



2010

Länsförsäkringar Sak Försäkrings AB
Annual Report



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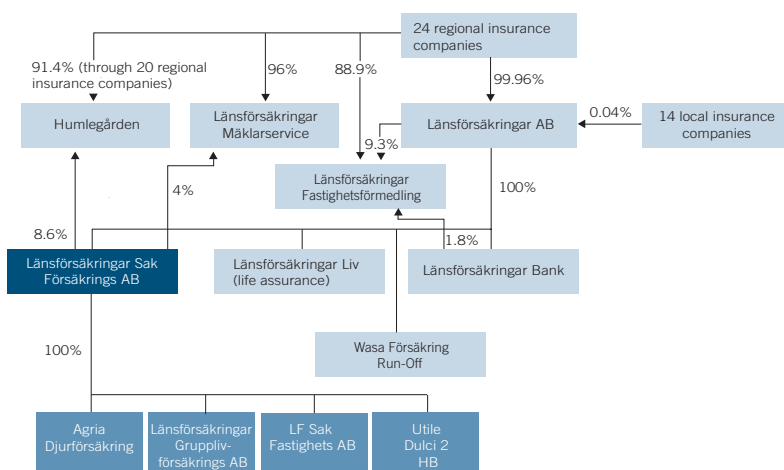
2010 in brief



- Net profit for the year before appropriations and tax amounted to SEK 518 M (511).
- The technical result for the insurance operations amounted to SEK 218 M (375).
- The total return on investment assets was 4.3% (6.4).
- Continued focus on the market for health insurance products. Länsförsäkringar Sak is a market leader in health care insurance in Sweden with a market share of 31%.

Länsförsäkringar in brief

Länsförsäkringar comprises of 24 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB. Customers are provided with a complete offering of banking and insurance services through the regional insurance companies. Animal and crop insurance is offered through Agria Djurförsäkring and total solutions for reliable mortgage transactions are offered through Länsförsäkringar Fastighetsförmedling. The basis is local presence and decision-making – experience has proven that local decision-making authority combined with joint strength create substantial added value for customers. Long-term respect for customers' money is also fundamental to Länsförsäkringar, there are no external shareholders and it is not Länsförsäkringar's money that is being managed but its customers'. This approach characterises the entire business. Länsförsäkringar has almost 3.4 million customers and approximately 5,800 employees.



“I am now looking forward to an exciting future in the years ahead with developments in new areas.”



PRESIDENT'S COMMENTS

Highly skilled and ambitious employees create many opportunities for the future

According to Länsförsäkringar's strategy, Länsförsäkringar Sak's task is to launch new products to secure new business that can subsequently be channelled through the companies and to supplement the regional insurance companies' offerings with specialist products to meet customer requirements. In addition, the company conducts reinsurance activities and the subsidiary Agria Djurförsäkring conducts animal and crop insurance. Motor insurance was a business area that was conducted in Länsförsäkringar AB and subsequently channelled to the regional insurance companies, and in the future, health insurance will be a new such development area. The success of Länsförsäkringar Sak is based on ambitious employees with specialist expertise and great interest in the development of the market.

Länsförsäkringar is currently a market leader in health insurance, with a market share of 31%. During the year, the products in this area were streamlined to simplify the offering and reduce claims costs. As a market leader, we are responsible for ensuring that the products demanded and required by customers function efficiently in the long term. The area of health insurance previously experienced profitability problems but results have now been improved.

I am looking forward to the potential reforms that might arise in social insurance. The progress of the Swedish government's Social Insurance Inquiry is being monitored and Länsförsäkringar is actively involved in the Worksmens Compensation Insurance Commission through the Swedish Insurance Federation. We believe that new and sustainable solutions can be developed through interaction between the public and private sectors in the area of social insurance, which is positive for customers and society as a whole.

The regional insurance companies have a broad range of products and services to offer their customers, although the handling of some products are not efficient to handle in a local company. This is where Länsförsäkringar Sak has a role to play in offering supplementary insurance to further broaden the

product range. As a result, Länsförsäkringar Sak conducts business operations in the areas of liability, cargo, motor, accident, and environmental to meet customer needs. An increasing number of customers are choosing to move parts of their operations outside Sweden and Länsförsäkringar Sak can offer solutions in cooperation with its international partner INI. This is a business area that will become more important in the future. Recycling insurance and an insurance for wind-power mills are investments being made to contribute to a better environment.

A fundamental basis for conducting insurance operations is a solid reinsurance cover. The Länsförsäkringar Alliance's reinsurance solutions have been managed jointly since 1936 in Länsförsäkringar Sak. We have also been underwriting international assumed reinsurance for many years. The higher rate of disaster claims globally illustrates how essential reinsurance cover is.

Intensive activities were initiated during the year to adapt to the Solvency II regulations. Going forward, we will work just as intensively to implement these changes in our operations. The regulations will benefit both the company and our customers in the future, but we need to find a reasonable balance between reporting requirements and providing heightened security for customers.

Over the years, Länsförsäkringar Sak has accumulated vast experience in establishing business based on customer needs and subsequently channelling business to the regional insurance companies in close customer meetings. I am now looking forward to an exciting future in the years ahead with developments in new areas.

A handwritten signature in black ink that reads "Ann Sommer".

ANN SOMMER
President of Länsförsäkringar Sak

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, hereby submit the annual report for the 2010 fiscal year. The registered office of the company is in Stockholm.

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

Ownership

Länsförsäkringar Sak Försäkringsaktiebolag (publ) (referred to below as Länsförsäkringar Sak) is wholly owned by Länsförsäkringar AB (publ), which in turn is owned by 24 regional insurance companies and 14 local insurance companies.

Organisation

Länsförsäkringar Sak is the Parent Company of Försäkringsaktiebolaget Agria, Länsförsäkringar Grupplivförsäkringsaktiebolag, Länsförsäkringar Sak Fastighets AB, the limited partnership Utile Dulci 2 HB. During the year, the subsidiary Länsförsäkringar EFEL Skadeförsäkring was merged with the Parent Company Länsförsäkringar Sak and the subsidiary Länsförsäkringar EFEL Livförsäkring AB was liquidated.

Focus of operations

Länsförsäkringar Sak conducts non-life insurance operations. The majority of non-life insurance in the Länsförsäkringar Alliance is underwritten in the local regional insurance companies with local concessions. However, Länsförsäkringar Sak also conducts certain development-related operations, primarily pertaining to non-life insurance business.

In 2010, business was underwritten in the areas of sick leave, health care, accident, producer liability, property, cargo and professional liability insurance. In addition, insurance cover is provided for nationwide customers in the commercial auto area (third-party liability insurance and motor hull insurance). The company also handles the Länsförsäkringar Alliance's internal and external reinsurance and underwrites assumed international reinsurance.

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

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

Market

The non-life insurance market during the year was characterised by fierce competition and price pressure despite the effects of the financial crisis waning and investments rising again.

The health care insurance market continued to expand, but growth slowed and was at slightly more than 6% according to the most recent study. Länsförsäkringar is a market leader, with a market share of 31%. Growth is primarily seen in such areas as Länsförsäkringar Sak's core target groups, and small and medium-sized businesses. Competition in the market is intensifying since more and more companies are realising the growth potential that exists and are establishing operations.

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

In addition to an increasing number of players establishing themselves in the non-life insurance market, additional sales channels are being developed, and the role of the Internet and brokers continues to become more significant. Efficiency enhancements to reduce operating expenses are becoming increasingly important to retain competitiveness.

Significant events during the year

Merger and liquidation of subsidiaries

In December 2009, Länsförsäkringar EFEL Livförsäkring AB's entire insurance portfolio and accompanying insurance assets and liabilities were transferred to the fellow subsidiary Länsförsäkringar Grupplivförsäkringsaktiebolag. Since Länsförsäkringar EFEL Livförsäkring AB no longer conducts any business activities, the Annual General Meeting resolved that the company would immediately go into voluntary liquidation. The liquidation process was completed on October 31, 2010.

The subsidiary Länsförsäkringar EFEL Skadeförsäkring AB was merged with Länsförsäkringar Sak on June 1, 2010.

Solvency II – risk-based regulatory requirements from 2013

The EU reached an agreement on the modernisation of regula-

tory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the scope of the company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The rules are expected to come into effect on January 1, 2013.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules.

Länsförsäkringar Sak has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses. Measures need to be taken in terms of the development of work processes and guidance documents and the management of historical data storage and calculation procedures. The reviews of processes that are underway will lead to enhanced efficiency. The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations.

A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. Länsförsäkringar Sak intends to have a (partially) internal model approved in a bid to work with measurements of capital requirements that are more consistent with the company's risks than the provisions of the standard formula.

New standard for recognition of insurance contracts

Exposure Draft – IFRS 4 Phase II was published at the end of June 2010 with a period for comment until November 30, 2010. The draft proposes a new standard for the recognition of insurance contracts that will replace IFRS 4 Insurance Contracts. The proposal presents the first comprehensive IFRS accounting model for insurance contracts and is expected to have a significant impact on companies issuing insurance contracts. In addition to changes to accounting policies, the proposals may also affect systems, data, processes and broader business aspects.

Events after the balance-sheet date

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

Expectations regarding future development

The market for health insurance is growing and being exposed

to intense competition. Länsförsäkringar Sak is experiencing significant growth among its core target groups of small and medium-sized businesses.

Far-reaching changes were made to health care insurance at the beginning of 2010 to offer customers reasonably priced insurance in the long term that has stable pricing over time and is simple to use. The changes implemented include improved care guarantees, the abolition of compulsory referrals and the introduction of deductibles, and have increased customer availability and reduced claims costs. The customer survey revealed that customer satisfaction improved compared with the preceding year in terms of service in receiving care and in claims processing. With a balanced health care business and the market's most satisfied customers, Länsförsäkringar Sak has a solid basis to meet intensifying competition. With these measures in place, Länsförsäkringar Sak has set a new standard in the health care insurance market.

Also, a new automatic claims processing system for all health care claims was put into production at the end of 2010. A written claims report is no longer normally needed from the customer, and no traditional claims processing is required. The efficiency of claims processing is vital to the company's competitiveness since the scope of claims administration previously required major resources. Furthermore, product consolidation continued during the year. Four different life-assurance policies and six different health insurance policies were consolidated to a single life-assurance policy and a single health policy, enabling Länsförsäkringar Sak to be clear in its customer communication and enhance the efficiency of its internal claims adjustment administration and customer service.

Länsförsäkringar is taking the first step toward modernising the group life assurance and group health insurance market. The aim is to create insurance policies that are better tailored to current society and thereby increase flexibility and offer sound and secure basic cover. Accordingly, the new group insurance policies have higher amounts insurance and the terms are adapted to the new conditions of modern society. All customers will be offered the new group insurance policies from January 1, 2011.

Since 2007, Länsförsäkringar has cooperated with the Keep Sweden Tidy Foundation and Stena Recycling to promote recycling and reduce the environmental impact of Sweden's agricultural sector. This partnership enables customers who are covered by Länsförsäkringar's recycling insurance to have the scrap and environmentally harmful waste generated by their agricultural operations collected for recycling or destruction. The amount of scrap and environmentally harmful waste collected in 2010 rose compared with levels in 2009. If this trend were to continue, it would mean that the target of "the world's cleanest agricultural sector" will be achieved this forthcoming year.

In 2010, nearly 7,700 tonnes of agricultural scrap and 1.8 tonnes of environmentally harmful waste were collected from Swedish farmers. This work has attracted considerable na-

tional and international interest and is highly appreciated by customers. Recycling insurance reduces the risk of accidents and the impact on the environment, while at the same time enabling customers to dispose of their waste in a safe and environmentally sound manner.

Wind power is expanding in Sweden and investments are again accelerating. Länsförsäkringar's concept for wind turbine insurance, which includes recycling insurance, was positively received by the market. However, a recycling insurance solution has not currently been approved as an alternative for guaranteeing the future closure of wind-power turbines, which is limiting progress.

Swedish companies are increasingly establishing business activities abroad, which heightens the need for cross-border insurance solutions. Insurance policies for operations conducted outside Sweden are often subject to other rules than those that apply in Sweden, and package solutions that are customary in Sweden may be different abroad. Primarily through its involvement in the International Network of Insurance (INI), Länsförsäkringar is able to provide insurance solutions for customers with foreign risk exposures. Länsförsäkringar can offer competitive insurance solutions in 100 countries through partnerships.

The insurance industry appointed an independent industrial injury commission through the Swedish Insurance Federation. The Commission's task is to investigate the possibility of creating a new type of workmens compensation insurance policy that contains drivers for reducing the number of workplace injuries, offers quicker and improved rehabilitation and leads to better coordination between all of the parties involved. The Industrial Injury Commission will perform a detailed study of the current industrial injury system and propose the structure of a new workmens compensation insurance policy. The central premise is ensuring the best interests of the individual's future. The task is to be completed by August 31, 2012.

Meanwhile, a Social Insurance Inquiry is underway which is charged with the task of studying whether changes should be made to bring about "more sustainable sick leave and unemployment insurance policies."

Länsförsäkringar Sak is actively following these inquiries since any changes may require the creation of new types of insurance policies for companies and private individuals.

Risks and risk management

Länsförsäkringar Sak's largest risk exposures are considered to be its investment assets and its commitments in motor third-party liability insurance. From 2008, the claims annuities reserve is sensitive to interest-rate fluctuations. Refer also to Note 2 on page 20.

Employees

The company's vision and values, combined with the task from the regional insurance companies, serve as a guide for

the entire business operations. The joint Human Resources processes are a key component of the governance of Länsförsäkringar Sak and are aimed at ensuring access to competence in the short and long term. Consequently, the joint HR processes also safeguard opportunities for positively developing the company in line with the owners' ambitions.

Employees participate in a structural business control process, which includes an established business planning model. A performance management model that links the targets for short and long-term employee performance to the objectives of the business plans is in place to connect the business planning process to employee performance.

Individual targets for employees are identified in discussions between employees and their managers. Coupled with expected behaviour and based on shared values, these targets comprise the overall performance expectations that are documented in the employee's target contract. Future work duties, career aspirations and professional roles are discussed every year in a bid to make employees more active in the planning of their own skills development and career planning.

An employee survey is carried out annually to study employee perceptions of performance conditions. The results of the survey are used both as a benchmark and to further improve performance conditions.

A new Remuneration Policy was drawn up during the year. Employees at Länsförsäkringar Sak are to have market-based terms of employment. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

The base of the remuneration model comprises fixed remuneration, meaning a fixed cash monthly salary. Target-based remuneration is a supplement to fixed remuneration and may be paid to employees who are not managers, and is currently maximised at SEK 12,000 per year per employee. A basic prerequisite for target-based remuneration is that the Parent Company, Länsförsäkringar AB, posts positive financial results. At least one third of the target-based remuneration is based on exceeding the overall targets of the business plans and a maximum of two thirds on exceeding individual targets.

Only fixed salaries are paid to company management and managers.

Long-term management supply is ensured by identifying individuals with the drive and capacity to attain senior managerial positions within three years. This approach also enhances equality between women and men in the management structure. An Assessment Center training course was held by the Länsförsäkringar AB Group and some ten employees will undergo a young talent management development programme in 2011. Seven trainees were recruited to the Group's trainee programme as project managers and controllers.

Long-term and proactive health care activities, health care insurance available to all employees, a range of different

preventive health care activities and the option of exercising during working hours are measures that contributed to total sickness absence totalling only 3.6% (3.8).

Environment

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

Recycling insurance and insurance for wind power plants are other ways in which the company promotes the reduction of society's environmental impact. Länsförsäkringar Sak is included in the Parent Company's ISO 14001 environmental management system, which guarantees systematic environmental activities.

Asset management

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

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

Development

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

Risk level

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

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

Management model

Länsförsäkringar Sak's portfolio structure for market exposure focuses on selecting the desired distribution of assets in the portfolios. In addition, major importance is attached to how the desired market exposure is to be achieved. Asset management at Länsförsäkringar AB offers considerable expertise in

employing other efficient solutions to maintain passive market exposure rather than by using traditional management mandates. For example, this can take place via different types of derivative instruments, which generates added value through reduced management costs and simplified transaction administration. Active work is undertaken to protect the portfolio from different types of risk. The combination of these factors results in a portfolio structure that creates scope for action to capture the market exposure deemed suitable. This means that Länsförsäkringar Sak conducts portfolio management that creates rapid scope for action following changed market conditions at a lower management cost.

Organisation and control

Länsförsäkringar Sak's Board of Directors adopts policies and instructions for the management of investment assets. This includes the Board continuously remaining informed of the performance of the operations and, in the event of an unsatisfactory performance, deciding on corrective measures. The task of Länsförsäkringar AB's Group-wide Asset Management unit is to conduct asset management activities on behalf of Länsförsäkringar Sak. This mandate includes assuming responsibility for formulating proposals for strategic allocation, proposing management structures and, after decisions are made by the Board, assuming responsibility for implementing and following up these decisions.

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

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

Earnings and financial position

Profit before appropriations and tax for 2010 amounted to SEK 518 M (511). Income from insurance operations amounted to SEK 218 M (375) and the remaining investment income to SEK 300 M (135) (refer also to "Profit from financial operations").

Profit from insurance operations

Premiums earned after ceded reinsurance rose 14% compared with the preceding year and amounted to SEK 1,754 M (1,539). The main reason for this increase is the merger of the subsidiary Länsförsäkringar EFEL Skadeförsäkring AB.

In 2010, business was underwritten in the areas of health, accident, cargo and producer liability insurance, some property insurance, commercial automotive cover for national customers (motor third-party liability and motor hull insurance), assumed reinsurance and recycling insurance.

Claims payments after ceded reinsurance amounted to SEK 1,426 M (1,236), resulting in a claims ratio of 81% (80).

As in the preceding year, the claims ratio was affected positively by the run-off profit on older year classes. The claims outcome was favourable throughout the year, except in motor hull insurance which saw a rise in claims due to a severe winter. Since 2004, most motor third-party liability policies have been underwritten by the local regional insurance companies. The provision for claims incurred for motor third-party liability insurance underwritten up to and including 2003 is run off within Länsförsäkringar Sak.

Technical reserves, before ceded reinsurance (gross), increased SEK 407 M, while technical reserves for own account declined by SEK 18 M. The change in gross reserves is primarily due to the merger of the subsidiary Länsförsäkringar EFEL Skadeförsäkring AB and the accumulation of reserves in the Länsförsäkringar Alliance's shared reinsurance solution. The decline in reserves for own account was due to the run-off of the provision for claims incurred in motor third-party liability insurance (run-off transactions).

The reserve run-off result, which can be described as a short-term measurement of the quality of the provision for claims incurred, amounted to SEK 168 M (485), gross, or slightly less than 1% of the provision for claims incurred at the beginning of the year. This run-off profit was primarily attributable to commercial and cargo insurance as well as assumed reinsurance.

Investment income transferred from financial operations amounted to SEK 285 M (388). For motor third-party liability insurance, which again remains the line of business with the largest technical reserves and thus the largest investment income, an interest rate of 2.1% (3.5) was used.

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

Operating expenses increased compared with the preceding year and amounted to SEK 396 M (321). The expense ratio was 23% (21). The increase in operating expenses was mainly due to the growth in volumes and costs related to preparation for the introduction of the Solvency II rules.

Motor third-party liability insurance also remained a major line of business and recognised profit of SEK 98 M (205). This profit derived from the run-off transactions described above and from the national motor hull insurance transactions that will partly continue to be underwritten within Länsförsäkringar Sak.

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

transactions being impacted by a number of major market claims during the year.

The exposure level of the Länsförsäkringar Alliance's non-life insurance changed only marginally and the reinsurance programme was largely unchanged compared with 2009.

All insurance classes, except for motor hull insurance, posted positive results.

Profit from financial operations

The market value of investment assets (excluding shares and participations in Group companies) amounted to SEK 14,358 M (13,814) at year-end. The distribution among various classes of assets is shown in the table on the following page. The total return for 2010 was 4.3% (6.4), while the five-year average was 2.4% (3.9). Interest-bearing assets provided a total return of 3.2% (6.6), while equities generated a return of 2.9% (52.0) and properties 8.3% (8.8).

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

Solvency

Solvency capital increased during the year to SEK 3,026 M (2,829). The solvency margin increased to 177% (173).

Personnel, salaries and remuneration

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

The Board of Directors adopted a remuneration policy on April 20, 2010 in accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:7) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money.

Proposed appropriation of profit

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

Retained earnings	SEK 434,331,598
Net profit for the year	SEK 434,754,766
Total	SEK 869,086,364

The Board of Directors and the President propose that SEK 138,000,000 of this profit be distributed to the Parent Company and SEK 731,086,364 be carried forward.

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

Amounts in SEK M Investments	Market value, Jan. 1, 2010	%	Market value, Dec. 31, 2010	%
Interest-bearing	10,655	77.1	6,960	48.5
Shares and change in strategic holdings	607	4.4	1,416	9.9
Property	2,553	18.5	2,590	18.0
Hedge	–	–	3,392	23.6
Total	13,814	100	14,358	100



Five-year summary

RESULTS, SEK M	2006	2007	2008	2009	2010
Premiums earned (after ceded reinsurance)	1,158	1,340	1,473	1,539	1,754
Investment income transferred from financial operations	368	383	464	388	285
Claims payments (after ceded reinsurance)	-916	-1,094	-1,156	-1,236	-1,426
Operating expenses	-333	-406	-478	-321	-396
Other income and expenses	-	7	6	6	0
Technical result for insurance operations	277	231	309	375	218
Remaining investment income	314	814	-3,116	135	300
Profit/loss before appropriations and tax	591	1,045	-2,807	511	518
Net profit/loss for the year	457	577	-1,800	364	435

Premium income (after ceded reinsurance)

Non-life insurance	1,148	1,332	1,601	1,638	1,714
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FINANCIAL POSITION, SEK M

Investment assets	16,564	16,721	13,326	13,444	12,972
Technical reserves (after ceded reinsurance)	12,461	12,705	12,539	12,234	12,216

Solvency capital

Equity	1,718	2,143	406	924	1,073
Deferred tax	132	128	-533	-332	-186
Untaxed reserves	1,229	1,479	1,139	1,139	1,139
Surplus values	811	1,102	1,049	1,098	1,000
Solvency capital	3,890	4,852	2,061	2,829	3,026
Solvency margin, %	339	364	129	173	177
Capital base	4,060	4,238	2,513	2,909	2,774
Required solvency margin	409	452	438	355	325
Capital base for the insurance group			1,970	2,409	2,614
Required solvency margin for the insurance group			833	793	802

KEY FIGURES

Insurance operations

Claims ratio	79	82	78	80	81
Expense ratio	29	30	32	21	23
Combined ratio	108	112	111	101	104

Asset management, %

Direct yield	3.1	3.1	3.3	2.6	3.6
Total return, including properties in Group companies	6.4	8.4	-13.3	6.4	4.3

Direct yield

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

Total return ratio

Total return ratio refers to the sum of the direct yield and changes in the value of the investment portfolio for the assets encompassed by the investment principles, including direct transaction costs but excluding management costs, in relation to the average value of these assets during the year.

Financial statements

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Income statement

TECHNICAL RECOGNITION OF NON-LIFE INSURANCE OPERATIONS, SEK M		2010	2009
Premiums earned (after ceded reinsurance)			
Premium income	Note 3	3,769.5	3,886.8
Premiums for ceded reinsurance		-2,055.2	-2,248.6
Change in provision for unearned premiums and unexpired risks		99.6	-192.4
Reinsurers' portion of change in provision for unearned premiums and unexpired risks		-59.6	93.1
		1,754.3	1,538.9
Investment income transferred from financial operations	Note 4	285.5	387.8
Other technical revenue (after ceded reinsurance)	Note 5	-	5.8
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,705.8	-2,677.7
Reinsurers' portion		944.4	1,007.1
	Note 6	-1,761.4	-1,670.6
Change in provision for claims outstanding			
Before ceded reinsurance		-173.2	331.4
Reinsurers' portion		509.1	103.4
		335.9	424.8
Claims payments (after ceded reinsurance)			
		-1,425.5	-1,235.7
Operating expenses	Note 7	-396.1	-321.3
TECHNICAL RESULT, NON-LIFE INSURANCE OPERATIONS		218.2	375.5
NON-TECHNICAL RECOGNITION			
Technical result, non-life insurance operations		218.2	375.5
Investment income, revenue	Note 8	739.4	743.3
Unrealised gains on investment assets	Note 10	110.1	378.1
Investment income, expenses	Note 9	-175.7	-509.2
Unrealised losses on investment assets	Note 10	-88.6	-88.7
Investment income transferred to non-life insurance operations		-285.5	-387.8
Profit before appropriations and tax		517.9	511.2
Appropriations		-	-
Profit before tax		517.9	511.2
Tax on net profit for the year	Note 11	-83.1	-146.5
Net profit for the year		434.8	364.7

Statement of comprehensive income

Net profit for the year	434.8	364.7
Other comprehensive income	-	-
Total comprehensive income	434.8	364.7

Performance analysis

SEK M	Total	Accident and health	Household and homeowner	Commercial and property	Motor hull	Motor third-party liability	Marine, air and cargo	TFA	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed re-insurance
Technical result, non-life insurance operations											
Premiums earned (after ceded reinsurance)	1,754.3	754.4	–	253.5	194.1	51.7	89.4	–	1,343.1	3.1	408.1
Investment income transferred from financial operations	285.5	34.1	0.7	23.5	3.0	199.9	3.8	–	265.0	–	20.5
Other technical revenue (after ceded reinsurance)	–	–	–	–	–	–	–	–	–	–	–
Claims payments (after ceded reinsurance)	-1,425.5	-584.8	0.3	-186.3	-208.7	-133.9	-9.3	-0,3	-1,123.0	-0.7	-301.8
Operating expenses	-396.1	-183.9	–	-55.1	-22.4	-20.0	-23.2	–	-304.6	–	-91.5
Technical result, non-life insurance operations, 2010	218.2	19.8	1.0	35.6	-34.0	97.7	60.7	-0,3	180.5	2.4	35.3
Technical result, non-life insurance operations, 2009	375.5	124.8	0.3	58.5	-95.2	205.0	31.3	–	324.7	-12.8	63.6
Gross run-off loss, 2010	168.3	-9.5	0.4	32.0	-8.6	2.1	60.7	-0,3	75.9	-0.2	91.7
Technical reserves, before ceded reinsurance											
Provision for unearned premiums and unexpired risks	700.6	173.6	1.2	190.5	257.5	11.9	22.5	–	657.2	1.3	42.1
Provision for claims outstanding	17,852.9	1,468.1	34.1	953.6	67.7	8,723.3	140.2	–	11,387.0	3.3	6,462.6
Total technical reserves, before ceded reinsurance	18,553.5	1,641.7	35.3	1,144.1	325.2	8,735.2	162.7	–	12,044.2	4.6	6,504.7
Reinsurers' portion of technical reserves											
Provision for unearned premiums and unexpired risks	187.8	–	–	89.5	83.2	–	0.8	–	173.5	0.5	13.8
Provision for claims outstanding	6,149.5	13.9	0.2	44.7	18.3	459.8	5.5	–	542.4	0.2	5,606.9
Total reinsurers' portion of technical reserves	6,337.3	13.9	0.2	134.2	101.5	459.8	6.3	–	715.9	0.7	5,620.7

Notes to performance analysis

SEK M	Total	Accident and health	Household and homeowner	Commercial and property	Motor hull	Motor third-party liability	Marine, air and cargo	TFA	Direct insurance Swedish risks	Direct insurance foreign risks	Assumed re-insurance
Note A Premiums earned (after ceded reinsurance)											
Premium income	3,769.5	821.2	–	329.9	108.1	56.7	94.1	–	1,410.0	5.4	2,354.1
Premiums for ceded reinsurance	-2,055.3	-53.1	–	-74.5	-1.6	-5.6	-5.1	–	-139.9	-1.7	-1,913.7
Change in provision for unearned premiums and unexpired risks	99.6	-13.8	–	-8.4	171.1	0.6	0.3	–	149.8	-0.8	-49.4
Reinsurers' portion of change in provision for unearned premiums and unexpired risks	-59.6	–	–	6.5	-83.4	–	–	–	-76.9	0.2	17.1
Note B Claims payments (after ceded reinsurance)											
Claims paid											
Before ceded reinsurance	-2,705.8	-552.6	-0,2	-222.2	-297.3	-546.1	-40.1	0,3	-1,658.8	-1.1	-1,045.9
Reinsurers' portion	944.4	38.2	–	12.6	90.5	42.3	5.4	–	189.0	0.1	755.3
Change in provision for claims outstanding											
Before ceded reinsurance	-173.2	-68.9	0,6	37.2	-3.0	386.1	41.9	–	393.9	0.4	-567.5
Reinsurers' portion	509.1	-1.5	-0,1	-13.9	1.1	-16.2	-16.5	–	-47.2	-0.1	556.3

Balance sheet

SEK M		Dec. 31, 2010	Dec. 31, 2009	SEK M		Dec. 31, 2010	Dec. 31, 2009
ASSETS				EQUITY, PROVISIONS AND LIABILITIES			
Intangible assets				Equity			
Goodwill	Note 12	127.5	–	Share capital		200.0	200.0
Other intangible assets	Note 13	170.9	98.2	Statutory reserve		4.0	4.0
		298.4	98.2	Retained earnings		434.3	355.2
Investment assets				Net profit for the year		434.8	364.7
Investments in Group companies and associated companies						1,073.1	923.9
Shares and participations in Group companies	Note 14	1,510.4	1,836.1	Untaxed reserves			
Loans to Group companies	Note 15	1,722.3	1,865.3	Contingency reserve		1,138.9	1,138.8
Shares and participations in associated companies	Note 16	17.5	18.7			1,138.9	1,138.8
Other financial investment assets				Technical reserves (before ceded reinsurance)			
Shares and participations	Note 17	414.4	814.1	Unearned premiums and unexpired risks		700.6	797.7
Bonds and other interest-bearing securities	Note 18	8,967.3	8,733.8	Claims outstanding		17,852.9	17,348.4
Derivatives	Note 19	146.5	33.3		Note 25	18,553.5	18,146.1
Other financial investment assets		148.9	92.6	Other provisions			
Deposits with companies that have ceded reinsurance		45.1	50.5	Pensions and similar commitments		3.5	3.2
		12,972.4	13,444.4	Current tax	Note 11	8.3	–
Reinsurers' portion of technical reserves				Other provisions	Note 27	159.8	207.4
Unearned premiums and unexpired risks		187.8	247.9			171.6	210.6
Claims outstanding		6,149.5	5,664.7	Deposits from reinsurers			
	Note 25	6,337.3	5,912.6			34.7	39.6
Receivables				Liabilities			
Receivables, direct insurance	Note 20	217.2	172.7	Liabilities, direct insurance	Note 28	518.9	328.6
Receivables, reinsurance		174.9	171.2	Liabilities, reinsurance		288.9	353.5
Deferred tax	Note 26	185.9	331.6	Derivatives	Note 19	29.6	47.1
Other receivables	Note 21	1,007.4	685.8	Other liabilities	Note 29	213.0	83.9
		1,585.4	1,361.3			1,050.4	813.1
Other assets				Accrued expenses and deferred income			
Cash and bank balances		888.7	573.3	Other accrued expenses and deferred income	Note 30	136.2	205.4
		888.7	573.3	TOTAL EQUITY, PROVISIONS AND LIABILITIES			
Prepaid expenses and accrued income						22,158.4	21,477.7
Accrued interest and rental income		44.1	60.4	Memorandum items			
Prepaid acquisition costs	Note 23	19.7	16.3		Note 33		
Other prepaid expenses and accrued income	Note 24	12.4	11.2	Pledged assets		13,518.5	13,371.6
		76.2	87.9	Contingent liabilities		43.2	37.9
TOTAL ASSETS		22,158.4	21,477.7				

Statement of changes in shareholders' equity

Changes in equity

SEK M	Share capital	Statutory reserve	Retain earnings	Profit for the year	Total equity
Opening equity, December 31 2008	200.0	4.0	202.3	0.0	406.3
Group contributions paid/received	-	-	152.9	-	152.9
Net profit for the year/comprehensive income	-	-	-	364.7	364.7
Closing equity, December 31, 2009	200.0	4.0	355.2	364.7	923.9
Opening equity, January 1, 2010	200.0	4.0	719.9	-	923.9
Dividends to Parent Company	-	-	-352.0	-	-352.0
Merger difference	-	-	-54.7	-	-54.7
Group contributions paid/received	-	-	121.1	-	121.1
Net profit for the year/comprehensive income	-	-	-	434.8	434.8
Closing equity, December 31, 2010	200.0	4.0	434.3	434.8	1,073.1
Number of shares at a par value of SEK 100 each	2,000,000				

Share capital and the statutory reserve are classified as restricted.

Cash-flow statement

SEK M	2010	2009
Operating activities		
Profit before tax	517.9	511.2
Adjustment for non-cash items	-957.0	-631.0
Tax paid	-	-
Cash flow from operating activities before changes in working capital	-439.1	-119.8
Cash flow from changes in working capital		
Investments in investment assets, net	1,518.3	272.6
Increase(-)/Decrease(+) in operating receivables	-254.8	500.0
Increase(+)/Decrease(-) in operating liabilities	148.0	-201.5
Cash flow from operating activities	972.4	451.3
Investing activities		
Shareholders' contribution paid	-	-60.0
Dividend from subsidiaries and associated companies	237.9	49.6
Divestment/merger of subsidiaries	11.0	27.1
Change in loans issued	120.0	105.0
Investments in intangible assets	-79.4	-5.8
Cash flow from investing activities	289.5	115.9
Financing activities		
Dividends to Parent Company	-352.0	-
Group contributions paid/received	207.6	1.7
Loans granted	Note 15 -637.3	-606.2
Cash flow from financing activities	-781.7	-604.5
Net cash flow for the year	480.2	-37.4
Cash and cash equivalents, January 1	911.5	948.9
Cash and cash equivalents, December 31	1,391.7	911.5

SUPPLEMENTARY INFORMATION TO CASH-FLOW STATEMENT

SEK M	2010	2009
Interest paid and received and dividends received		
Dividends received	474.5	1.4
Interest received	259.4	342.4
Interest paid	-36.2	-35.6
Adjustment for non-cash items		
Depreciation/amortisation and impairment of assets	147.0	43.6
Unrealised gains/losses on investment assets	-21.5	-289.4
Technical reserves after ceded reinsurance	-459.3	305.9
Pension provisions	-10.6	-11.6
Other provisions	-612.6	-679.5
	-957.0	-631.0
Cash and cash equivalents		
Cash and bank balances*	888.7	573.3
- of which, Länsförsäkringar Bank	-	298.1
Receivables from Group companies		
Länsförsäkringar Bank	203.0	-
Länsförsäkringar AB, Group bank account	301.0	338.2
	1,391.7	911.5

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

Notes to the financial statements

NOTE 1 ACCOUNTING POLICIES

Corporate form

The Annual Report for Länsförsäkringar Sak Försäkringsaktiebolag (publ), Corporate Registration Number 502010-9681, domiciled in Stockholm, pertains to the fiscal year January 1 – December 31, 2010. The company's address is Tegeluddsvägen 11–13, SE-106 50 Stockholm. Länsförsäkringar Sak is a wholly owned subsidiary to Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, in which the consolidated financial statements are prepared.

Compliance with standards and legislation

The Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general advice of the Swedish Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26 and FFFS 2009:12) and reporting recommendation RFR 2 issued by the Swedish Financial Reporting Board. Länsförsäkringar Sak applies legally restricted IFRS, meaning the international financial reporting standards adopted for application with the restrictions stipulated by RFR 2, FFFS 2008:26 and FFFS 2009:12. This means that all IFRS and interpretation statements approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation.

The accounting policies applied below have been applied consistently for all periods presented in this Annual Report.

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand. Assets and liabilities are recognised at cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments, financial assets classified as financial assets measured at fair value in profit and loss or property.

Judgments and estimates in the financial statements

The preparation of the financial statements in accordance with legally restricted IFRS requires that management make a number of judgments and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. These estimates and judgments are based on historical experience and a range of other factors considered reasonable given the prevailing circumstances. The assumptions and judgments that form the basis of the estimates and judgments are reviewed regularly. The valuation of the company's provisions is described in the section below concerning the recognition of insurance contracts and in Note 2, which provides information on risks in the operations.

Changed accounting policies (New IFRSs and interpretations that have not yet been applied.)

New international accounting standards, amendments to standards and interpretations of these standards that take effect from 2011 will not be applied in advance but will be applied once they are applicable. The assessment is that none of these changes will have any significant impact on Länsförsäkringar Sak's earnings or position when the new regulations are applied.

Foreign currency

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

Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB and the 24 regional insurance companies.

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

Refer to Note 36 Disclosures on related parties.

Insurance contracts

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

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

NOTE 1 ACCOUNTING POLICIES, cont.

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

Premium income

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

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

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

Technical reserves

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

Provision for unearned premiums and unexpired risks

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

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

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

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

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

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

ributable to the translation of the provision items to the exchange rate on the balance-sheet date are recognised as exchange-rate gains or exchange-rate losses under the item "Investment income."

Provision for claims outstanding

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

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

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

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

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

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

Prepaid acquisition costs for insurance contracts

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

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, invest-

ment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under “Claims payments paid.” Operating expenses for financial management are recognised under “Investment income, expenses.”

Reinsurance

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

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

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

Investment income

Investment income transferred from financial operations

The insurance operations have been assigned an interest totalling half the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest and for 2010 was set at 1.8% for short-term transactions and 2.1% for long-term transactions.

Investment income, revenue

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

Investment income, expenses

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

Realised and unrealised changes in value

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

ring securities, cost comprises amortised cost.

Tax

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

Current tax is tax that shall be paid or received in the current year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The amounts are calculated on the basis of how the temporary differences are expected to be settled and applying the tax rates and tax rules established or announced on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax-loss carryforwards are only recognised to the extent that it is likely that they will result in lower tax payments in the future.

Intangible assets

Goodwill

Goodwill represents the difference between the cost of the acquisition of operations and the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed to cash-generating units and is tested for impairment at least once annually.

The useful life has been set at five years.

Other intangible assets

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

Acquired intangible fixed assets are amortised from the acquisition date. The asset comprises a customer register for the products in accident and health insurance for adults, group accident insurance and group health insurance, and acquisitions of IT systems.

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

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

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

Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised at cost.

Financial instruments

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

Classification and valuation

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

Financial assets measured at fair value in profit and loss

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

Financial instruments listed on an active market

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

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The valuation techniques applied are based on market data as far as possible. Valuation techniques are used for derivative instruments (OTC derivatives). The valuation techniques used for OTC derivatives comprise analyses of discounted cash flows. The valuation techniques applied are calibrated such that on initial recognition the fair value amounts to the transaction price and changes in fair value are subsequently recognised continuously based on changes that occur in the underlying market-risk parameters.

Unlisted shares are recognised at fair value according to the valuation principles applied by industry organisations in Europe and the US. The item "Shares and participations" also includes the asset class "Alternative investments," which comprise units in funds that buy, develop and sell unlisted companies (private equity) and

hedge funds. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association.

Derivatives

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

Shares and interest-bearing securities

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

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

Other interest-bearing assets and liabilities

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

Loan receivables and accounts receivable

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

Financial liabilities measured at fair value in profit and loss

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

Other financial liabilities

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

Cash and bank balances

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

NOTE 1 ACCOUNTING POLICIES, cont.**Group contributions**

Group contributions are recognised in accordance with UFR 2. Group contributions are recognised according to financial implication. This entails that Group contributions that have been paid and received with the aim of minimising the Group's total tax are recognised directly against retained earnings after deductions for their actual tax effect.

Untaxed reserves

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

The accumulated value of the provisions is recognised under the heading "Untaxed reserves" in the balance sheet, of which 26.3% can be considered to be deferred tax liabilities and 73.7% as restricted equity. The deferred tax liabilities can be described as interest-free liabilities with an undetermined duration.

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

Contingency reserve

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

Pensions*Pensions through insurance*

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional con-

tributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure shall also be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Contingent liabilities

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

Cash-flow statement

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

NOTE 2 RISKS AND RISK MANAGEMENT

Conducting business activities involves risk-taking. Knowledge about risks is a core area of expertise in the insurance industry.

An increasingly sophisticated and changeable financial market, and more detailed public regulations, impose more and more rigorous demands on financial companies and their risk management, in particular. The ultimate owners of Länsförsäkringar Sak are also the company's customers. Accordingly, activities to govern,

manage and control the business operations' risks are of immediate importance to customers and provide unequivocal customer value.

Focus and aims of risk management

Risks constitute a significant aspect of Länsförsäkringar Sak's operational environment and business activities. To manage the risks, Länsförsäkringar Sak has clearly defined strategies and areas of responsibility, together with a strong commitment to the risk-management process. The main purpose of risk management is to

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

SEK billion	Dec. 31, 2010	Change from Dec. 31, 2009		Dec. 31, 2010	Change from Dec. 31, 2009
Investments			Equity	1.1	0.2
Shares and participations	0.4	-0.4	Untaxed reserves	1.1	0.0
Interest-bearing assets	9.0	0.3	Technical reserves (gross)		
Derivatives	0.1	0.0	Motor third-party liability	8.7	-0.3
Other investment assets	1.7	-0.2	Commercial and property	1.1	0.0
Loans to Group companies	1.7	-0.2	Accident and health	1.6	0.3
			Assumed reinsurance	6.5	0.6
			Other insurance classes	0.7	-0.1
Reinsurers	6.3	0.4	Other liabilities	1.4	0.0
Other assets	3.0	0.8			
Total assets	22.2	0.7	Total Equity and Liabilities	22.2	0.7

ensure that risks are identified, that risk assessment is impartial, and that the capital base is adequate in relation to the risks.

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

Risk exposure

The following factors characterise Länsförsäkringar Sak's risk-taking:

- Conducting non-life insurance operations.
- The operations primarily focus on small and medium-sized businesses and private individuals.
- The operations are conducted in Sweden.
- The risks taken in non-life insurance are reinsured to a relatively high extent; retention is relatively low.
- Extensive reinsurance operations are conducted on behalf of the Länsförsäkringar Alliance. The operations involve a significantly high gross level of counterparty exposure but are not deemed to entail any major net risks.
- A certain exposure to the equities market in Länsförsäkringar Sak's investment assets is usually taken, on the condition that the company's capital strength permits this.

Länsförsäkringar Sak's largest risk exposure is deemed to be the commitments in motor third-party liability insurance.

Risk management organisation

The Board of Directors of Länsförsäkringar Sak is responsible for ensuring appropriate risk management and follow-up of the company's risks. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on internal rules in various guidance documents. These guidance documents are to be incorporated into the operations, which the President is responsible for. Examples of guidance documents are the Group manual, reporting manual, guidelines for handling ethical issues, authorisation manual and security policy. In addition to the Group-wide guidance documents, Länsförsäkringar Sak has its own company-specific controlling documents, such as the company manual, authorisation manual, investment guidelines, insurance guidelines and guidelines for underwriting business. The guidance documents are updated and then approved by the Board once each year. The Board of Länsförsäkringar Sak decides on the framework for risk-taking, for example, by adopting investment guidelines and determining the different classes of assets that are to make up the investment portfolios. Furthermore, the Board decide on the extent of reinsurance cover. Länsförsäkringar Sak has a Finance/Risk Committee at management level that discusses the level and composition of risk-taking.

The Länsförsäkringar AB Group has a joint Finance Committee at Board level in which representatives from Länsförsäkringar Sak participate. The Finance Committee is a forum for financial analyses of the business environment and macroeconomic analyses. This Committee prepares and coordinates matters in the area of asset management. Decisions are subsequently made by the Länsförsäk-

ringar Sak Board. The Committee also ensures compliance with investment orientations decided by the Boards and established targets.

There is an Investment Committee at management level Länsförsäkringar Sak which is a preparatory body for the Finance Committee. The Investment Committee examines and prepares the Asset Management Unit's proposed investment orientations based on established targets, financial environment analyses, macroeconomic analyses and specified frameworks. Representatives for Länsförsäkringar Sak's company management and Asset Management Unit sit on the Committee.

Ongoing management and follow-ups of different risks are performed in the business operations. Each department at Länsförsäkringar Sak is responsible for identifying, measuring, monitoring, handling and reporting risks in their specific areas. Risks inherent in Länsförsäkringar Sak's investment assets (market risks) are managed by the Group-wide Asset Management Unit. Insurance risks are managed in each department.

The Risk Control function, which is separate from the business operations and reports to the President and Board, is responsible for the independent risk control. The Risk Control function is also responsible for keeping the President and Board continuously informed of the company's overall risk situation. Furthermore, the function carries out annual risk analyses in all departments and at management level in Länsförsäkringar Sak.

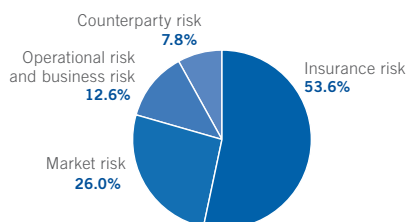
The Internal Audit and Compliance functions that are independent from the business activities monitor the operations and ensure compliance with applicable regulations and within the frameworks established by the Board.

Risk modelling

Länsförsäkringar Sak utilises a variety of analysis tools and simulation models in its risk management activities.

The aggregated risk profile for Länsförsäkringar Sak reported to the company's Board every quarter is prepared using a risk model with insurance and market risks in the company based on the Solvency II draft capital requirement regulations for insurance companies. The risk model is calibrated to show risk such that the highest probability of a less favourable outcome occurring within 12 months is 0.5%.

The division of the primary types of risk in the Länsförsäkringar Sak Group on December 31, 2010 according to the model used in 2010 is shown below. Diversification effects in the non-life insurance operations between insurance risk, counterparty risk and market risk have been distributed proportionally. The total risk distribution between the primary types of risk was stable during the year.



Länsförsäkringar Sak has had a simulation model for simultaneous analysis of non-life insurance risks and market risks for many years. Models of this nature may under the future Solvency II rules, following approval by the Swedish Financial Supervisory Authority, be approved for the calculation of legal capital requirements. Work is currently underway to revise and develop the previous model to convert it into a model that meets the requirements imposed by Solvency II and that can be approved as a partial internal model.

Risk, capital and solvency

The management of risk taking is closely related to the control of the use of Länsförsäkringar Sak's capital. A plan for the financing of the Group's operations is prepared annually in conjunction with business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of equity and liabilities in Länsförsäkringar Sak, is to ensure that Länsförsäkringar Sak has a sufficient buffer of capital and sufficient liquidity at any time.

The connection between the level of risk and the capital requirement is becoming increasingly clear in the statutory solvency rules.

Länsförsäkringar Sak has a capital base that exceeds the statutorily required solvency margin by several hundred percent. Länsförsäkringar Sak, which is obliged to submit reports under the Swedish Financial Supervisory Authority's traffic-light model, reported significant capital surpluses in relation to the requirements imposed by the test.

Solvency II – risk-based regulations from 2013

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, in 2009. These new rules place more rigorous demands on companies' risk management. Also, the rules stipulate that the requirements for minimum buffer capital placed on insurance companies will be significantly more closely linked to the scope of the

company's risks. The regulatory changes are extensive, affect a number of areas and, in many respects, are manifested as substantially more detailed rules than the currently applicable provisions. The rules are expected to come into effect on January 1, 2013.

Länsförsäkringar AB and its subsidiaries have participated in the Solvency II preparations for several years. Following a preliminary study in 2008, a project on Solvency II preparations has been conducted since the start of 2009. An increasing number of employees will be involved in the preparations. The work involves individual preparations and also influencing the content of the new rules. In 2010, Länsförsäkringar responded to calls for comments and participated in tests of the reporting, structure and documentation of the internal model.

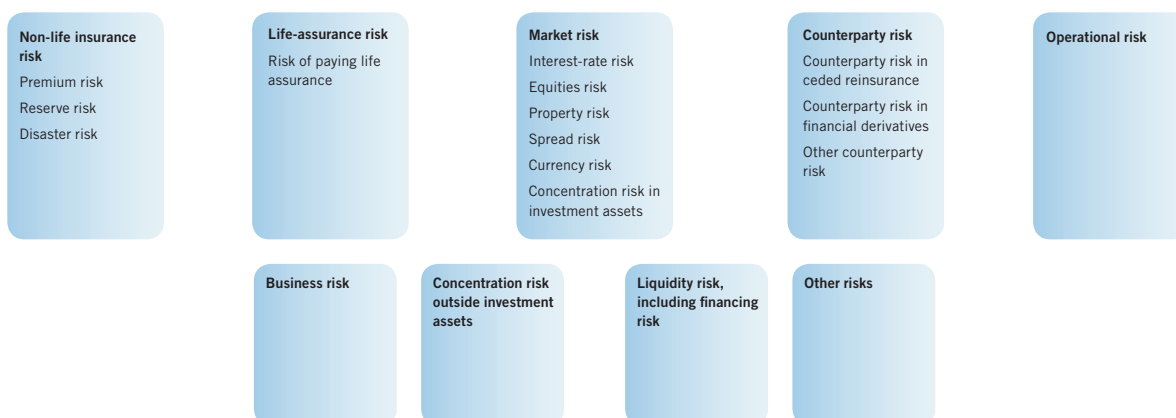
Länsförsäkringar has a positive attitude to the modernisation of the rules for the insurance sector under Solvency II. However, the preparations for Solvency II demand extensive work and expenses for the Länsförsäkringar AB Group's insurance companies. Measures need to be taken in terms of the development of work processes and guidance documents and the management of data inventories and calculation procedures. The reviews of processes that are underway will lead to enhanced efficiency.

The preparatory work for Solvency II is initially focusing on ensuring compliance with the regulations. Alongside this work, efforts are being made to optimise business and customer value as far as possible, which may be achieved by taking the opportunity to improve the forms for the governance, management and control of risks and the allocation of capital. The purpose is to both ensure the efficiency of the work processes and to generate improved calculation tools for balancing risk limitation with opportunities for yielding returns.

Classification of risks

The following section describes Länsförsäkringar Sak's overall risks and their governance and management. Information is provided on the size of the exposure for specific risks. The table below shows the classification of risk determined for application at Group level and in the insurance companies.

CLASSIFICATION OF RISK AT LÄNSFÖRSÄKRINGAR SAK



Non-life insurance risk

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

The insurance operations in Länsförsäkringar Sak comprise the insurance classes Accident and Health, Commercial and Property, Motor hull, Motor third-party Liability, Marine, Air and Cargo, and Assumed Reinsurance. Where appropriate, the Board limits insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance.

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

SENSITIVITY ANALYSIS, SEK M

	Impact on profit before tax	Impact on equity
10% lower premium level	175	129
10% increased claims frequency or higher average claim	143	105
1% higher annual claims inflation	647	477

Premium risk

Premium risk is the risk of losses occurring as a result of the premium not covering the operating expenses and costs for new claims.

In the insurance classes of motor third-party liability and accident insurance, a large number of independent risks are added, resulting in a favourable balancing of risk, provided that the premium tariffs reflect the actual risk differences among the various groups in the insurance collective. Tariffs and insurance conditions are monitored regularly and adjusted when required. In other lines of business, risk selection rules and risk inspection are the key instruments for monitoring premium risk, alongside premium calculation. The company also follows detailed internal underwriting guidelines (risk selection rules) to ensure correct assessment and quantification of the risk that is being underwritten. An important element in this regard is the inspection of new and existing risks. In conjunction with inspection, claims-prevention measures are also implemented in the form of advisory services and the installation of preventive products, thereby further improving the company's risk.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

REINSURANCE PER CLAIM INCIDENT, SEK M

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

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

Reserve risk

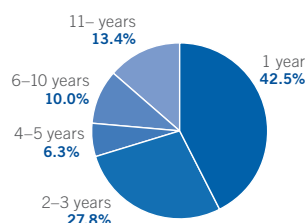
Reserve risk is the risk of losses occurring as a result of a negative outcome from the run-off of incurred claims outstanding.

The total undertaking for current insurance policies and for claims outstanding amounts to approximately SEK 18.6 billion. An estimate of the cost of claims outstanding – about SEK 17.9 billion – is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. This is especially apparent in motor third-party liability insurance, which accounts for a large portion of the company's undertaking. In this case, there is considerable uncertainty concerning the future cost trend, due to the fact that legislation and official decisions can affect the distribution of costs for motor third-party liability claims between the insurance companies and society, and that the prospects for rehabilitation are difficult to assess in many cases.

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

Länsförsäkringar Sak's non-life insurance portfolio has a relatively high duration given the large percentage of motor third-party liability insurance transactions, which is why changes in claims inflation have a significant impact on reserve requirements. The diagram below shows how the expected payments of claims outstanding, calculated at present value, are distributed according to tenure.

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



NOTE 2 RISKS AND RISK MANAGEMENT, cont.

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

SEK M	2004	2005	2006	2007	2008	2009	2010	Total
At end of claim year	1,708.9	858.3	922.9	1,009.1	965.5	1,114.7	1,084.2	
One year later	1,635.4	858.3	1,008.5	969.2	959.3	1,120.8		
Two years later	1,562.4	895.9	973.3	872.7	957.3			
Three years later	1,595.6	851.8	927.3	857.3				
Four years later	1,481.0	825.9	911.7					
Five years later	1,442.0	821.4						
Six years later	1,434.1							
Estimated claims costs ¹	1,434.1	821.4	911.7	857.3	957.3	1,120.8	1,084.2	
Accumulated claims payments	1,116.9	651.5	737.7	652.1	661.9	711.3	481.5	
Provision for claims payments	317.1	169.0	174.1	205.1	295.3	409.5	602.7	2,173.7
Provision for claims payments, older year classes								5,098.5
Provision for claims payments for assumed reinsurance								6,462.3
Total provision for claims payments, gross								13,734.4
Claims annuities reserve, gross								3,793.8
Claims adjustment reserve, gross								324.7
Provision for claims outstanding, gross								17,852.9
Provision for claims payments, reinsurers' portion								-6,142.9
Claims annuities reserve, reinsurers' portion								-
Claims adjustment reserve, reinsurers' portion								-6.7
Provision for claims outstanding, reinsurers' portion								-6,149.5
Provision for claims outstanding, for own account								11,703.4

Disaster risk

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

Länsförsäkringar Sak has low exposure to disaster risks for own account. Länsförsäkringar Sak administrates common reinsurance cover for the Länsförsäkringar Alliance with respect to storms and natural disasters. The experience gained from Hurricane Gudrun in 2005 showed that the disaster risk modelling performed previously had underestimated the consequences of forest damage. In cooperation with external institutions for risk modelling, the disaster-risk calculations have been updated. Cover was raised in 2008 to SEK 7 billion and this level of cover was the same in 2009 and 2010. In addition, there is internal Group reinsurance amounting to about an additional SEK 3.5 billion for the same type of damage, which comes into effect if damage exceeds the level covered by the external reinsurance.

Life-assurance risk

Life-assurance risk at Länsförsäkringar Sak derives from the claims annuities operations which are subject to the risk of paying life assurance. The risk of paying life assurance is the risk of losses occurring as a result of the insured living longer than assumed and is minor in relation to the company's non-life insurance risks.

Market risk

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

classes in portfolio management are equities, interest-bearing securities and property.

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

Market risks in asset management are controlled by decisions in Länsförsäkringar Sak's Boards concerning the normal portfolio and the extent to which the actual portfolio may deviate from the normal portfolio. In this way, the company's Board takes a position on the level of risk applying to investment operations and the degree of freedom allowed to the operational management organisation in its efforts to raise the return by deviating from the normal portfolio.

Changes in interest rates, exchange rates, share prices and prices of commodities, as well as changes in their individual volatilities, influence the market values of financial assets and liabilities.

Derivative instruments are increasingly utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile.

SENSITIVITY ANALYSIS, SEK M

	Impact on profit before tax
Interest-rate risk, 1% higher interest rate	54.8
Equities risk, 10% lower share prices	-141.6
Currency risk, 10% weaker SEK	16.7
Credit spread risk, 1% increase in credit spread	-45.2
1% higher real interest rate (including impact on claims annuities)	-94

Interest-rate risk

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

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

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

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

Total	Less than 1 year	1-5 years	5-10 years	More than 10 years
Fixed-interest assets less fixed-interest liabilities	163.9	-24.4	3,482.4	472.6

The table shows the net nominal interest maturity structure.

Equities risk

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

Property risk

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

The assumptions on yield requirements usually follow the applicable interest-rate assumptions.

The property risk in Länsförsäkringar Sak overwhelmingly derives from the ownership of the office property in Stockholm that the Länsförsäkringar AB Group utilises for its operations.

Credit-spread risk

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

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

Bond investments classified by rating	SEK M
AAA – Swedish Government	3,720.0
AAA – other	221.4
AA	721.8
A	414.6

Currency risk

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

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

Länsförsäkringar Sak's net exposure in foreign currency, Dec. 31, 2010

Currency	Equivalent in SEK M
EUR	-686.5
GBP	-241.5
USD	-547.0
PLN	196.7
TRY	182.1
IDR	124.8
RUB	126.8
Other currencies	677.8
Total	-166.8

Counterparty risk

Counterparty risk pertains to the risk that counterparties are unable to fulfil their undertaking and that any collateral provided does not cover the receivable. Länsförsäkringar Sak's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Counterparty risks to reinsurers pertain to reinsurance receivables and reinsurers' portions of claims outstanding. Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. Minimum requirements stipulated for the choice of reinsurer include that reinsurers shall have at least an A credit rating from Standard & Poor's for transactions with long settlement periods and at least a BBB credit rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers.

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

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

Exposure to counterparty risks	Financial derivatives (exposure according to market values), SEK M
AAA	-
AA	28.3
A	39.2

NOT 2 RISKS AND RISK MANAGEMENT, cont.

Exposure to counterparty risks	Reinsurance in %
AAA	0.5
AA	23
A	76
BBB	0.5

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

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events.

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

To meet the increasing requirements in incident handling, common system support is used with the aim of standardising operating-risk measurement methods throughout the Group. Furthermore, a continuity plan is adopted annually by executive management.

Business risk

Business risk is the risk of losses occurring as a result of business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

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

Concentration risk

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives, discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. Länsförsäkringar Sak's management and Board frequently study reports on the Group's major areas of exposure and risk concentrations.

From 2004, most of Länsförsäkringar's motor third-party liability insurance has been underwritten by the local regional insurance companies. Claims incurred for insurance underwritten up to and including 2003 is run-off within Länsförsäkringar Sak. The reserve risk in the Group's non-life insurance operations remains relatively

heavily concentrated to motor third-party liability insurance transactions. Of the total technical reserves before ceded reinsurance of SEK 18.6 billion, 47% refers to the motor third-party liability insurance class of insurance.

Länsförsäkringar Sak's investment assets are very highly diversified. As of December 31, 2010, the office property in Stockholm utilised by the Group comprised a major investment asset. The value of this property represented approximately 16% of the value of Länsförsäkringar Sak's total investment assets. The other major exposures pertain to the four largest Swedish bank groups and mainly derive from investments in housing bonds. The single largest share investment pertains to the Eureko insurance company and represents approximately 2% of the investment assets.

Liquidity risk, including financing risk

Liquidity risk, including financing risk, is the risk that the company's undertakings cannot be fulfilled due to a shortage of cash and cash equivalents or that these undertakings can be fulfilled only by raising borrowings at significantly higher costs than usual.

The non-life insurance companies' liquidity risk is limited since most investment assets are available at short notice and a significant portion of the commitments have long durations.

The Länsförsäkringar Sak's liquidity was highly favourable at year-end.

Amounts are stated in SEK M unless specified otherwise.

NOTE 3 PREMIUM INCOME

	2010	2009
Direct insurance, Sweden	1,410.1	1,408.8
Direct insurance, other EEA	5.3	1.8
Assumed reinsurance	2,354.1	2,476.2
Total	3,769.5	3,886.8

NOTE 4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS

	2010	2009
Transferred investment income	285.5	387.8

Interest rates, %

Provisions for long-term claims in run-off, SEK	2.1	3.50
Provisions for motor third-party liability, not in run-off, SEK	2.1	3.50
Provisions for claim annuities, SEK (the real discount rate)	2.8	3.50
Provisions for other insurances with long-term claims not in run-off, SEK	2.1	3.50
Provisions for insurances with short-term claims, SEK	1.8	3.50
Provisions in USD	1.8	5.40
Provisions in GBP	1.8	5.40
Provisions in EUR	1.8	5.40
Provisions in other foreign currencies	1.8	5.40

The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year.

Amounts are stated in SEK M unless specified otherwise

NOTE 5 OTHER TECHNICAL REVENUE AND EXPENSES

	2010	2009
Portfolio payments	–	5.8
Total	–	5.8

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

NOTE 6 CLAIMS PAYMENTS

	2010	2009
Claims paid	–1,543.3	–1,501.6
Operating expenses for claims adjustment	–218.1	–169.0
Total	–1,761.4	–1,670.6

NOTE 7 OPERATING EXPENSES

Total operating expenses by type of cost		
	2010	2009
Staff costs	–150.6	–132.8
Costs for premises	–30.6	–30.1
Depreciation/amortisation	–84.5	–43.6
Service income	30.9	45.3
Other expenses	–427.4	–443.9
Total	–662.2	–605.1

Total operating expenses by function		
	2010	2009
Operating expenses in asset management	–48.5	–114.6
Operating expenses in property management	0.0	–0.3
Operating expenses for claims adjustment	–218.1	–168.9
Operating expenses for procurement and administration	–396.1	–321.3
Total	–662.7	–605.1

Operating expenses		
	2010	2009
Acquisition costs ¹⁾	–263.4	–248.8
Change in Prepaid acquisition costs	3.3	1.9
Administrative expenses	–309.3	–286.8
Commission and profit shares in ceded reinsurance	173.3	212.4
Total	396.1	–321.3

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

–15.2 –14.8

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

¹⁾ Of which, commission for direct insurance

–91.9 –95.3

NOTE 8 INVESTMENT INCOME, REVENUE

	2010	2009
Rental income from buildings and land	0.1	4.6
Dividends on shares and participations	236.6	51.0
Dividend from associated companies	37.9	3.2

Interest income

Bonds and other interest-bearing securities	234.4	240.5
Other interest income	42.3	17.8
Profit from partnership participation	89.3	85.5
Exchange-rate gains, net	13.5	11.9

Capital gains, net

Shares and participations in Group companies	0.2	130.9
Interest-bearing securities, Group companies	85.0	196.9
Shares and participations ¹⁾	0.0	0.9
Total	739.4	743.3

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

NOTE 9 INVESTMENT INCOME, EXPENSES

	2010	2009
Operating expenses, buildings and land	–0.3	–2.4
Asset management expenses	–48.5	–115.8

Interest expense

Bonds and other interest-bearing securities	–12.2	–4.9
Other interest expense	–24.0	–35.0
Translation, non-life annuity reserve	–77.4	–54.7
Impairment of shares and participations in subsidiaries	–	–115.5

Capital losses, net

Shares and participations	–13.0	–177.9
Bonds and other interest-bearing securities ¹⁾	–	–
Other investment assets	–0.2	–3.0
Total	–175.7	–509.2

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

Profit/loss by valuation category

Derivative assets intended for risk management, non-hedge accounting	–145.9	–63.9
Other financial assets measured at fair value in profit and loss	540.1	591.9
Other financial liabilities	–0.4	–
Loan receivables and accounts receivable	1.0	2.7

Items not specified by category

Exchange-rate gains/losses	13.6	11.9
Net interest income	–77.4	–58.0
Asset management expenses	–35.9	–114.9
Depreciation/amortisation and impairment of shares and participations	–	–115.5
Non-financial items included in investment income, net	290.0	269.2
Total	585.1	523.4

NOTE 10 UNREALISED GAINS AND LOSSES ON INVESTMENT ASSETS

Unrealised gains/losses	Unrealised gains		Unrealised losses	
	2010	2009	2010	2009
Land and buildings	–	–	–	–87.8
Shares and participations	–	200.0	–80.9	–
Bonds and other interest-bearing securities	110.1	177.1	–6.6	–0.9
Derivatives	–	1.0	–1.1	–
Total	110.1	378.1	–88.6	–88.7

NOTE 11 TAX ON NET PROFIT FOR THE YEAR

	2010	2009
Current tax	36.1	54.6
Total current tax	36.1	54.6

Deferred tax

Deferred tax pertaining to temporary differences	–119.2	2.7
Deferred tax income, tax-loss carryforward capitalised during the year	–	–203.8
Total deferred tax	–119.2	–201.1
Total recognised tax income/expense	–83.1	–146.5

NOTE 11 TAX ON NET PROFIT FOR THE YEAR, cont.

	2010	2009
Reconciliation of effective tax rate		
Profit/loss before tax	517.9	511.2
Tax at applicable tax rate	-136.2	-134.4
Tax on non-deductible costs	-6.8	-47.8
Tax on non-taxable income	52.7	66.3
Utilisation of non-capitalised loss carryforwards	7.2	-
Tax attributable to earlier years	0.0	-30.5
Changed tax rates	-	-
Total tax on net profit for the year	-83.1	-146.5
Current tax rate, %	26	26
Effective tax rate, %	16	29

Refer also to Note 26, Deferred tax.

NOTE 12 GOODWILL

	2010	2009
Capitalised acquisition cost of goodwill		
Opening cost	-	-
Acquisitions during the year	144.4	-
Closing cost	144.4	-
Amortisation		
Opening accumulated amortisation	-	-
Amortisation for the year	-16.8	-
Closing accumulated amortisation	-16.8	-
Carrying amount at year-end	127.5	-

Acquisition for the year pertains to the merger with EFEL Skadeförsäkring AB.

NOTE 13 OTHER INTANGIBLE ASSETS

	Internally developed IT systems	Acquired IT-systems	Acquired customer- based assets	Total
Accumulated cost				
Opening cost, January 1, 2009	123.2	13.3	120.6	257.1
Acquisitions during the year	5.8	-	-	5.8
Closing cost, December 31, 2009	129.0	13.3	120.6	262.9
Opening cost, January 1, 2010	129.0	13.3	120.6	262.9
Acquisitions during the year	0.7	-	202.2	202.9
Closing cost, December 31, 2010	129.7	13.3	322.8	465.8
Accumulated amortisation				
Opening amortisation, January 1, 2009	-31.6	-	-39.3	-70.9
Amortisation for the year	-5.6	-2.7	-19.7	-28.0
Opening amortisation, December 31, 2009	-37.2	-2.7	-59.0	-98.9
Opening amortisation, January 1, 2010	-37.2	-2.7	-59.0	-98.9
Amortisation for the year	-6.8	-2.7	-120.8	-130.2
Closing amortisation, December 31, 2010	-44.0	-5.4	-179.8	-229.1
Accumulated impairment				
Opening impairment, January 1, 2009	-65.8	-	-	-65.8
Impairment for the year	-	-	-	-
Closing impairment, December 31, 2009	-65.8	-	-	-65.8
Opening impairment, January 1, 2010	-65.8	-	-	-65.8
Impairment for the year	-	-	-	-
Closing impairment, December 31, 2010	-65.8	-	-	-65.8
Carrying amount				
Dec. 31, 2009	26.0	10.6	61.6	98.2
Dec. 31, 2010	19.9	7.9	143.0	170.9

Acquisitions for the year pertain to proprietary systems, as well as the acquisition of the insurance portfolio in conjunction with the merger with EFEL Skadeförsäkring AB. All intangible assets were amortised, refer to the accounting policies.

NOTE 14 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Participating interest	Equity Dec. 31, 2010	Profit, 2010	Carrying amount, Dec. 31, 2010
Agria Försäkrings AB	516401-8003	Stockholm	40,000	100	201.3	114.9	658.6
Länsförsäkringar Sak Fastighets AB	556683-6416	Stockholm	1,000	100	68.0	0.0	68.0
Länsförsäkringar Grupplivförsäkrings AB	516401-6692	Stockholm	28,000	100	217.9	1.1	330.5
Utile Dulci 2 HB	916601-0067	Stockholm	3,996	100	256.3	89.4	453.3
Total December 31, 2010					1,040.1	129.8	1,510.4
Total December 31, 2009					934.6	276.1	1,836.1

All shares and participations are unlisted.

Cost	Dec. 31, 2010	Dec. 31, 2009
Opening balance	1,836.1	1,833.3
Added and deducted assets	-325.7	2.8
Closing balance	1,510.4	1,836.1
Accumulated impairment	-	-
Total carrying amount	1,510.4	1,836.1

NOTE 15 LOANS TO GROUP COMPANIES

	Dec. 31, 2010	Dec. 31, 2009
Promissory notes to Utile Dulci 2 HB	1,085.0	1,205.0
Länsförsäkringar Hypotek AB (publ)	637.3	660.3
Total	1,722.3	1,865.3

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

NOTE 16 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares and participations	Share of equity %	Equity, Dec. 31, 2010	Profit, 2010	Carrying amount, Dec. 31, 2010
Länsförsäkringsbolagens Fastighets HB Humlegården	916604-6459	Stockholm	188,722	29	0.7	0.0	0.0
Consulting AB Lennermark & Andersson	556131-2223	Örebro	1,582	29	45.5	10.9	10.7
European Alliance Partners Company AG*	CH-0203026423-1	Zürich	10,570	14	58.5	2.0	6.9
Summa					104.7	12.9	17.5

All shares and participations are unlisted.

Cost	Dec. 31, 2010	Dec. 31, 2009
Opening balance	18.7	18.7
Added and deducted assets	-1.2	-
Closing balance	17.5	18.7
Total carrying amount	17.5	18.7

Summary of financial information pertaining to associated companies

Information pertains to Länsförsäkringar Sak's participating interest

	2010	2009
Income	49.9	34.7
Earnings	0.6	1.8
Assets	39.2	33.8
Liabilities	16.4	15.6
Equity	20.7	18.3

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

NOTE 17 SHARES AND PARTICIPATIONS

	Fair value Dec. 31, 2010	Fair value Dec. 31, 2009
Listed shares and participations	–	315.1
Unlisted shares and participations	414.4	499.0
Total	414.4	814.1
Cost	338.1	573.9

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

NOTE 18 BONDS AND OTHER INTEREST-BEARING SECURITIES

	Fair value Dec. 31, 2010	Fair value Dec. 31, 2009
Issued by		
Swedish government	3,720.0	3,805.0
Swedish mortgage institutions	1,357.8	2,061.0
Other Swedish issuers	615.5	111.3
Foreign states	0.0	–
Other foreign issuers	3,274.0	2,756.5
Total	8,967.3	8,733.8
Market status		
Securities listed	8,967.3	8,733.8
Amortised cost	8,642.6	8,334.7

The carrying amounts of the securities compared with their par amounts

	Dec. 31, 2010	Dec. 31, 2009
Carrying amount	8,967.3	8,733.8
Nominal value	7,684.4	7,457.8
Difference	1,282.9	1,276.0
Total surplus	1,286.2	1,281.6
Total deficit	–3.3	–5.6
Net difference	1,282.9	1,276.0

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

	Fair value		Par values	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Equity derivatives	–	0.2	–	307.1
Interest-rate derivatives	0.5	1.4	1,079.4	1,338.5
Currency derivatives	145.9	31.7	7,908.2	3,713.1
Total	146.5	33.3	8,987.6	5,358.7

Derivatives with negative values

	Fair value		Par values	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Equity derivatives	–	0.5	–	559.6
Interest-rate derivatives	0.7	–	–325.0	–
Currency derivatives	28.9	46.6	7,784.0	3,729.9
Total	29.6	47.1	7,459.0	4,289.5

NOTE 20 RECEIVABLES, DIRECT INSURANCE

	Dec. 31, 2010	Dec. 31, 2009
Receivables, policyholders	208.4	171.1
Receivables, insurance brokers	1.0	–
Receivables, insurance companies	7.8	1.6
Total	217.2	172.7

NOTE 21 OTHER RECEIVABLES

	Dec. 31, 2010	Dec. 31, 2009
Receivables, Group companies	327.8	136.9
Receivables, Parent Company	518.7	485.2
Receivables, Länsförsäkringar Liv Försäkrings AB, Group	24.8	21.4
Other receivables	136.1	42.3
Total	1,007.4	685.8

NOTE 22 ASSETS AND LIABILITIES BY CATEGORY

	Loan receivables and accounts receivable	Financial assets measured at fair value	Held for trading	Non-financial assets	Total carrying amount	Fair value
ASSETS						
Goodwill				127.5	127.5	
Other intangible assets				170.9	170.9	
Participations in Group companies				1,510.4	1,510.4	1,841.8
Shares and participations in associated companies				17.5	17.5	20.6
Loans to Group companies		1,722.3			1,722.3	1,722.3
Shares and participations		414.4			414.4	414.4
Bonds and other interest-bearing securities		8,967.3			8,967.3	8,967.3
Derivatives			146.5		146.5	146.5
Other financial assets		148.9			148.9	148.9
Deposits with companies that have ceded reinsurance				45.1	45.1	
Reinsurers' portion of technical reserves				6,337.3	6,337.3	
Receivables, direct insurance				217.2	217.2	
Receivables, reinsurance				174.9	174.9	
Other receivables	104.9	17.3		885.2	1,007.4	122.2
Deferred tax assets				185.9	185.9	
Cash and bank balances	888.7				888.7	888.7
Prepaid expenses and accrued income		44.0		32.2	76.2	44.0
Total assets	993.6	11,314.2	146.5	9,704.0	22,158.4	14,316.6

	Financial liabilities measured at fair value	Held for trading	Other financial liabilities	Non-financial liabilities	Total carrying amount	Fair value
LIABILITIES						
Technical reserves				18,553.5	18,553.5	
Other provisions				171.6	171.6	143.5
Deposits from reinsurers				34.7	34.7	
Liabilities, direct insurance				518.9	518.9	
Liabilities, reinsurance				288.9	288.9	
Derivatives		29.6			29.6	29.6
Other liabilities			96.9	116.1	213.0	96.9
Accrued expenses and deferred income			2.2	133.9	136.1	2.2
Total liabilities		29.6	99.1	19,817.6	19,946.3	272.2

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

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

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

Level 3: Based on input not observable in the market. Larger individual unlisted investments are measured by an independent external party. Small holdings are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. For holdings in Private Equity funds, measurement data is received quarterly from each fund. Measurement complies with the guidelines of the European Private Equity and Venture Capital Association. The measurement is certified by each fund's external auditors.

ASSETS	Level 1, 2010	Level 2, 2010	Level 3, 2010	2010
Shares and participations	0.0	3.1	411.3	414.4
Bonds and other interest-bearing securities	8,967.3			8,967.3
Derivatives	0.5	146.0		146.5
Other investments	148.9			148.9
LIABILITIES				
Derivatives	0.7	28.9		29.6

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

	Financial assets measured at fair value in profit and loss
	Financial assets measured according to fair value option 2010
Opening balance, January 1, 2010	1.9
Total profits and losses recognised:	
– recognised in net profit for the year	–83.6
Sales proceeds, sales	–1.1
Transfer to level 3	494.1
Closing balance, December 31, 2010	411.3

NOTE 23 PREPAID ACQUISITION COSTS

	Dec. 31, 2010	Dec. 31, 2009
Opening prepaid costs	16.3	14.4
Depreciation for the year	-16.3	-14.4
Provision for the year	19.7	16.3

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

NOTE 24 OTHER PREPAID EXPENSES AND ACCRUED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Other accrued income	6.6	6.6
Other prepaid expenses	5.8	4.6
Total	12.4	11.2

NOTE 25 TECHNICAL RESERVES

	Dec. 31, 2010			Dec. 31, 2009		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Unearned premiums						
Opening balance	696.5	215.5	481.0	584.1	155.1	429.0
Provisions during the period	-58.9	-43.3	-15.6	112.4	60.4	52.0
Länsförsäkringar EFEL Skadeförsäkring merger	3.7	-	3.7	-	-	-
Exchange-rate changes	-1.9	-0.5	-1.4	-0.2	-0.3	-0.1
Closing balance	639.4	171.7	467.7	696.3	215.2	481.1
Unexpired risk						
Opening balance	101.5	32.7	68.8	21.5	-	21.5
Provisions during the period	-40.3	-16.6	-23.7	80.0	32.7	47.3
Closing balance	61.2	16.1	45.1	101.5	32.7	68.8
Claims outstanding						
Claims incurred and reported	8,968.6	2,266.6	6,702.0	9,815.2	2,666.6	7,148.6
Claims incurred and not reported	4,434.3	3,390.4	1,043.9	4,016.1	2,900.4	1,115.7
Claims annuities	3,592.6	-	3,592.6	3,427.3	-	3,427.3
Claims adjustment costs	352.8	7.7	345.1	406.1	8.9	397.2
Total opening balance	17,348.3	5,664.7	11,683.6	17,664.7	5,575.9	12,088.8
Provisions for the period	250.5	509.1	-258.6	-276.7	103.4	-380.1
Insurance portfolio taken over	-	-	-	4.5	-	4.5
Länsförsäkringar EFEL Skadeförsäkring merger	312.3	-	312.3	-	-	-
Change in equity	-	-	-	-	-	-
Exchange-rate changes	-58.3	-24.3	-34.0	-44.2	-14.5	-29.7
Claims incurred and reported	8,600.6	2,289.9	6,310.7	8,968.6	2,266.6	6,702.0
Claims incurred and not reported	5,133.8	3,853.0	1,280.8	4,434.3	3,390.4	1,043.9
Claims annuities	3,793.8	0.0	3,793.8	3,592.6	-	3,592.6
Claims adjustment costs	324.7	6.6	318.1	352.8	7.7	345.1
Total closing balance	17,852.9	6,149.5	11,703.4	17,348.4	5,664.7	11,683.6

Provision for claims outstanding before discounting for accident and health insurance for children amounts to SEK 31.4 M. The corresponding amount after discounting is SEK 29.9 M. The discount rate is 3.0%.

NOTE 26 DEFERRED TAX

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

31 December	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Intangible assets	26.6	–	–	–	26.6	–
Land and buildings	–	–	–	–	–	–
Other financial investment assets	–	–	–	–	–	–
Liabilities	–41.3	–55.8	30.5	30.5	–10.8	–25.2
Utilisation of loss carryforwards	–201.7	–306.4	–	–	–201.7	–306.4
Deferred tax asset (-) / deferred tax liability (+)	–216.4	–362.2	30.5	30.5	–185.9	–331.6
Offset	30.5	30.5	–30.5	–30.5	–	–
Net deferred tax asset (-) / deferred tax liability (+)	–185.9	–331.6	–	–	–185.9	–331.6

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

Change in deferred tax in temporary differences and loss carryforwards

	Amount at January 1	Recognised in profit and loss	Amount at December 31
Intangible assets	0	26.6	26.6
Land and buildings	0	0	0
Other financial investment assets	0	0	0
Liabilities	–25.2	14.4	–10.8
Utilisation of loss carryforwards	–306.4	104.7	–201.7
Deferred tax assets (-) / deferred tax liabilities (+)	–331.6	145.7	–185.9

NOTE 27 OTHER PROVISIONS

	Dec. 31, 2010	Dec. 31, 2009
Pension provisions according to agreement on the possibility of voluntary retirement from the age of 62.	7.1	8.5
Other provisions	152.7	198.9
Total	159.8	207.4

NOTE 28 LIABILITIES, DIRECT INSURANCE

	Dec. 31, 2010	Dec. 31, 2009
Liabilities, policyholders	251.3	12.2
Liabilities, insurance brokers	6.1	18.2
Liabilities, insurance companies	261.5	298.2
Total	518.9	328.6

NOTE 29 OTHER LIABILITIES

	Dec. 31, 2010	Dec. 31, 2009
Liabilities, Group companies	119.4	0.1
Liability to the Parent Company	0.0	57.7
Liabilities, regional insurance companies	71.7	0.7
Other liabilities	21.9	25.4
Total	213.0	83.9

NOTE 30 OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	Dec. 31, 2010	Dec. 31, 2009
Premiums, received but not due	54.3	54.1
Other deferred income	32.4	0.0
Accrued holiday and overtime remuneration	7.3	7.8
Other accrued expenses	42.2	143.5
Total	136.2	205.4

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

	within 12 months	after 12 months	Total
ASSETS			
Goodwill	28.9	98.7	127.5
Other intangible assets	58.0	112.9	170.9
Participations in Group companies	–	1,510.4	1,510.4
Shares and participations in associated companies	–	17.5	17.5
Loans to Group companies	1,722.3	–	1,722.3
Shares and participations	–	414.4	414.4
Bonds and other interest-bearing securities	1,165.0	7,802.3	8,967.3
Derivatives	145.9	0.5	146.5
Other financial assets	–	148.9	148.9
Deposits with companies that have ceded reinsurance	45.1	–	45.1
Reinsurers' portion of technical reserves	3,976.0	2,361.3	6,337.3
Receivables, direct insurance	217.2	–	217.2
Receivables, reinsurance	87.5	87.4	174.9
Other receivables	1,007.4	–	1,007.4
Deferred tax assets	185.9	–	185.9
Cash and bank balances	888.7	–	888.7
Prepaid expenses and accrued income	76.2	–	76.1
Total assets	9,604.1	12,554.3	22,158.4
LIABILITIES			
Technical reserves	7,885.2	10,668.3	18,553.5
Other provisions	171.6	–	171.6
Deposits from reinsurers	34.7	–	34.7
Liabilities pertaining to direct insurance	518.9	–	518.9
Liabilities, reinsurance	144.5	144.4	288.9
Derivatives recognised as liabilities	28.9	0.6	29.5
Other liabilities	213.0	–	213.0
Accrued expenses and deferred income	136.1	–	136.1
Total liabilities	8,989.4	10,956.8	19,946.2

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

The company has a defined-benefit pension plan that is a pension agreement for 2006 for the insurance sector. Persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62. In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that enumeration of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

	2010	2009
Pension commitments		
Provisions for pensions	6.5	7.8
Other provisions	10.7	11.8
Total	17.1	19.6

Of the amounts recognised as Pension provisions, only the following amounts are encompassed by the Swedish Pension Obligations Vesting Act.	6.5	7.8
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The year's change in capital value of own commitments for which there are no separated assets:

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	11.8	22.5
Income/expense excluding interest expense that impacted earnings	-1.5	-11.4
Interest expense	0.4	0.6
Capital value at December 31	10.7	11.8

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

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	7.8	8.6
Pensions paid	-1.2	-1.3
Other change in capital value	-0.1	0.5
Capital value at December 31	6.5	7.8

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

Opening capital value on January 1, in accordance with Swedish principles for calculation of pension commitments	19.6	31.1
Income/expense excluding interest expense that impacted earnings	-1.5	-11.4
Interest expense	0.4	0.6
Pensions paid	-1.2	-1.3
Other change in capital value	-0.1	0.5
Capital value at December 31	17.1	19.6

Fair value of separated assets

Fair value on January 1	17.0	17.2
Return on separated assets	1.2	1.1
Payments to and from pension foundations	-1.2	-1.3
Surplus in separated assets (Fair value of separated assets to the extent that the value does not affect the company's accounts)	-10.5	-9.2
Fair value on December 31	6.5	7.8
Net pension commitments on December 31	10.6	11.8

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

Income/expense excluding interest expense	-1.5	-11.4
Interest expense	0.4	0.6
Return on separated assets	1.2	1.1
Cost of the company's own pensions	0.1	-9.7
Costs covered by surplus in separated assets	-1.2	-1.1
Recognised net cost attributable to pensions	-1.1	-10.8

2010 2009

Fair value of separated assets

Participations in fixed-income funds	47.0	22.9
Cash and bank balances	6.7	3.3
Other assets	0.1	0.1
Liabilities	-37.2	-9.5
Total	16.6	16.8

Return in % on separated assets 4.9 4.4

Assumptions pertaining to defined-benefit commitments

Discount rate	2.3	2.3
Percentage expected to retire voluntarily at age 62	20%	20%
Future salary increases	3%	3%
Capital in separated assets that exceeds the capital value of pension commitments to employees. This surplus is not recognised in the balance sheet.	10.5	9.2

Defined-contribution pension plans

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

	2010	2009
Expenses for defined-contribution plans	21.5	22.5

NOTE 33 MEMORANDUM ITEMS

Dec. 31, 2010 Dec. 31, 2009

Pledged assets

Total registered investment assets on behalf of policyholders	13,360.8	13,218.2
- of which pertain to preferential commitments	13,360.8	13,218.2
Bank balance/bonds	157.7	153.4
Total	13,518.5	13,371.6

The technical liabilities which correspond to registered assets amount to SEK 12,415.0 M

Registered assets in accordance with Chapter 7, Section 11 of the Swedish Insurance Business Act amount to SEK 13,360.8 M. In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

Dec. 31, 2010 Dec. 31, 2009

Contingent liabilities

Part-owner of Utile Dulci 2 HB	13.0	1.9
Early retirement at age 62 in accordance with pension agreement, 80%	28.6	34.0
Letter of Credit	1.6	2.0
Total	43.2	37.9

NOTE 34 EMPLOYEES AND STAFF COSTS

	2010	2009
Average number of employees, Sweden		
Men	53	59
Women	75	88
Total number of employees	128	147

NOTE 34 EMPLOYEES AND STAFF COSTS, cont.

Salaries, remuneration and social security expenses	2010	2009
Salaried employees, Sweden		
Salaries and remuneration	69.0	72.3
– of which variable remuneration	0.6	2.0
Social security expenses	47.7	30.0
– of which pension costs	21.9	7.7
	116.7	102.3
Board of Directors and other senior executives, 14 (14)		
Salaries and remuneration	10.1	11.6
– of which salary to the President and Executive Vice President	2.5	2.2
– of which variable remuneration to the President and Executive Vice President	0.0	0.3
– of which fixed salary to other senior executives	6.1	6.8
– of which variable remuneration to other senior executives	0.0	0.8
Social security expenses	9.8	10.2
– of which pension costs	5.3	5.2
	19.9	21.8
Total salaries, remuneration and social security expenses		
Salaries and remuneration	79.1	83.9
– of which variable remuneration	0.6	3.1
Social security expenses	57.5	40.2
– of which pension costs	27.2	12.9
	136.4	124.1

Remuneration to employees

Employees at Länsförsäkringar Sak are to have market-based terms of employment. The structure and level of remuneration should correspond to the company's values,

Remuneration and other benefits for senior executives

Amounts in SEK 000s

	Basic salary	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, %
2010						
Ann Sommer, President	2,461	0	2	974	3,437	34
Jan Fock, Deputy Chairman of the Board	230	–	–	–	230	–
Anders Stigers, Board member	187	–	–	–	187	–
Lars-Göran Pettersson, Board member	187	–	–	–	187	–
Kjell Lindfors, Board member	187	–	–	–	187	–
Mikael Sundquist, Board member	187	–	–	–	187	–
Axel von Stockenström, Board member	187	–	–	–	187	–
Göran Spetz, Board member	99	–	–	–	99	–
Conny Famm, Board member	88	–	–	–	88	–
Other senior executives (7 people)	7,400	0	259	4,705	12,364	49
Total 2010	11,213	0	261	5,679	17,153	
2009						
Ann Sommer, President	2,169	286	54	921	3,430	36
Jan Fock, Deputy Chairman of the Board	257	–	–	–	257	–
Conny Famm, Board member	214	–	–	–	214	–
Anders Stigers, Board member	214	–	–	–	214	–
Lars-Göran Pettersson, Board member	214	–	–	–	214	–
Kjell Lindfors, Board member	214	–	–	–	214	–
Mikael Sundquist, Board member	214	–	–	–	214	–
Axel von Stockenström, Board member	125	–	–	–	125	–
Other senior executives (7 people)	8,309	1 028	81	4 919	14,337	53
Total 2009	11,930	1 314	135	5 840	19,219	

From 2010, no variable remuneration will be paid to the President or other senior executives. Pension costs pertain to the impact on net profit for the year.

meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Variable remuneration

Variable remuneration is paid to all employees who are not managers. A basic prerequisite for paying variable remuneration to employees is that the Länsförsäkringar AB Group reports positive results before appropriations and tax. Half of the remuneration is based on the achievement of the joint goals in Länsförsäkringar AB's business plan and the other half on the degree to which the individual goals in the goal contract were achieved. A maximum of SEK 12,000 may be paid to employees if the prerequisites are fulfilled.

Remuneration Policy

In accordance with the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2009:7) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors is to adopt a remuneration policy. A statement of remuneration in the company is published on lansforsakringar.se when the Annual Report is adopted.

Sickness absence, %	2010	2009
Total of overall working hours	3.6	3.8
Total of overall working hours for men	2.3	1.8
Total of overall working hours for women	4.5	5.0
Absence for employees aged 29 or younger	6.3	3.4
Absence for employees aged 30–49	1.8	2.2
Absence for employees aged 50 or older	5.3	5.5
Percentage pertaining to absence during a consecutive period of 60 days or more	58.3	48.3

Remuneration to the Board of Directors

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

Remuneration of senior executives

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

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

The retirement age for the President is 60. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium shall amount to 18 of pensionable salary. Pensionable salary refers to fixed salary. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO) and the Swedish Union of Insurance Employees (FTF).

The retirement age for other senior executives is 62 or 65. The pension between the age of 62 and 65 is a defined-contribution plan. Pension amounting to about 70% of the pensionable salary will be paid. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Severance pay

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

Preparation and decision-making process applied in relation to the issue of remuneration to senior executives

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration to senior executives. The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

The Board decides on remuneration and other terms of terms of employment for the President. Decisions regarding remuneration to other employees who are members of company management and who report directly to the President may be delegated by the Board to the Board Chairman or the President. If decisions are delegated to the President, he shall keep the Chairman informed of the content of such decisions.

Composition of Remuneration Committee

The Board of Directors shall appoint at least two members from within its ranks to form a Remuneration Committee. The Board Chairman may serve as the Chairman of the Committee. The other members must be independent in relation to the company and company management.

Policies for remuneration to senior executives

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

The pension solution shall comply with applicable agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits

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

Proportion of women among senior executives, %	2010	2009
Board members	10	0
Other senior executives	40	40

NOTE 35 FEES AND REMUNERATION TO AUDITORS

The following fees have been paid to auditors	2010	2009
KPMG AB, audit assignments	1,4	1,7
KPMG AB, audit activities in addition to audit assignment	0,0	0,0
KPMG AB, tax consulting	0,0	0,0
KPMG AB, other services	0,7	0,4

Audit assignment pertains to reviewing the annual report and accounting, as well as the Board's and President's administration, other work assignments that rest upon the company's auditors to conduct, as well as consultation or other services resulting from observations during such review or implementation of such other assignments. Everything else is Other assignments.

NOTE 36 DISCLOSURES ON RELATED PARTIES**Organisation**

Länsförsäkringar Sak is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 24 customer-owned regional insurance companies and 14 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Länsförsäkringar Sak. This pertains to such services as equity management, legal, finance, safety, personnel and development of a joint IT system. The organisation means that there are a large number of current transactions and a number of non-recurring transactions between Länsförsäkringar Sak and Länsförsäkringar AB, subsidiaries and the regional insurance companies.

Related parties

Legal entities closely related to Länsförsäkringar Sak include all of the companies in the Länsförsäkringar AB Group, Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance.

Pricing

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption.

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

Agreements

Significant agreements for Länsförsäkringar Sak are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT, service and development. Furthermore, agreements have been entered into with Länsförsäkringar Mäklarservice regarding sales and with the regional insurance companies regarding commission for sales, claims adjustment and reinsurance management.

Additional agreements that have been entered into are with Humlegården Fastigheter AB regarding the administration of Utile Dulci 2 HB and partnership agreements with Länsförsäkringar AB regarding Utile Dulci 2 HB.

Länsförsäkringar Sak leases its office premises from the Parent Company Länsförsäkringar AB, which in turn leases from the property owner Utile Dulci 2 HB. The property owner is a subsidiary of Länsförsäkringar Sak. Utile Dulci 2 HB is financed by Länsförsäkringar Sak through a loan of SEK 1,085 M.

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

For information regarding remuneration to members of the Board of Directors and senior executives, refer to Note 34. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Related-party transactions 2010

	Income	Expenses	Receivables	Liabilities
Parent Company	1.6	193.4	518.8	-
Group companies	337.6	42.3	2,050.0	-119.4
Life Group	-	-	24.8	-
Associated companies	0.2	-	-	-
Regional insurance companies	11.7	24.0	5,768.3	6,441.7
Other related parties	-	11.4	0.4	2.8

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

Cash and cash equivalents with Länsförsäkringar Bank AB	SEK 212.7 M
Interest income received	SEK 1.0 M

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

2010	Accident and health		Motor third-party liability	Motor hull other classes	Marine, air and cargo	Fire and other property damage	General liability	Legal cover	Total, direct insurance	Assumed re-insurance
	Total									
Premiums earned, gross	3,869.1	807.5	57.3	279.1	95.6	142.3	180.0	2.6	1,564.4	2,304.7
Claims payments, gross	-2,879.5	-621.5	-160.1	-300.3	1.0	-72.0	-111.1	-2.1	-1,266.1	-1,613.4
Operating expenses, gross	-569.4	-200.3	-20.0	-29.0	-23.3	-25.1	-35.9	-0.2	-333.8	-235.6
Profit/loss from ceded reinsurance	-487.8	0.1	20.5	13.0	-16.0	-41.5	-22.6	-0.5	-47.0	-440.8
Earnings	-67.6	-14.2	-102.3	-37.2	57.3	3.7	10.4	-0.2	-82.5	14.9
Premium income, gross	3,769.5	821.2	56.7	108.1	95.4	149.2	182.0	2.8	1,415.4	2,354.1

The Annual Report was approved for publication by the Board of Directors on March 28, 2011.
The company's income statement and balance sheet will be adopted at the 2011 Annual General Meeting.

Sten Dunér
Chairman

Jan Fock
Deputy Chairman

Göran Spets
Board member

Kjell Lindfors
Board member

Lars-Göran Pettersson
Board member

Anders Stigers
Board member

Mikael Sundquist
Board member

Axel von Stockenström
Board member

Tomas Jönsson
Employee Representative

Åsa Jansson
Employee Representative

Ann Sommer
President

My audit report was submitted on March 28, 2011.

Stefan Holmström
Authorised Public Accountant

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

I have audited the annual accounts, the accounting records and the administration of the Board of Directors and the President of Länsförsäkringar Sak Försäkringsaktiebolag (publ) for the year 2010. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from lia-

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

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

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

Stockholm den 28 mars 2011

Stefan Holmström

Authorised Public Accountant

Board of Directors and auditors

BOARD OF DIRECTORS

Elected by Annual General Meeting

Sten Dunér, Chairman, President and CEO of Länsförsäkringar AB

Göran Spets, President, Länsförsäkringar Västerbotten

Jan Fock, President, Länsförsäkringar Skåne

Kjell Lindfors, President, Länsförsäkringar Norrbotten

Anders Stigers, President, Dalarnas Försäkringsbolag

Mikael Sundquist, President, Länsförsäkringar Bergslagen

Axel von Stockenström, Chairman, Länsförsäkringar Södermanland

AUDITORS

Ordinary, elected by Annual General Meeting

Stefan Holmström, Authorised Public Accountant, KPMG AB

Deputy

Gunilla Wernelind, Authorised Public Accountant, KPMG AB

Appointed by Federation of Swedish Farmers

Lars-Göran Pettersson

Employee representatives

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

Åsa Jansson, Swedish Union of Insurance Employees (FTF), Länsförsäkringar Sak Försäkrings AB

President

Ann Sommer

