to sustainable social development. Each company has its own certificate. The companies in the Länsförsäkringar Alliance jointly develop their environmental work, offer further training and learn from one another. Certification is achieved through internal audits and external review by an accredited certification body.

# Employees: Attractive employer focusing on the long term



Personal customer interaction, the federal company form with local decision-making and strong product, employee and management development are the unique and distinguishing characteristics of Länsförsäkringar as an employer.

HR issues are managed locally in the 24 regional insurance companies, through joint development and coordination between the local companies and the jointly owned Länsförsäkringar AB. This approach heightens the power of Länsförsäkringar's attractiveness as an employer competing for business-critical competencies. A joint key focus area in 2008 was conveying the image of a company group that demonstrates honest respect for both customers and employees and that recognises the personal significance of the individual employee for successful customer interaction. The basis of this work is that Länsförsäkringar is a successful company group that offers significant opportunities for development and career advancement.

Länsförsäkringar's image as an employer will be communicated to an even greater extent using a joint approach. Value-based recruitment advertisements will communicate a sense of reliability and what Länsförsäkringar stands for. The new website will illustrate development and career opportunities

and the diversity of professions available to prospective employees. Länsförsäkringar as an employer shall also be clearly communicated to students by conducting more active student profiling and participating in labour market days for example.

## High targets retain focus

The efforts to further advance Länsförsäkringar's positions in the battle for business-critical competencies yielded results during the past year. For the sixth consecutive year, Länsförsäkringar was named the insurance industry's most attractive employer in Universum's Företagsbarometer survey. In total, the 2006 ranking of 52nd has now improved to 36th. The intention is to become one of the ten most attractive employers among Swedish economics students in all industries by 2010.

As confirmation of the quality of its work with the target group of young graduates, Länsförsäkringar received an award for its HR activities from Universum. This was the first year that Universum awarded a prize that focuses on young graduates.

## Local value activities

The image of Länsförsäkringar as an employer is strengthened by the value activities performed by the local regional insurance companies. Employees from a number of companies have actively participated in producing the company's values which, in addition to strengthening the employer brand, aim to bring about a joint approach for customers and colleagues. In 2008, Länsförsäkringar Skaraborg received two awards for its systematic efforts in encouraging good health, excellent communication between management and personnel, productive coaching and equal opportunities activities, "Most Attractive Workplace in Skövde" from Trade Forum in Skövde and "Best Workplace Skaraborg" from Region Västra Götaland and the Skaraborg Regional Association of Local Authorities. One of the results of the company's work is that sickness absence is as low as 1.6%.

# Development and career



## Manager supply

The Länsförsäkringar Alliance is unique with 24 independent regional insurance companies that jointly own Länsförsäkringar AB in Stockholm. As a result, a large labour market is available since there are slightly more than 30 President positions and the same number of management groups to which employees can advance.

Annual surveys are conducted to identify and retain employees with excellent leadership skills so as to provide them with the appropriate platform to develop successfully. These surveys are also used as a basis in succession planning. In 2008, changes took place in a total of ten President positions, eight of which were recruited internally.

To ensure the supply of future leaders, some 30 young employees from various regional insurance companies attended an Assessment Centre in 2007. Some 15 candidates were subsequently awarded a place on a specially tailored Young Talent Programme in 2008. The Programme included personal development and leadership style, implementing change and personal efficiency. A female manager from Östgöta Brandstodsbolag was nominated for the Ruter Dam one-year management development programme for women. This has been a focus area for many years in a bid to have more women take on senior managerial roles.

Länsförsäkringar participates in international partnership projects through EurAPCo (European Alliance Partners Company).

Eurekans and Ashridge are two development programs for managers and specialists arranged by Eureko Academy within the EurAPCo framework.

Three employees from Länsförsäkringar AB participated in the Eurekans programme and employees from Länsförsäkringar Bergslagen, Länsförsäkringar Skåne, Länsförsäkringar AB and Länsförsäkringar Mäklarservice attended the Ashridge programme.

## Trainee programme

The trainee programme is an essential part of developing Länsförsäkringar as an employer and is of strategic importance to attracting new employees. The programme contributed to Länsförsäkringar's position as the most attractive employer in the insurance industry. The fourth year of the trainee programme started in 2008 and seven trainees were recruited to Östgöta Brandstodsbolag, Länsförsäkringar Värmland, Länsförsäkringar Halland, Länsförsäkringar Stockholm and Länsförsäkringar AB. The trainees' educational backgrounds were in law, specialising in commercial law, and business economics, specialising in marketing, auditing and accounting, as well as IT and communication science. Many of the trainees had a double degree in economics.

The first trainee programme was held in 2001. Länsförsäkringar's trainee programme is certified and meets the requirements for a professional trainee programme laid down by the Swedish Association of Graduate Engineers and TraineeGuiden (Swedish trainee guide).

## Generation change programme

All regional insurance companies have catalogued their requirements prior to the forthcoming changes in generation. In particular, competencies in non-life insurance were singled out as a future needs, for example, the position of risk engineer is a key specialist role that requires unique expertise. Many people in this occupational category will retire within ten years. Employees with higher education in a technical subject and at least three years' work experience were recruited to 16 regional insurance companies and are now undergoing

a joint generation-change programme aimed at transferring the broad expertise found in the companies to these new risk engineers. The programme will last for about two and a half years and include a diploma training course, practical placement and mentoring.



## Professional training

Many more efficient and flexible training methods were produced in 2008. Classic training courses are now mixed with e-learning, online lectures and interactive texts that participants complete remotely. These activities make learning more individual for employees who assume greater responsibility for their own training.

New laws and regulations govern the content of professional training courses but they are also adapted to Länsförsäkringar's market strategy. New professional training courses in the Private segment (banking, life assurance and non-life insurance) were produced along with a diploma course for sellers and claims adjusters.

Training activities are organised jointly within Länsförsäkringar AB. Approximately 10,000 training days were held, 200 courses started and about 1,500 tests arranged in 2008.

# Activities

## More flexibility in choice of benefits

Continuing to develop individual and flexible solutions for forms of remuneration and benefits to employees is also an important part of being an attractive employer. An online system support function was implemented by Länsförsäkringar Stockholm, Länsförsäkringar Bergslagen and Länsförsäkringar AB in 2007 to highlight the benefits available to employees. The same function will be introduced at Länsförsäkringar Västerbotten, Länsförsäkringar Skaraborg, Länsförsäkringar Värmland and Länsförsäkringar Mäklarservice in 2009. The system will lead to more flexibility in employees' choice of benefits.

## Equal Opportunities study

Länsförsäkringar Älvsborg, Länsförsäkringar Skåne, Dalarnas Försäkringsbolag, Länsförsäkringar Göteborg och Bohuslän, Östgöta Brandstodsbolag and Länsförsäkringar AB were included in the Swedish Equal Opportunities Ombudsman's "million employees" study, which investigates non-objective difference in men and women's salaries for the same work. The salary surveys, analyses and action plans of these companies were approved.

## Healthcare

Many years of proactive health measures have resulted in falling sickness figures. At Länsförsäkringar Gotland, for example, the percentage of healthy employees has been more than 98% since 2005. Today, 20 regional insurance companies offer

medical insurance to their employees.

The companies work with rehabilitation professionally by offering rehabilitation insurance or conducting their own activities. One of this year's prizes in this area was awarded by Korpen (Swedish Sport for All Association) to Länsförsäkringar Södermanland as a workplace with a health diploma.

## Diversity

For many years, Länsförsäkringar Jämtland has had the long-term aim of "Balance and diversity in the personnel organisational structure" in its business plan. In five years, the company has increased the percentage of first and second generation immigrants in its personnel structure by 2.5%. The current percentage for the company is 6.5%, which corresponds to the figure for the entire county of Jämtland.

## Skills

The ultimate target of Länsförsäkringar's market strategy is that more and more customers will combine their total banking and insurance commitments in their local regional insurance company. This gives employees improved career opportunities and the chance to broaden their expertise in banking and insurance. The following investments, for example, were made in skills development in 2008:

- Länsförsäkringar Skaraborg continued its customer-orientation programme. The programme includes a manager-training course with

practical coaching that will lead to a sharper market focus.

- Länsförsäkringar Gotland worked with a sales coach and involved the participation of all business areas.
- Länsförsäkringar Skåne continued its efforts in management development and broadening employee skills to meet all of customers' insurance and banking service requirements.
- When meeting with private customers, Länsförsäkringar Stockholm's employees will be able to present the entire Länsförsäkringar offering and the financial reliability it provides. Employees undergo broad training in both the offering and customer meetings. The company also developed opportunities for many highly skilled sellers to advance their careers by signing contracts with them as franchisees.

Several regional insurance companies enhanced the efficiency of their work methods and reduced processing times by applying a Lean approach<sup>1)</sup>. The results expected are:

- Greater participation from employees in the operations' improvement activities and development.
- Higher capacity through changed working methods and enhanced efficiency.
- Structure and systems for continuous improvement.

<sup>1)</sup> A Lean approach involves applying specific and practical methods to achieve a flow that creates value based on a customer-orientated outlook.

## Change process at Länsförsäkringar AB

The jointly owned Länsförsäkringar AB underwent an extensive change process in autumn 2008 to enhance competitiveness and reduce costs. The measures implemented are intended to strengthen the company's customer offering in order to more rapidly realise Länsförsäkringar's growth strategies. The number of personnel was reduced by approximately 20% as part of the process of reducing costs. The company's need for the right competencies was a critical factor in the appointment of the new organisation that came into effect on January 1, 2009.

In tackling redundancies, Länsförsäkringar AB's basis has been to assume responsibility for and help employees find a new

solution, an approach it has taken in previous personnel-reduction processes. The process comprises three parts:

1. A development programme in the resources organisation aimed at providing support, development and possibilities for future solutions. The focus is on identifying new paths and alternatives to find new work based on employees' individual skills.
2. Financial support in the form of a volunteer offering based on length of service and age at December 31, 2008.
3. A pension offer for employees who are 60 years old or above on December 31, 2008.



## Employee statistics

	Permanent employees on December 31, 2008			
	2008		2007	
	Women	Men	Women	Men
24 regional insurance companies	2,275	1,967	2,073	1,884
Länsförsäkringar AB	939	760	912	745
Mäklarservice	71	51	67	45
<b>Total number of permanent employees</b>	<b>6,063</b>		<b>5,726</b>	

	Permanent employees recruited during the year		Permanent employees who left during the year	
	2008	2007	2008	2007
24 regional insurance companies, including Mäklarservice	502	452	350	450
Länsförsäkringar AB	119	109	135	109

Age range, all employees	24 regional insurance companies, including Mäklarservice		Länsförsäkringar AB	
	2008	2007	2008	2007
0–30 years	516	574	149	150
31–40 years	1,164	1,615	512	522
41–50 years	1,302	1,670	524	488
51–60 years	1,147	1,548	424	421
61–	238	330	90	73
Average age, women	44	44	44	44
Average age, men	45	46	45	44

Age range, managers	24 regional insurance companies, including Mäklarservice			
	2008		2007	
	Female managers	Male managers	Female managers	Male managers
0–30 years	3	6	3	5
31–40 years	48	50	48	51
41–50 years	79	111	69	114
51–60 years	30	117	26	116
61–	1	9	1	6
<b>Total</b>	<b>161</b>	<b>293</b>	<b>147</b>	<b>292</b>
<b>Total</b>	<b>454</b>		<b>439</b>	

Age range, managers	Länsförsäkringar AB			
	2008		2007	
	Female managers	Male managers	Female managers	Male managers
0–30 years	2	1	1	1
31–40 years	36	39	31	36
41–50 years	38	52	40	47
51–60 years	22	39	23	41
61–	5	5	3	3
<b>Total</b>	<b>103</b>	<b>136</b>	<b>98</b>	<b>128</b>
<b>Total</b>	<b>239</b>		<b>226</b>	

Average age, managers	24 regional insurance companies, including Mäklarservice		Länsförsäkringar AB	
	2008	2007	2008	2007
Women	46	44	45	45
Men	48	47	46	46

Gender distribution among management and Board	24 regional insurance companies, including Mäklarservice			
	2008		2007	
	Women	Men	Women	Men
President	3	24	3	24
Management teams <sup>1)</sup>	67	142	63	147
Board members <sup>2)</sup>	95	150	96	163
Assembly of representatives <sup>3)</sup>	350	992	330	1,021

Gender distribution among management and Board	Länsförsäkringar AB			
	2008		2007	
	Women	Men	Women	Men
	5	8	6	6
Management teams <sup>1)</sup>	29	50	42	57
Board members <sup>2)</sup>	15	69	30	78

<sup>1)</sup> Includes union representatives  
<sup>2)</sup> Regular members including union representatives  
<sup>3)</sup> Regular members

Sickness absence, %	24 regional insurance companies, including Mäklarservice		Länsförsäkringar AB	
	2008	2007	2008	2007
Total sickness absence as a percentage of ordinary working hours	3.3	3.6	3.4	3.8
Percentage of total sickness absence pertaining to absence during a consecutive period of absence of 60 days or more	38.0	52.9	51.1	61.2

Sickness absence by gender, %				
Men	2.4	2.3	2.0	2.3
Women	4.2	4.5	4.5	5.1

Sickness absence by age category, %				
Up to age 29	2.7	2.2	2.8	2.7
Age 30 to 49	3.0	3.0	3.1	3.4
Age 50 or older	4.0	4.5	4.2	5.0







# Länsförsäkringar Alliance in figures

The combined earnings of the Länsförsäkringar Alliance are presented on the following pages, followed by key figures from each of the 24 regional insurance companies.

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# Länsförsäkringar Alliance 2008

	Norrbotten	Västerbotten	Jämtland	Västernorrland	Gävleborg	Dalarna	Värmland	Uppsala	Bergslagen	Stockholm	Södermanland
<b>NON-LIFE INSURANCE, SEK M</b>											
<b>Profit after ceded reinsurance</b>											
Premiums earned	243	523	376	377	394	948	438	570	757	1,572	440
Investment income transferred from financial operations	14	28	21	32	21	46	27	38	43	92	24
Claims payments	-184	-369	-287	-324	-255	-702	-294	-465	-505	-1,094	-322
Operating expenses	-67	-99	-80	-76	-103	-166	-86	-129	-145	-383	-88
Other income/expenses							-15				
<b>Technical result from non-life insurance operations before bonuses and discounts</b>	<b>6</b>	<b>83</b>	<b>30</b>	<b>8</b>	<b>57</b>	<b>126</b>	<b>70</b>	<b>15</b>	<b>149</b>	<b>187</b>	<b>54</b>
Bonuses and discounts		-44			-40	-73		-2		-5	1
<b>Technical result, non-life insurance operations</b>	<b>6</b>	<b>39</b>	<b>30</b>	<b>8</b>	<b>17</b>	<b>53</b>	<b>70</b>	<b>13</b>	<b>149</b>	<b>182</b>	<b>55</b>
Total investment income	-70	-117	-140	-82	-125	-754	-66	-351	-460	-602	-264
Investment income transferred to insurance operations	-14	-28	-21	-32	-21	-46	-28	-38	-43	-92	-24
Other income/expenses	-7	-15	2	-4	-9	5	-5	-9	-6	-112	-7
<b>Operating loss</b>	<b>-85</b>	<b>-121</b>	<b>-129</b>	<b>-110</b>	<b>-140</b>	<b>-741</b>	<b>-30</b>	<b>-385</b>	<b>-360</b>	<b>-624</b>	<b>-240</b>
<b>Balance sheet, December 31, 2008</b>											
<b>ASSETS</b>											
<b>Investment assets</b>											
Shares in Länsförsäkringar AB	127	264	184	234	264	491	167	354	390	682	271
Other shares and participations	34	493	312	223	21	1,567	136	391	959	978	618
Bonds and other interest-bearing securities	146	826	520	512	602	903	728	778	624	1,863	503
Other investment assets	81	228	186	5	37	156	219	98	532	5	75
<b>Total investment assets</b>	<b>388</b>	<b>1,812</b>	<b>1,203</b>	<b>974</b>	<b>923</b>	<b>3,117</b>	<b>1,250</b>	<b>1,621</b>	<b>2,504</b>	<b>3,529</b>	<b>1,467</b>
Reinsurers' portion of technical reserves	124	163	159	139	58	574	137	168	105	236	146
Receivables and other assets	116	198	168	140	171	541	131	250	236	443	140
Cash and bank balances	264	247	30	108	217	346	111	103	57	45	48
Prepaid expenses and accrued income	9	37	32	20	13	16	13	20	25	47	9
<b>Total assets</b>	<b>899</b>	<b>2,457</b>	<b>1,592</b>	<b>1,381</b>	<b>1,382</b>	<b>4,594</b>	<b>1,642</b>	<b>2,162</b>	<b>2,927</b>	<b>4,299</b>	<b>1,810</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>											
Shareholders' equity	292	825	679	554	270	1,877	564	738	1,176	189	707
Untaxed reserves		503			358					1,311	
Technical reserves (before ceded reinsurance)	478	945	677	665	636	2,102	703	1,059	1,147	2,426	823
Other provisions and liabilities	95	126	188	146	110	498	310	291	306	159	265
Accrued expenses and deferred income	34	58	48	15	8	117	65	76	298	213	15
<b>Total shareholders' equity, provisions and liabilities</b>	<b>899</b>	<b>2,457</b>	<b>1,592</b>	<b>1,381</b>	<b>1,382</b>	<b>4,594</b>	<b>1,642</b>	<b>2,162</b>	<b>2,927</b>	<b>4,299</b>	<b>1,810</b>
<b>Solvency capital</b>	<b>352</b>	<b>1,342</b>	<b>820</b>	<b>632</b>	<b>657</b>	<b>2,224</b>	<b>734</b>	<b>914</b>	<b>1,439</b>	<b>1,536</b>	<b>866</b>
<b>Solvency margin, %</b>	<b>145</b>	<b>257</b>	<b>212</b>	<b>170</b>	<b>167</b>	<b>232</b>	<b>173</b>	<b>160</b>	<b>190</b>	<b>99</b>	<b>199</b>

The Länsförsäkringar Alliance 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. The Länsförsäkringar Alliance's earnings from non-life insurance consist of the total of the earnings of the 24 regional insurance companies and of the jointly owned Länsförsäkringar AB Group, excluding the Life Assur-

ance Group and the Banking Group. To achieve the correct total values for Länsförsäkringar, the balance between the Länsförsäkringar AB Group and the regional insurance companies has been eliminated. The value and changes in the value of the Länsförsäkringar AB share, as well as subordinated loans and the Länsförsäkringar AB Group's liabilities and receivables in the regional insurance companies have been eliminated.



Göteborg och Bohuslän	Skaraborg	Östergöt	Älvsborg	Gotland	Jönköping	Halland	Kronoberg	Kalmar	Blekinge	Göinge	Kristianstad	Skåne	Länsförsäkringar AB Group, excluding Banking Group	Länsförsäkringar Alliance
1,099	511	978	829	153	775	521	353	562	238	192	197	1,566	2,793	17,406
60	21	56	43	9	32	31	15	27	14	7	8	79	526	1,315
-723	-390	-696	-559	-104	-571	-351	-212	-360	-167	-128	-139	-1,178	-2,092	-12,472
-254	-92	-220	-195	-35	-124	-104	-70	-105	-57	-39	-38	-246	-791	-3,794
						8							6	-2
<b>182</b>	<b>49</b>	<b>118</b>	<b>118</b>	<b>23</b>	<b>113</b>	<b>104</b>	<b>86</b>	<b>124</b>	<b>28</b>	<b>33</b>	<b>28</b>	<b>221</b>	<b>442</b>	<b>2,453</b>
8	1		-48		-20	-15		-56		2	3			-290
<b>190</b>	<b>50</b>	<b>117</b>	<b>70</b>	<b>23</b>	<b>93</b>	<b>89</b>	<b>86</b>	<b>68</b>	<b>28</b>	<b>35</b>	<b>31</b>	<b>221</b>	<b>442</b>	<b>2,163</b>
-729	-587	-513	-405	-37	-307	-370	-156	-334	-111	-99	-107	-881	-2,628	-7,410
-60	-21	-56	-43	-9	-32	-31	-15	-27	-14	-7	-8	-79	-526	-1,315
-42	-10	4	-34	1	-19	-7	-5	2	-5	-4	-4	-4	-537	-948
<b>-640</b>	<b>-568</b>	<b>-447</b>	<b>-412</b>	<b>-21</b>	<b>-266</b>	<b>-319</b>	<b>-89</b>	<b>-291</b>	<b>-101</b>	<b>-76</b>	<b>-88</b>	<b>-743</b>	<b>-3,249</b>	<b>-7,511</b>
490	335	494	488	64	398	256	172	251	103	129	138	742		
1,325	113	1,167	1,295	173	703	712	242	572	161	172	197	987	1,305	14,855
622	625	992	829	123	370	462	394	357	393	243	235	2,024	10,625	24,484
412	157	739	152	60	490	333	209	322	108	166	83	268	7,255	12,378
<b>2,849</b>	<b>1,230</b>	<b>3,391</b>	<b>2,764</b>	<b>420</b>	<b>1,960</b>	<b>1,764</b>	<b>1,017</b>	<b>1,502</b>	<b>765</b>	<b>709</b>	<b>652</b>	<b>4,021</b>	<b>19,185</b>	<b>51,717</b>
193	199	247	189	47	175	181	83	130	60	63	105	435	5,889	512
329	177	424	447	64	223	142	119	184	89	75	84	536	5,845	11,272
252	107	63	311	311	571	31	47	423	32	64	62	130	1,630	5,608
40	19	36	6	17	14	33	8	6	5	15	9	56	340	845
<b>3,663</b>	<b>1,732</b>	<b>4,161</b>	<b>3,718</b>	<b>860</b>	<b>2,942</b>	<b>2,152</b>	<b>1,273</b>	<b>2,246</b>	<b>950</b>	<b>926</b>	<b>913</b>	<b>5,178</b>	<b>32,890</b>	<b>69,954</b>
1,284	379	1,768	1,744	411	1,132	920	516	981	404	412	373	1,565	7,116	19,392
														2,172
1,804	941	1,709	1,468	350	1,258	938	545	870	398	349	385	2,668	20,104	35,954
515	334	644	394	95	486	223	205	384	121	160	148	900	5,066	10,356
59	78	39	113	4	66	70	8	10	26	5	7	45	604	2,080
<b>3,663</b>	<b>1,732</b>	<b>4,161</b>	<b>3,718</b>	<b>860</b>	<b>2,942</b>	<b>2,152</b>	<b>1,273</b>	<b>2,246</b>	<b>950</b>	<b>926</b>	<b>913</b>	<b>5,178</b>	<b>32,890</b>	<b>69,954</b>
<b>1,589</b>	<b>478</b>	<b>2,185</b>	<b>1,999</b>	<b>477</b>	<b>1,283</b>	<b>1,123</b>	<b>646</b>	<b>1,203</b>	<b>491</b>	<b>510</b>	<b>473</b>	<b>2,028</b>	<b>7,512</b>	<b>25,916</b>
<b>144</b>	<b>94</b>	<b>222</b>	<b>241</b>	<b>300</b>	<b>167</b>	<b>221</b>	<b>185</b>	<b>214</b>	<b>205</b>	<b>267</b>	<b>243</b>	<b>129</b>	<b>239</b>	<b>146</b>

The 24 regional insurance companies and the Länsförsäkringar AB Group apply the approved international financial reporting standard (IFRS). The regional insurance companies apply these standards with certain limitations due to the Swedish Annual Accounts in Insurance Companies Act, and the relationship between reporting and taxation, known as legally restricted IFRS.

## Länsförsäkringar Norrbotten



**PRESIDENT** Kjell Lindfors  
**BOARD CHAIRMAN** Lars Karbin

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-85	38
Total assets, SEK M	899	921
Solvency margin, %	145	182
Number of employees	67	57
<b>Bank</b>		
Deposits, SEK M	284	217
Lending, SEK M	152	117
Retail mortgage lending, SEK M	589	536
Fund volumes managed, SEK M	22	32
Number of customers	5,700	5,400

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	120	114
Total insurance capital, SEK M	1,689	1,812
Number of customers	18,200	16,500
<b>Non-life insurance</b>		
Premiums earned, SEK M	243	234
Technical result for insurance operations, SEK M	6	34
Combined ratio after ceded reinsurance, %	103	90
Total return on asset management, %	-11	3
Number of customers	52,400	51,600

## Länsförsäkringar Västerbotten



**PRESIDENT** Göran Spetz  
**BOARD CHAIRMAN** Conny Sandström

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-77	242
Total assets, SEK M	2,457	2,537
Solvency margin, %	257	319
Number of employees	149	144
<b>Bank</b>		
Deposits, SEK M	1,300	1,044
Lending, SEK M	483	374
Retail mortgage lending, SEK M	1,835	1,602
Fund volumes managed, SEK M	92	136
Number of customers	17,600	16,600

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	243	244
Total insurance capital, SEK M	3,189	3,481
Number of customers	33,000	29,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	523	521
Technical result for insurance operations, SEK M	83	128
Bonuses and discounts, SEK M	-44	-85
Combined ratio after ceded reinsurance, %	90	80
Total return on asset management, %	-7	9
Number of customers	99,100	98,800

## Länsförsäkringar Jämtland



**PRESIDENT** Anna-Karin Kask  
**BOARD CHAIRMAN** Jan Holmberg

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-129	267
Total assets, SEK M	1,592	1,758
Solvency margin, %	212	257
Number of employees	105	93
<b>Bank</b>		
Deposits, SEK M	631	507
Lending, SEK M	442	302
Retail mortgage lending, SEK M	1,166	1,084
Fund volumes managed, SEK M	29	49
Number of customers	10,000	9,200

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	136	120
Total insurance capital, SEK M	1,676	1,793
Number of customers	18,100	16,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	376	359
Technical result for insurance operations, SEK M	30	13
Bonuses and discounts, SEK M	-	-30
Combined ratio after ceded reinsurance, %	98	102
Total return on asset management, %	-10	4
Number of customers	53,300	53,000

## Länsförsäkringar Västernorrland

**PRESIDENT** Leif Johanson  
**BOARD CHAIRMAN** Anders Källström

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-110	253
Total assets, SEK M	1,381	1,458
Solvency margin, %	170	200
Number of employees	102	100
<b>Bank</b>		
Deposits, SEK M	652	545
Lending, SEK M	263	196
Retail mortgage lending, SEK M	827	676
Fund volumes managed, SEK M	45	70
Number of customers	18,000	20,600

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	183	181
Total insurance capital, SEK M	2,963	3,157
Number of customers	26,700	24,300
<b>Non-life insurance</b>		
Premiums earned, SEK M	377	382
Technical result for insurance operations, SEK M	8	23
Combined ratio after ceded reinsurance, %	106	101
Total return on asset management, %	-7	22
Number of customers	68,400	69,500

## Länsförsäkringar Gävleborg

**PRESIDENT** Birger Lövgren  
**BOARD CHAIRMAN** Kjell Stafström

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-100	181
Total assets, SEK M	1,382	1,504
Solvency margin, %	167	203
Number of employees	153	133
<b>Bank</b>		
Deposits, SEK M	903	729
Lending, SEK M	499	354
Retail mortgage lending, SEK M	1,763	1,424
Fund volumes managed, SEK M	46	65
Number of customers	14,100	12,300

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	196	186
Total insurance capital, SEK M	2,652	2,861
Number of customers	30,000	26,400
<b>Non-life insurance</b>		
Premiums earned, SEK M	394	382
Technical result for insurance operations, SEK M	57	56
Bonuses and discounts, SEK M	-40	-40
Combined ratio after ceded reinsurance, %	91	90
Total return on asset management, %	-11	13
Number of customers	81,400	80,600

## Dalarnas Försäkringsbolag

**PRESIDENT** Anders Stigers  
**BOARD CHAIRMAN** Thomas Gustafsson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-669	427
Total assets, SEK M	4,594	5,689
Solvency margin, %	232	318
Number of employees	224	208
<b>Bank</b>		
Deposits, SEK M	1,533	1,254
Lending, SEK M	795	639
Retail mortgage lending, SEK M	2,869	2,643
Fund volumes managed, SEK M	92	133
Number of customers	25,400	23,600

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	445	396
Total insurance capital, SEK M	4,624	4,969
Number of customers	46,400	40,600
<b>Non-life insurance</b>		
Premiums earned, SEK M	948	924
Technical result for insurance operations, SEK M	126	174
Bonuses and discounts, SEK M	-73	-205
Combined ratio after ceded reinsurance, %	92	85
Total return on asset management, %	-19	7
Number of customers	139,600	138,800

## Länsförsäkringar Värmland

**PRESIDENT** Ulf W Eriksson  
**BOARD CHAIRMAN** Patrik Sandin

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-30	98
Total assets, SEK M	1,642	1,634
Solvency margin, %	173	185
Number of employees	100	97
<b>Bank</b>		
Deposits, SEK M	526	449
Lending, SEK M	220	174
Retail mortgage lending, SEK M	682	563
Fund volumes managed, SEK M	28	40
Number of customers	7,900	7,500

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	160	167
Total insurance capital, SEK M	2,389	2,573
Number of customers	25,900	24,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	438	421
Technical result for insurance operations, SEK M	70	70
Combined ratio after ceded reinsurance, %	87	88
Total return on asset management, %	-5	4
Number of customers	78,200	78,900

## Länsförsäkringar Uppsala

**PRESIDENT** Ann-Christin Norrström  
**BOARD CHAIRMAN** Björn Sundell

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-383	111
Total assets, SEK M	2,162	2,453
Solvency margin, %	160	233
Number of employees	179	167
<b>Bank</b>		
Deposits, SEK M	1,305	1,132
Lending, SEK M	740	439
Retail mortgage lending, SEK M	2,777	2,489
Fund volumes managed, SEK M	105	150
Number of customers	19,900	18,300

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	375	407
Total insurance capital, SEK M	4,978	5,362
Number of customers	46,700	42,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	570	550
Technical result for insurance operations, SEK M	15	18
Bonuses and discounts, SEK M	-2	-17
Combined ratio after ceded reinsurance, %	104	102
Total return on asset management, %	-17	7
Number of customers	102,500	101,700

## Länsförsäkringar Bergslagen

**PRESIDENT** Mikael Sundquist  
**BOARD CHAIRMAN** Tommy Persson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-360	178
Total assets, SEK M	2,927	3,321
Solvency margin, %	190	242
Number of employees	206	210
<b>Bank</b>		
Deposits, SEK M	1,470	1,203
Lending, SEK M	1,172	628
Retail mortgage lending, SEK M	2,728	2,311
Fund volumes managed, SEK M	100	136
Number of customers	22,100	20,100

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	492	511
Total insurance capital, SEK M	6,103	6,602
Number of customers	55,600	50,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	757	731
Technical result for insurance operations, SEK M	149	27
Combined ratio after ceded reinsurance, %	86	101
Total return on asset management, %	-16	7
Number of customers	148,800	146,600



## Länsförsäkringar Stockholm

**PRESIDENT** Hans Benndorf  
**BOARD CHAIRMAN** Christer Villard

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-619	197
Total assets, SEK M	4,299	5,040
Solvency margin, %	99	142
Number of employees	521	486
<b>Bank</b>		
Deposits, SEK M	4,380	4,170
Lending, SEK M	1,145	1,028
Retail mortgage lending, SEK M	8,377	7,047
Fund volumes managed, SEK M	400	596
Number of customers	67,900	65,000

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	2,755	2,573
Total insurance capital, SEK M	35,572	38,045
Number of customers	216,800	199,400
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,572	1,510
Technical result for insurance operations, SEK M	187	184
Bonuses and discounts, SEK M	-5	-19
Combined ratio after ceded reinsurance, %	94	93
Total return on asset management, %	-14	5
Number of customers	312,100	309,300

## Länsförsäkringar Södermanland

**PRESIDENT** Anna-Greta Lundh  
**BOARD CHAIRMAN** Axel von Stockenström

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-241	138
Total assets, SEK M	1,810	2,014
Solvency margin, %	199	249
Number of employees	116	112
<b>Bank</b>		
Deposits, SEK M	786	648
Lending, SEK M	308	244
Retail mortgage lending, SEK M	1,815	1,618
Fund volumes managed, SEK M	51	75
Number of customers	13,000	12,100

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	210	223
Total insurance capital, SEK M	2,879	3,142
Number of customers	30,200	27,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	440	440
Technical result for insurance operations, SEK M	54	81
Bonuses and discounts, SEK M	-	-18
Combined ratio after ceded reinsurance, %	93	86
Total return on asset management, %	-16	5
Number of customers	82,900	82,000

## Länsförsäkringar Göteborg och Bohuslän

**PRESIDENT** Ingemar Larsson  
**BOARD CHAIRMAN** Sune Nilsson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-649	351
Total assets, SEK M	3,663	4,292
Solvency margin, %	144	206
Number of employees	277	265
<b>Bank</b>		
Deposits, SEK M	1,737	1,456
Lending, SEK M	775	415
Retail mortgage lending, SEK M	3,336	2,985
Fund volumes managed, SEK M	132	185
Number of customers	30,600	28,900

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	1,179	1,257
Total insurance capital, SEK M	12,718	13,749
Number of customers	86,900	78,900
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,099	1,073
Technical result for insurance operations, SEK M	182	154
Bonuses and discounts, SEK M	-	-64
Combined ratio after ceded reinsurance, %	89	92
Total return on asset management, %	-19	8
Number of customers	205,600	205,000

## Länsförsäkringar Skaraborg

**PRESIDENT** Carl Henrik Ohlsson  
**BOARD CHAIRMAN** Hans Jonsson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-568	87
Total assets, SEK M	1,732	2,327
Solvency margin, %	94	206
Number of employees	144	133
<b>Bank</b>		
Deposits, SEK M	1,091	838
Lending, SEK M	653	440
Retail mortgage lending, SEK M	1,360	1,162
Fund volumes managed, SEK M	114	156
Number of customers	24,200	23,700

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	209	216
Total insurance capital, SEK M	3,594	3,835
Number of customers	32,400	29,500
<b>Non-life insurance</b>		
Premiums earned, SEK M	511	491
Technical result for insurance operations, SEK M	50	76
Bonuses and discounts, SEK M	-	-37
Combined ratio after ceded reinsurance, %	94	90
Total return on asset management, %	-34	2
Number of customers	87,200	87,000

## Östgöta Brandstodsbolag

**PRESIDENT** Anders Östryd  
**BOARD CHAIRMAN** Lars-Eric Åström

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-447	207
Total assets, SEK M	4,161	4,734
Solvency margin, %	222	271
Number of employees	290	283
<b>Bank</b>		
Deposits, SEK M	3,171	2,702
Lending, SEK M	1,653	1,056
Retail mortgage lending, SEK M	3,358	2,919
Fund volumes managed, SEK M	127	173
Number of customers	39,500	37,200

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	703	655
Total insurance capital, SEK M	6,048	6,566
Number of customers	64,500	56,800
<b>Non-life insurance</b>		
Premiums earned, SEK M	978	954
Technical result for insurance operations, SEK M	118	99
Bonuses and discounts, SEK M	-	-120
Combined ratio after ceded reinsurance, %	94	95
Total return on asset management, %	-13	5
Number of customers	173,100	172,500

## Länsförsäkringar Älvsborg

**PRESIDENT** Sten Lundqvist  
**BOARD CHAIRMAN** Fredrik Waern

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-364	230
Total assets, SEK M	3,718	4,099
Solvency margin, %	241	294
Number of employees	252	216
<b>Bank</b>		
Deposits, SEK M	1,819	1,447
Lending, SEK M	758	599
Retail mortgage lending, SEK M	3,309	2,885
Fund volumes managed, SEK M	144	197
Number of customers	54,100	56,100

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	425	430
Total insurance capital, SEK M	5,657	6,032
Number of customers	58,400	52,100
<b>Non-life insurance</b>		
Premiums earned, SEK M	829	811
Technical result for insurance operations, SEK M	118	113
Bonuses and discounts, SEK M	-48	-40
Combined ratio after ceded reinsurance, %	91	92
Total return on asset management, %	-11	6
Number of customers	152,200	152,000

## Länsförsäkringar Gotland

**PRESIDENT** Peter Lindvall  
**BOARD CHAIRMAN** Gösta af Petersens

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-21	46
Total assets, SEK M	860	867
Solvency margin, %	300	352
Number of employees	49	44
<b>Bank</b>		
Deposits, SEK M	507	402
Lending, SEK M	613	334
Retail mortgage lending, SEK M	1,039	861
Fund volumes managed, SEK M	29	48
Number of customers	7,300	6,500

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	60	66
Total insurance capital, SEK M	624	652
Number of customers	9,400	7,800
<b>Non-life insurance</b>		
Premiums earned, SEK M	153	154
Technical result for insurance operations, SEK M	23	24
Bonuses and discounts, SEK M	-	-30
Combined ratio after ceded reinsurance, %	91	90
Total return on asset management, %	-4	4
Number of customers	26,300	25,900

## Länsförsäkringar Jönköping

**PRESIDENT** Örian Söderberg  
**BOARD CHAIRMAN** Evert Svensson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-246	243
Total assets, SEK M	2,942	3,151
Solvency margin, %	167	208
Number of employees	178	169
<b>Bank</b>		
Deposits, SEK M	1,541	1,256
Lending, SEK M	829	653
Retail mortgage lending, SEK M	1,867	1,660
Fund volumes managed, SEK M	78	113
Number of customers	19,700	18,600

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	390	339
Total insurance capital, SEK M	4,994	5,344
Number of customers	42,300	38,500
<b>Non-life insurance</b>		
Premiums earned, SEK M	775	759
Technical result for insurance operations, SEK M	113	155
Bonuses and discounts, SEK M	-20	-40
Combined ratio after ceded reinsurance, %	90	84
Total return on asset management, %	-11	5
Number of customers	117,600	118,400

## Länsförsäkringar Halland

**ACTING PRESIDENT** Gunnar Jämbring  
**BOARD CHAIRMAN** Karin Starrin

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-304	148
Total assets, SEK M	2,152	2,532
Solvency margin, %	221	272
Number of employees	143	143
<b>Bank</b>		
Deposits, SEK M	1,812	1,618
Lending, SEK M	1,912	1,154
Retail mortgage lending, SEK M	3,406	2,886
Fund volumes managed, SEK M	89	137
Number of customers	30,000	32,500

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	308	302
Total insurance capital, SEK M	4,425	4,704
Number of customers	41,200	37,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	521	515
Technical result for insurance operations, SEK M	104	82
Bonuses and discounts, SEK M	-15	-13
Combined ratio after ceded reinsurance, %	87	90
Total return on asset management, %	-19	5
Number of customers	85,700	86,100

## Länsförsäkring Kronoberg

**PRESIDENT** Fredrik Daveby  
**BOARD CHAIRMAN** Per-Åke Holgersson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-89	83
Total assets, SEK M	1,273	1,414
Solvency margin, %	185	217
Number of employees	89	88
<b>Bank</b>		
Deposits, SEK M	1,032	808
Lending, SEK M	390	224
Retail mortgage lending, SEK M	913	774
Fund volumes managed, SEK M	38	55
Number of customers	24,700	23,300

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	160	174
Total insurance capital, SEK M	2,953	3,144
Number of customers	21,900	20,100
<b>Non-life insurance</b>		
Premiums earned, SEK M	353	333
Technical result for insurance operations, SEK M	86	46
Bonuses and discounts, SEK M	-	-32
Combined ratio after ceded reinsurance, %	80	90
Total return on asset management, %	-13	5
Number of customers	58,500	57,700

## Länsförsäkringar Kalmar län

**PRESIDENT** Lars B Danielsson  
**BOARD CHAIRMAN** Christer Olander

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-235	181
Total assets, SEK M	2,246	2 443
Solvency margin, %	214	273
Number of employees	143	142
<b>Bank</b>		
Deposits, SEK M	919	657
Lending, SEK M	283	201
Retail mortgage lending, SEK M	963	825
Fund volumes managed, SEK M	50	80
Number of customers	11,700	10,400

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	206	212
Total insurance capital, SEK M	3,421	3,734
Number of customers	29,400	26,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	562	527
Technical result for insurance operations, SEK M	124	110
Bonuses and discounts, SEK M	-56	-63
Combined ratio after ceded reinsurance, %	83	84
Total return on asset management, %	-15	5
Number of customers	97,400	96,600

## Länsförsäkringar Blekinge

**PRESIDENT** Leif Naurin  
**BOARD CHAIRMAN** Anders Åkesson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-101	51
Total assets, SEK M	950	1,042
Solvency margin, %	205	245
Number of employees	71	68
<b>Bank</b>		
Deposits, SEK M	633	464
Lending, SEK M	450	292
Retail mortgage lending, SEK M	1,023	862
Fund volumes managed, SEK M	33	48
Number of customers	8,500	7,800

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	160	160
Total insurance capital, SEK M	1,859	1,954
Number of customers	16,900	15,000
<b>Non-life insurance</b>		
Premiums earned, SEK M	238	241
Technical result for insurance operations, SEK M	29	33
Bonuses and discounts, SEK M	-	-19
Combined ratio after ceded reinsurance, %	94	89
Total return on asset management, %	-12	4
Number of customers	49,300	49,200



## Länsförsäkringar Göinge



**PRESIDENT** Klas von Celsing  
**BOARD CHAIRMAN** Ingmar Kristiansson

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-78	70
Total assets, SEK M	926	1,016
Solvency margin, %	267	300
Number of employees	53	53
<b>Bank</b>		
Deposits, SEK M	413	305
Lending, SEK M	95	77
Retail mortgage lending, SEK M	386	359
Fund volumes managed, SEK M	21	32
Number of customers	5,400	4,900

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	98	102
Total insurance capital, SEK M	1,493	1,587
Number of customers	12,400	11,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	192	193
Technical result for insurance operations, SEK M	33	45
Bonuses and discounts, SEK M	-	-21
Combined ratio after ceded reinsurance, %	87	80
Total return on asset management, %	-11	4
Number of customers	33,200	33,400

## Länsförsäkringar Kristianstad



**PRESIDENT** Conny Famm  
**BOARD CHAIRMAN** Göran Trobro

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-91	53
Total assets, SEK M	913	988
Solvency margin, %	243	282
Number of employees	52	50
<b>Bank</b>		
Deposits, SEK M	523	441
Lending, SEK M	275	185
Retail mortgage lending, SEK M	753	664
Fund volumes managed, SEK M	29	43
Number of customers	6,600	6,100

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	81	89
Total insurance capital, SEK M	1,264	1,371
Number of customers	12,600	11,200
<b>Non-life insurance</b>		
Premiums earned, SEK M	197	199
Technical result for insurance operations, SEK M	28	27
Combined ratio after ceded reinsurance, %	90	90
Total return on asset management, %	-13	5
Number of customers	36,800	36,700

## Länsförsäkringar Skåne



**PRESIDENT** Jan Fock  
**BOARD CHAIRMAN** Otto Ramel

Key figures	2008	2007
Operating profit/loss before bonuses and discounts, SEK M	-743	269
Total assets, SEK M	5,178	5,833
Solvency margin, %	129	178
Number of employees	397	427
<b>Bank</b>		
Deposits, SEK M	1,857	1,519
Lending, SEK M	1,468	847
Retail mortgage lending, SEK M	6,313	5,295
Fund volumes managed, SEK M	194	274
Number of customers	38,800	35,600

	2008	2007
<b>Life assurance</b>		
Premium income, SEK M	1,033	936
Total insurance capital, SEK M	14,649	15,428
Number of customers	114,500	102,700
<b>Non-life insurance</b>		
Premiums earned, SEK M	1,566	1,524
Technical result for insurance operations, SEK M	221	182
Combined ratio after ceded reinsurance, %	91	93
Total return on asset management, %	-18	4
Number of customers	298,600	294,300

# Länsförsäkringar AB: Financial hub



In 2008, Länsförsäkringar AB and its subsidiaries streamlined the three tasks to their owners, the 24 regional insurance companies, aimed at further enhancing competitiveness while lowering costs. These tasks are to: conduct joint banking and insurance operations, pursue development activities and provide service in areas that generate economies of scale and efficiency, all to create possibilities for the regional insurance companies to be successful in their respective markets. Customer contact always occurs at the local regional insurance companies.

Länsförsäkringar AB is wholly owned by the 24 regional insurance companies, together with 14 local insurance companies. The shareholding is included in the solvency capital of the regional insurance companies and the companies impose the same market-level return requirements on these shares as on listed shares and other investment assets. The net worth of the share has increased by 6% since 2004. In addition, dividends in 2006 and 2007 were paid corresponding to a 7% increase in value. During 2008, the value of the share fell by 28%, including a 3% dividend.

In addition to the Parent Company, Länsförsäkringar AB, the Group encompasses Länsförsäkringar Sak, Länsförsäkringar Bank, Länsförsäkringar Liv and the subsidiaries of these companies. Länsförsäkringar Liv with subsidiaries is not consolidated in the consolidated financial statements since the company's earnings accrue in their entirety to the policyholders. In 2008, the ownership of Försäkringsaktiebolaget Agria with subsidiaries was transferred from Länsförsäkringar AB to the subsidiary Länsförsäkringar Sak. On July 1, Länsförsäkringar Sak acquired the companies Länsförsäkringar EFEL Skadeförsäkring AB and Länsförsäkringar EFEL Livförsäkring AB from the Federation of Swedish Farmers.

## **Streamlined task**

To further strengthen competitiveness and reduce costs, Länsförsäkringar AB's operational organisation was streamlined based on the company's three business units – Non-life insurance, Life assurance and Banking – and three support units – Development, IT and Service. Business activities are conducted with a focus on generating returns on the investments of the company's owners, the 24 regional insurance companies. The Development unit establishes clear priorities among the development needs of the Länsförsäkringar Alliance based on an overall perspective. Among other changes, all product development is now coordinated under a single function, regardless of the area of operation. The development work conducted within Länsförsäkringar AB has an overall goal – to provide the regional insurance companies with the right tools to attract more full-service customers at the local level. The service unit has two main tasks: responsibility for all services required by the regional insurance companies and responsibility for the shared internal service resources within Länsförsäkringar AB. By streamlining its operations and distributing service and administrative resources among the various subsidiaries and operations within Länsförsäkringar AB as of January 1,

2009, the company has reduced its operating expenses by approximately 20%.

## **Clarity in the value chain**

The operations within Länsförsäkringar AB are extremely important to all of the 24 regional insurance companies. Instead of developing resources at the local level, the regional insurance companies can share expenses in such areas as IT, product development, brand communication and methods for developing and strengthening customer relations. Cooperation between the three core operations also creates economies of scale since the costs for such activities as payment handling and output-data platforms can be borne jointly. This division of duties among the 24 regional insurance companies and Länsförsäkringar AB creates a clear focus for all parties involved – a focus that was further clarified in autumn 2008. Länsförsäkringar AB is responsible for creating the prerequisites for the regional insurance companies to be more effective in their roles of cultivating their local markets and creating and promoting customer relations. Economic efficiency is a basic prerequisite for this to be possible. That is why life assurance and banking operations are conducted jointly and some non-life insurance operations are considered best-suited to joint concession.

This interface does not affect customer relations, which always develop through the respective regional insurance company, as if it were a local bank or life-assurance company. This division of duties is the foundation of the Länsförsäkringar concept. Business activities within Länsförsäkringar AB are to be conducted for profit-making purposes to enable the company to provide returns for its owners, the regional insurance companies. Development and service operations are to be conducted at cost price.

## Earnings

### Group

The Group's total assets increased during the year to SEK 130,554 M (116,241). Although the Group's negative investment income had a considerable impact on profit, the underlying operations were profitable. Operating profit excluding investment income and restructuring costs amounted to SEK 152 M.

Consolidated operating loss amounted to SEK 3,395 M (profit: 1,270) and net loss for the year before

tax amounted to SEK 2,480 M (profit: 922). The Group's premiums earned after ceded reinsurance amounted to SEK 3,024 M (2,634) and net interest income totalled SEK 1,340 M (1,069). Solvency capital totalled SEK 7,907 M (11,652) and the solvency margin amounted to 252% (429).

### Parent Company

The Parent Company's loss after financial items amounted to SEK 136 M (profit: 118) and loss after tax amounted to SEK 8 M (profit: 169). Earnings include the amount of SEK 354 M (330) which pertains to dividends from the subsidiaries. Total assets amounted to SEK 10,879 M (11,965).

### Dividend policy

The owners, the 24 regional insurance companies, have commissioned Länsförsäkringar AB to carry out development activities, service operations and business activities. The business activities shall be conducted for the purpose of profit-making so that the company can pay competitive returns through

growth in value and dividends to the owners. The return on Länsförsäkringar AB's shareholders' equity shall be at a market-based level and include a risk premium.

All capital that is not required for the operations conducted by Länsförsäkringar AB shall, over time, be paid back to the regional insurance companies in the form of dividends. Normally, 30% of net profit for the year after tax in the Group shall be paid on the condition that a credit rating of A can be justified for the Group's credit-rated units. Länsförsäkringar AB endeavours to maintain a balance between capital strength and risk-taking such that the lowest credit rating of A can be justified.

### LÄNSFÖRSÄKRINGAR AB GROUP<sup>1)</sup>

	2008	2007
Profit before tax, SEK M	-3,395	1,270
Solvency capital, SEK M	7,907	11,652
Solvency margin, %	252	429
Total assets, SEK M	130,554	116,241
Return on shareholders' equity, %	-29	10

<sup>1)</sup> Excluding the life-assurance operations, which are conducted with a prohibition against issuing dividends.

### SHAREHOLDERS

Company	Number of shares			Share of equity, %
	A	B	C	
Länsförsäkringar Skåne	141,849	468,566	-	9.7
Länsförsäkringar Stockholm	129,212	451,139	-	9.2
Östgöta Brandstodsbolag	114,155	304,919	-	6.7
Dalarnas Försäkringsbolag	104,708	312,423	-	6.6
Länsförsäkringar Älvsborg	100,176	311,550	-	6.5
Länsförsäkringar Göteborg och Bohuslän	87,010	294,047	600	6.1
Länsförsäkringar Jönköping	82,812	253,733	-	5.3
Länsförsäkringar Bergslagen	86,351	244,870	-	5.3
Länsförsäkringar Uppsala	73,298	227,613	-	4.8
Länsförsäkringar Skaraborg	64,058	218,295	-	4.5
Länsförsäkringar Södermanland	58,117	172,547	-	3.7
Länsförsäkringar Västerbotten	57,195	167,635	-	3.6
Länsförsäkringar Gävleborg	60,058	162,169	-	3.5
Länsförsäkringar Halland	56,785	160,886	-	3.5
Länsförsäkringar Kalmar län	56,717	157,102	-	3.4
Länsförsäkringar Västernorrland	50,186	147,216	-	3.1
Länsförsäkringar Jämtland	35,795	121,012	-	2.5
Länsförsäkring Kronoberg	36,701	108,423	-	2.3
Länsförsäkringar Värmland	31,160	109,294	-	2.2
Länsförsäkringar Kristianstad	27,258	88,755	-	1.8
Länsförsäkringar Göinge	22,724	85,397	-	1.7
Länsförsäkringar Norrbotten	16,960	91,365	-	1.7
Länsförsäkringar Blekinge	23,088	63,984	-	1.4
Länsförsäkringar Gotland	16,305	38,515	-	0.9
14 local insurance companies	-	-	2,850	0.04
<b>Total number of shares</b>	<b>1,532,678</b>	<b>4,761,455</b>	<b>3,450</b>	<b>100.0</b>

### SHARE TREND, LÄNSFÖRSÄKRINGAR AB

SEK	2004	2005	2006	2007	2008
Shareholders' equity per share	1,114	1,410	1,523	1,648	1,186

The regional insurance companies are shareholders in the jointly owned company Länsförsäkringar AB. It is one of the cornerstones of the Alliance. The regional insurance companies impose the same return requirements as they do for listed shares and other investment assets.

### CREDIT RATING

Company	Agency	Short-term rating	Long-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A2/Stable	P-1
Länsförsäkringar Hypotek <sup>1)</sup>	Standard & Poor's	AAA	-
Länsförsäkringar Hypotek <sup>1)</sup>	Moody's	Aaa	-
Länsförsäkringar AB	Standard & Poor's	A-/Stable	-
Länsförsäkringar AB	Moody's	A3/Stable	-
Länsförsäkringar Sak	Standard & Poor's	A/Stable	-
Länsförsäkringar Sak	Moody's	A2/Stable	-
Agria Djurförsäkring	Standard & Poor's	A-/pi <sup>2)</sup>	-

<sup>1)</sup> Pertains to the company's covered bonds.

<sup>2)</sup> pi ratings are ratings that do not involve forecasts but that are based on public information, such as annual reports.

# Owner control

The internal owner control in the Länsförsäkringar Alliance is part of the multi-faceted interaction between the regional insurance companies. The regional insurance companies are simultaneously members of a federation, principals and users of Länsförsäkringar AB's services, distributors of Länsförsäkringar AB's products and owners of Länsförsäkringar AB.

In the interaction between the regional insurance companies, owner control not only involves controlling the joint operations, but also ensuring that all regional insurance companies assume their part of the responsibility for the development of the operations in which they have jointly invested. The development of joint business and the growth plans in recent years have led to the owner control of the regional insurance companies vis-à-vis Länsförsäkringar AB increasingly becoming a focus issue. The internal owner control has become an increasingly important element of the interaction between the regional insurance companies.

## Foundations of owner control

Länsförsäkringar AB is a limited liability company and also the Parent Company of a financial Group, with shares owned individually in various holdings by the 24 regional insurance companies. Each of the regional insurance companies is, as owner, responsible for ensuring that well-functioning owner control is in place vis-à-vis Länsförsäkringar AB. The Boards of Directors of the regional insurance companies are formally responsible for owner control.

Based on the federal organisation and the purpose of the ownership of Länsförsäkringar AB, the regional insurance companies have together created joint forms for owner control. Forms that comply with the requirements usually imposed on owner control and that at the same time take into account the federal conditions of the cooperation between the companies.

The regional insurance companies as institutional owners of Länsförsäkringar AB have a number of comparative advantages; there is a reasonable number of regional insurance companies, they possess in-depth knowledge of the operations, have the aim of being an active owner, have a clear purpose with their ownership and, collectively, there is sufficiently large financial capacity to ensure long-term ownership. It is not uncommon for institutional owners to have both different purposes with their holding and different conditions for being able to take an active role. Accordingly, such owners have different incentives for acting as owners, for example, institutional owners may have different ambitions regarding the long-term perspective of their ownership.

## Development of owner control

Owner control has become increasingly more important in line with the development of Länsförsäkringar AB's business activities. The basis of owner control in the regional insurance companies has changed over time, particularly in the past 10–15 years. Since the beginning of the 1990s, the regional insurance companies' capital tied up in Länsförsäkringar AB has increased substantially. Growth in value together with a number of share issues have increased total net wealth from almost zero to approximately SEK 7.5 billion. Today, the Länsförsäkringar AB share comprises a significant portion of the regional insurance companies' investment assets, for some companies as much as 30–35%. The Länsförsäkringar AB share must yield market-level returns for the individual regional insurance companies on a par with other alternative investments.

From the mid 1960s to 1994, Länsförsäkringar AB was owned via the Association of Regional Insurance Companies. The regional insurance companies' owner influence and responsibility was then exercised through membership of this federation. The joint business

in Länsförsäkringar AB at this time was primarily motor-vehicle insurance.

During the latter half of the 1980s and the beginning of the 1990s, the Länsförsäkringar Alliance's joint business experienced major changes. Two of the largest changes were the formation of a joint life-assurance company and transfer of insurance against material damage to a motor vehicle to local concessions. The life-assurance company was founded by the regional insurance companies and the then Länsförsäkringar AB together. At the beginning of the 1990s, the regional insurance companies decided to organise their ownership and control of the joint operations. In the first phase in 1992, all joint operations were brought together in one Group. In the second phase in 1994, the Länsförsäkringar AB share was divided up between the regional insurance companies, who became the direct shareholders. The division of the ownership of the share was based on the number of participations held in the federation, which was essentially proportional to the business that the regional insurance companies brought in to Länsförsäkringar AB.

Centralising all joint operations in a coherent Group enabled more unified control of the operations. The structure with the federation as an intermediary between the regional insurance companies and Länsförsäkringar AB was considered to lead to a lack of clarity and dual control, all of which was eliminated when the share became directly owned. The regional insurance companies' incentive to invest in the joint operations also strengthened through the direct ownership of the Länsförsäkringar AB share. In this manner, the share became part of the regional insurance companies' investment assets and returns accrued to the regional insurance companies.

Voting rights were limited, such that no party was entitled to vote for more than 99 one thousandths of shares represented at the General meeting to



ensure that the structure of the federation was maintained. This remains a requirement condition stipulated in Länsförsäkringar AB's Articles of Association. Some trading in shares was enabled through the introduction of Class A and Class B shares with different voting rights. This is still considered to be a condition for the regional insurance companies classifying the Länsförsäkringar AB shares as an investment asset, which is deemed desirable.

The original intention was that some trading would take place in the Länsförsäkringar AB share, such that the participating interest over time could be adjusted to the portion of business brought in to Länsförsäkringar AB. The structural transactions implemented at the end of the 1990s, primarily the acquisition of WASA, have led to the limitation of the connection between the participating interest and the portion of shared business. No trade has been conducted in the Länsförsäkringar AB share in recent years.

#### **Owner agreement**

To regulate the regional insurance companies' ownership of Länsförsäkringar AB shares after the dividing up in 1994, a consortium agreement was prepared and signed between the regional insurance companies. In other words, this agreement was an owner agreement. Formally, a consortium was established as the forum charged with the task of administering the agreement and handling owner issues as a supplement to the General Meeting.

The consortium agreement describes such issues as the conditions for Länsförsäkringar AB's shares, regulations for share distribution, transfer of shares, contract period and termination, right of redemption to the shares if the agreement is terminated, regulations for amendments to the agreement and resolving disputes. The consortium agreement is a jointly agreed framework for the regional insurance companies' ownership of Länsförsäkringar AB shares.

#### **Owner-control logic**

Today, the logic of the internal owner control concerns the relationship between the Boards of the regional insurance companies, Länsförsäkringar AB's General Meeting, the regional

insurance companies' Owner Consortium and Länsförsäkringar AB's Board of Directors.

Länsförsäkringar AB's General Meeting and the regional insurance companies' Owner Consortium jointly comprise the forum for the regional insurance companies' owner control of Länsförsäkringar AB. The duties of the General Meeting are formally regulated in laws and the Articles of Association. The duties of the consortium are regulated in the regional insurance companies' consortium agreement.

Strictly speaking, there are of course natural boundaries between owner control on the one hand and administration of the company between the General Meeting/consortium and Länsförsäkringar AB's Board on the other. The federal structure of the Länsförsäkringar Alliance and the task that Länsförsäkringar AB has in the Länsförsäkringar Alliance provide particular conditions and possibilities for owner control. In addition to this, Länsförsäkringar AB's Group structure entails that the regional insurance companies' owner control of the subsidiaries of Länsförsäkringar AB is handled de facto through Länsförsäkringar AB's Board. As a result, the regional insurance companies' owner control not only takes place through the General Meeting and the consortium but also through the regional insurance companies' representation on the Board of Länsförsäkringar AB.

Länsförsäkringar AB's Board of Directors is appointed by the General Meeting comprising representatives of all owners of Länsförsäkringar AB shares. The appointment of Board members is prepared through a process that is controlled by the owners and a Nomination Committee provides support in this process. The members of the Nomination Committee are elected by the General Meeting in accordance with the regulations stipulated in Länsförsäkringar AB's Articles of Association. The Chairman of the consortium is responsible for the process of renewing the composition of the Nomination Committee.

The primary task of the Nomination Committee is to propose the election of members to the Board of Directors of Länsförsäkringar AB. Accordingly, the Nomination Committee lays the

foundation of owners' control of the operations in Länsförsäkringar AB. As part of its role, the Nomination Committee is to represent the owners and the intentions of the owners with Länsförsäkringar AB, and to ensure that the best competencies in the Alliance are utilised in the composition of Länsförsäkringar AB's Board.

The owners' task to the Nomination Committee is described in a separate, documented instruction that is adopted by the General Meeting. It is important that there is a clear boundary between the Nomination Committee and the Board. The Nomination Committee works independently from the Board on behalf of the owners. At the same time, it is vital that the Nomination Committee and Board Chairman work closely together, in order to maintain the quality of the process and to avoid polarisation. One example of this is the Board's annual evaluation of its work. The evaluation is documented and provided to the Nomination Committee and thereby also comprises the basis of the Nomination Committee's evaluation of the Board.

Länsförsäkringar AB's Board serves as the representative of the owners in the framework given by the owners' intentions with the operations. In other words, Länsförsäkringar AB's Board pursues the strategies and targets that the owners agree on at any time and performs the regional insurance companies' assignments. At the same time, Länsförsäkringar AB's Board is highly responsible for safeguarding the capital invested by the regional insurance companies in Länsförsäkringar AB.

The regional insurance companies' assignment to Länsförsäkringar AB's Board is decided in the consortium and is documented in, for example, the Länsförsäkringar Alliance's steering documents. Länsförsäkringar AB's Board decides on the direction and scope of the operations based on its assignment from the owners.

# Terms and expressions

**Administration result, Life**

Fees paid by customers minus operating expenses.

**After ceded reinsurance**

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

**Asset allocation**

Selection of allocation between various types of assets in a portfolio, for example the desired proportion of equity and interest-bearing investments.

**Business volume, Bank**

The total of deposits and lending.

**Capital adequacy ratio, Bank**

The capital base in relation to risk-weighted amount. The capital base consists of equity plus subordinated loans less goodwill and intangible assets. The risk-weighted amount is defined as total 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 base**

The group-based capital base is calculated as the total of shareholders' equity minus shares in subsidiaries and associated companies in those insurance companies and their parent companies that are included in the Länsförsäkringar AB Group. The required solvency margin for the Länsförsäkringar Liv Group is then added to this value.

**Claims payments**

The cost during the fiscal year of claims incurred, including costs for claims that have not yet been reported to the insurance company. The costs also include run-off result.

**Claims ratio**

The ratio between claims payments and premiums earned.

**Collective consolidation level, Life**

Value of the company's assets compared with the guaranteed commitments to customers and the preliminarily distributed bonus to customers.

**Combined ratio**

The total of operating expenses and claims payments as a percentage of premiums earned.

**Direct insurance**

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

**Direct yield**

The balance of interest income, interest expense, dividends on shares and participations, operating expenses in asset management, and the surplus/deficit on real estate in relation to the average managed assets.

**Earnings per share**

Net profit for the year after tax divided by the average number of shares during the year.

**Expense ratio**

Operating expenses in relation to premiums earned after ceded reinsurance, expressed as a percentage.

**Interest-bearing**

Loans issued in the market by a borrower (such as the government). Long-term securities are normally termed “bonds,” while short-term loans are in the form of what are commonly called “bills.”

**Interest margin, Bank**

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

**Investment assets**

Investment assets are current or long-term assets that take the form of an investment, including real estate 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 company-owned property, change in the fair value of properties, shares, interest-bearing securities and derivatives, gains (losses) on the sale of investment assets, currency exchange gains (losses), less operating expenses in asset management.

**Investment income transferred from financial operations**

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

**Investment margin**

Net interest in relation to average total assets.

**Loan losses, Bank**

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 confirmed, for example, in bankruptcy proceedings or a settlement.

**Net interest income, Bank**

Interest income from lending to the public and credit institutions and income from interest-bearing securities minus expenses for deposits and lending from the public, credit institutions and expenses for interest-bearing securities.

**Net worth**

Taxed shareholders' equity.

**Operating expenses**

Costs of marketing, sales and administration.

**Operating profit/loss**

Profit/loss before appropriations and tax.

**Premium income**

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

**Return on shareholders' equity**

Net profit for the period after tax as a percentage of average shareholders' equity, adjusted for new share issues and dividends.

**Run-off result**

Profit or loss arising at accounting year-end in the provision for claims outstanding made in the preceding year-end accounts. The profit/loss arises since some of the claims in the provision are either settled during the fiscal year at amounts differing from those allocated or are revalued pending final settlement.

**Solvency capital**

The total of shareholders' equity, deferred tax liabilities/assets, subordinated loans, untaxed reserves and surplus/deficit values of assets.

**Solvency, Life**

The market value of assets in relation to guaranteed commitments to policyholders.

**Solvency margin**

The lowest permitted level of the capital base for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in Chapter 7, Sections 22–55 of the Swedish Insurance Business Act.

**Solvency margin, Non-life**

Solvency capital as a percentage of premium income after ceded reinsurance.

**Technical reserves**

Reserves for unearned premiums and unexpired risks, life assurance reserves and reserves for claims outstanding and comparable commitments in accordance with signed insurance contracts. For life assurance, this shall correspond to the company's guaranteed insurance commitment.

**Technical result for insurance operations**

Premiums earned less claims payments and operating expenses plus income from ceded reinsurance and investment income transferred from financial operations.

**Total return ratio**

The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average value of investment assets, according to the Swedish Insurance Federation's recommendations.

# Financial calendar 2009

## **Interim Report for first quarter:**

Länsförsäkringar Bank	April 22
Länsförsäkringar Hypotek	April 22

## **Interim Report for second quarter:**

Länsförsäkringar Bank	August 25
Länsförsäkringar Hypotek	August 25
Länsförsäkringar Alliance	August 26
Länsförsäkringar AB	August 26

## **Interim Report for third quarter:**

Länsförsäkringar Bank	October 23
Länsförsäkringar Hypotek	October 23
Länsförsäkringar Alliance	October 28
Länsförsäkringar AB	October 28



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