2015

Annual Report Länsförsäkringar Liv

Länsförsäkringar

The 2015 fiscal year

The year in brief

- Profit for the Länsförsäkringar Liv Group amounted to SEK 5,089 M (1,903). These earnings were primarily due to the positive contribution from customers changing insurance conditions to New Trad and profit from asset management.
- Changing conditions to New Trad was an important part of the work on measures to strengthen solvency. The offer to change conditions to New Trad has been sent to customers with a total insurance capital of SEK 35 billion, of which a value of SEK 12 billion has been changed to New Trad, with SEK 5 billion changed in 2015.
- The solvency ratio amounted to 128% (122) on 31 December 2015. Collective consolidation was 114% (120) for New Trad and 120% (120) for Old Trad.
- The bonus rate for New Trad was an average of 9.2% in 2015 and was 10% at 31 December 2015. The bonus rate for Old Trad was 2% during the year.
- The total return in 2015 amounted to 1.4% for New Trad and to 0.5% for Old Trad.

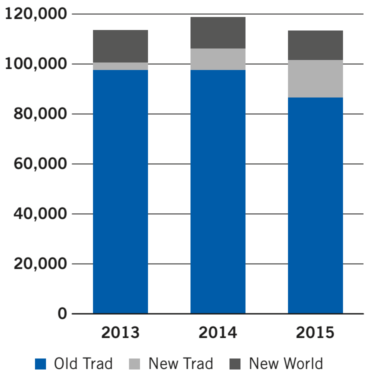
SEK 115 billion
MANAGED ASSETS

740,000
NUMBER OF POLICIES

KEY FIGURES

SEK M	2015	2014	2013
Investment assets, New Trad	**15,004**	8,591	3,022
Investment assets, Old Trad	**86,636**	97,572	97,526
Investment assets, New World	**11,737**	12,703	12,997
Solvency ratio, %	**128**	122	123
Collective consolidation ratio, New Trad, %	**114**	120	115
Collective consolidation ratio, Old Trad, %	**120**	120	107
Total return, New Trad, %	**1.4**	9.4	4.3
Total return, Old Trad, %	**0.5**	11.3	–3.0
Total return, New World, %	**0.3**	8.7	13.5

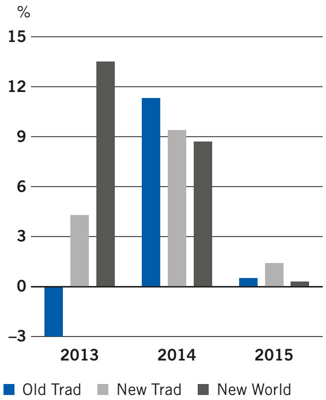
Managed assets per portfolio[1)]



Länsförsäkringar Liv's New Trad portfolio has increased to SEK 15 billion since it was started in 2013.

1) Excluding Insured Pension.

Total return per portfolio



The diagram above shows the total return over the past three years per portfolio.

Länsförsäkringar Liv

Manages SEK 115 billion in traditional life assurance.

Länsförsäkringar Liv is the Länsförsäkringar Alliance's life-assurance company for traditional management.

Länsförsäkringar Liv manages a total of SEK 115 billion divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. The operations are conducted according to mutual principles, which entails that earnings are not distributed to owners; they remain with the company's customers.

Länsförsäkringar in brief | Customer-owned regional insurance companies with local presence

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. The regional insurance companies are owned by the insurance customers. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies. The basis is a local presence and foundation – experience has proven that local decision-making combined with joint administration and business development create added value for customers. Long-term respect for the security of customers is also fundamental. There are no external shareholders and customers' needs and requirements thus comprise Länsförsäkringar's primary task. The Länsförsäkringar Alliance jointly has more than 3.7 million customers and approximately 6,000 employees.

3.7 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Bank AB	Länsförsäkringar Sak Försäkrings AB	Länsförsäkringar Fondliv Försäkrings AB	Länsförsäkringar Liv Försäkrings AB*

*The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Contents

Long-term perspective for pension savings

Statement by the President | We strengthened our balance sheet in 2015, which is positive for our customers, despite weak equities and fixed-income markets. A significant activity in this work was changing insurance conditions from Old Trad to New Trad, which gives our customers the opportunity to change to a lower guaranteed interest rate that creates scope for more flexible asset management compared with products with high guaranteed interest rates. Over time, New Trad is a good model for most of our customers since expected returns are higher.

Financial markets

Looking back on the past year, we can conclude that many of the underlying and influential factors on the global financial markets were similar to those in 2014.

We experienced volatility and major fluctuations in both the fixed-income and the equities markets. Interest-rate levels remained at historic lows, although we did see a slight upturn in the autumn. The value of the stock markets is considered to be relatively high and the markets are reacting strongly to various market signals. We see growth in the US, China with lower growth than in the past and Europe continuing to face problems in certain countries. There is also widespread geopolitical uncertainty in Ukraine and the Middle East that may impact the markets depending on how situations in these regions develop. All investors are now seeking to identify alternative classes of assets that provide favourable expected returns while offering balanced risk. We see greater interest in such assets as private equity and infrastructure.

Our customers

Savers in our various portfolios saw a mixed performance during the year. New Trad continued to grow and had 72,000 customers at year-end and managed about SEK 15 billion in capital. The portfolio's average bonus rate for the year was 9.2%. New Trad has strong key figures and excellent conditions for delivering solid bonus rates over time, despite investment income being a modest 1.4% in 2015. By applying an equalised bonus model with an established buffer, we can offer a bonus rate that exceeds total return for limited periods. Old Trad, with its higher guaranteed interest rates, does not have the same scope for assuming risk in the investment portfolio, and we need to be significantly more cautious in bonus allocation in order to always meet guarantee levels. Over time, this limitation in risk scope impedes the performance of the portfolio and most customers benefit from changing to New Trad. The bonus rate for Old Trad in 2015 was 2% and the return was 0.5%. The more equity-related management form of New World, whereby returns are allocated directly to the respective insurance policy without being equalised over time, generated a return of 0.3% in 2015.

A long-term approach must always be taken regarding pension savings, under the understanding that there will be both good and bad years over this long savings period. However, over time, traditional savings lead to a stable trend given the equalisation that takes place over a long-time horizon. Pension savings should also be viewed as a way of evening out and strengthening income after retirement, rather than financial planning.

> **The financial environment, with very low interest rates, presents over time a challenge for traditional life-assurance companies that have products with guarantee elements.**

Our aim is to continue to develop and strengthen asset management. Given our ambitions, 2015 was not a satisfactory year. However, we must remember that we have three completely different portfolios subject to different conditions. New Trad is being built up and we need even greater diversity in the classes of assets to be able to meet the volatility prevailing in the equities markets – measures to this end have already been initiated. Old Trad is very dependent on interest rates and our aim for the future here is to allocate slightly more to assets that generate higher returns. The structure of New World is highly based on equities with a static distribution over the various markets and a less favourable performance in the portfolio can result from a year such as 2015 with its mixed trends. In the long term, we aim to offer New World savers a better alternative.

Solvency II regulations

The joint EU regulations, Solvency II, with more stringent requirements governing insurance companies and their risks, reporting, publication of information and capital requirements, came into effect in January 2016. The work on these rules has been extensive and time-consuming for the entire industry and required major investments. In 2015, we worked intensively on completing the internal model that we have chosen for governing our operations instead of the standard model that is otherwise applied. Our internal model will fairly reflect our risks and the capital requirement that will thus apply, making the governance of our operations relevant and efficient. At the time of writing, our application was being assessed by the Swedish Financial Supervisory Authority and we expect to receive a ruling in spring 2016.

Stockholm, February 2016

JÖRGEN SVENSSON
President of Länsförsäkringar Liv

New Trad is a modern guarantee product that is good for our customers over time and offers balanced risk.

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corp. Reg. No. 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2015 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Liv, is a wholly owned subsidiary of Länsförsäkringar AB (Corp. Reg. No. 556549-7020), which in turn is owned by the 23 regional insurance companies together with 16 local insurance companies.

The company is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers. The company is not consolidated in the Länsförsäkringar AB Group. The Länsförsäkringar Liv Group comprises the Parent Company (Länsförsäkringar Liv), and a number of property management subsidiaries.

Focus of operations

Länsförsäkringar Liv is licensed to conduct life-assurance and health-insurance operations, as well as non-life insurance operations in the form of direct accident and health insurance. The products in the risk business contain life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit.

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. In traditional life assurance, customers' capital is normally invested in interest-bearing securities, equities, properties and alternative investments. Old Trad, where the main focus is to meet relatively high guarantee levels over the long term, comprises a conservative investment portfolio, of which approximately 85% is invested in interest-bearing assets. The investment portfolio for New Trad, which has lower guaranteed interest, can be more flexible. Equities exposure was 40% and the percentage of interest-bearing assets was 47% at year-end. Investments in New World are normally comprised as follows: 30% interest-bearing securities and 70% equities.

Financial markets

2015 was another year of major fluctuations in the financial markets. Stock-market upswings continued at the start of the year, but greater uncertainty started to make its mark felt in April.

Global growth was slightly lower than expected at the beginning of the year, although the trend continued in the right direction. The US economy performed well and the labour market continued to strengthen. This trend led to the Federal Reserve raising interest rates towards the end of the year, the first rise since 2006.

Europe's economy continued to recover during the year, partly due to the highly expansive measures from the ECB. The stimulus packages implemented by the ECB at the start of the year led to long-term interest rates reaching historically low levels in the spring. The markets then fluctuated heavily as a result of the, at times, widespread concern for the global economy, primarily driven by uncertainty regarding the Chinese economy and also speculations about if and when the Federal Reserve would raise interest rates. Concern about the global economy also impacted more risk-exposed assets with the stock markets generally reporting major fluctuations. The Japanese stock market posted the strongest performance during the year measured in SEK. Sweden, the US and Europe reported positive returns, while returns for emerging markets fell. Long-term interest rates have risen slightly since reaching a low point in April but have remained low, while heightened uncertainty has led to credit spreads broadening.

The Swedish economy performed very well. However, inflation remained very low, which resulted in the highly unusual situation of a negative key interest rate and high growth.

Low interest rates and high uncertainty in the capital markets present a challenging environment for an investor with long-term commitments, such as Länsförsäkringar Liv.

Significant events during the year

Low interest rates entailed a continued need for measures to strengthen Länsförsäkringar Liv's solvency. The company's situation improved in terms of key figures and strength of the balance sheet, but the company remains sensitive to sharply negative scenarios. In 2015, the company continued to take measures to strengthen the balance sheet and key figures, of which changing conditions to New Trad was an important part. The offer to change conditions to New Trad has been sent to customers with a total insurance capital of SEK 35 billion, with customers with a value of SEK 12 billion changing their conditions to New Trad, of which SEK 5 billion was changed in 2015. The positive effect of New Trad on solvency was a total of SEK 5.2 billion. Managed assets in New Trad amounted to SEK 15 billion at year-end.

To further strengthen the company and reduce risks, Länsförsäkringar Liv investigated a reinsurance programme in 2015 for reducing the company's long-life expectancy risks. The reinsurance programme for long-life expectancy risks is more comprehensive than previous programmes and, if implemented, is expected to generate positive effects for the capital requirement under Solvency II from the end of 2016.

As part of the preparations for the future Solvency II rules, Länsförsäkringar Liv submitted a request to the Swedish Financial Supervisory Authority to use the company's partial internal model for calculating capital requirements. The company's partial internal model is considered to better reflect the company's risks and solvency capital requirements compared with the standard formula of the rules.

Solvency II – risk-based regulatory requirements from 2016

Länsförsäkringar Liv has worked on preparations for Solvency II for a long time. The work initially focused on ensuring compliance with the rules, but was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns.

During the year, Länsförsäkringar Liv, together with the other insurance companies in the Länsförsäkringar AB Group, applied to the Financial Supervisory Authority for permission to use a partial internal model for calculating and reporting its solvency capital requirements. Under this partial internal model, market risks are calculated according to internal parameters. Länsförsäkringar Liv will thus be able to work with measures of capital requirement that are better aligned with the company's own risks in its operations than those in the standard formula of the rules. The company believes that the capital requirement will be slightly lower under the partial internal model. Capital at the start of 2016 is expected to exceed the capital requirement by a healthy margin, calculated according to both the standard formula and partial internal model.

Earnings and financial position

Profit for the Länsförsäkringar Liv Group amounted to SEK 5,089 M (1,903). This profit was the result of the positive contribution from changing conditions to New Trad, active contributions from asset management and risk and administration gains. Changed assumptions for calculating technical provisions also contributed to these earnings.

Long-term market interest rates varied considerably during 2015 and increased on the whole over the year. Interest rates normally have a major effect on the company's earnings since the technical liabilities are discounted by the market interest rate. However, the company has chosen a strategy that largely protects earnings from interest-rate changes by matching liabilities to assets. Increased technical liabilities due to the general decline in interest rates are counterbalanced by the increasing value of the investment assets. The company's strategy of matching about 75% of the liabilities under Solvency I resulted in a positive contribution to earnings due to rising interest rates.

The introduction of New Trad positively impacted earnings. Changing conditions to New Trad means that the guaranteed commitments decline, which in turn has a positive effect on liabilities and earnings.

Net investment income recognised in profit and loss was SEK 373 M (12,023). The total return in Länsförsäkringar Liv's Old Trad portfolio was 0.5% (11.3). The total return amounted to 1.4% (9.4) for New Trad and to 0.3% (8.7) for New World.

Premium income

Premium income in Länsförsäkringar Liv in 2015 amounted to SEK 2,113 M (2,932), down 28%. Since the stop on new sales was introduced, the portfolio of insurance policies has continued to decline, due to external transfers and paid-up insurance combined with no new insurance policies. Payments continued to be made for premium paying insurance policies, but premium income declines as the number of policies reduces. Changed rules for tax deductions on private pension savings meant that premiums for such savings fell significantly in 2015. One-off payments have essentially ceased since new sales were discontinued.

Claims payments

Claims paid amounted to SEK 5,959 M (6,627). The amount includes the value of transfers of SEK 1,108 M (1,838) from Länsförsäkringar Liv. Of capital transferred from Länsförsäkringar Liv, SEK 664 M (1,280) went to Länsförsäkringar Fondliv.

Change in technical provisions

Technical provisions amounted to SEK 88,539 M (97,172) at year-end. The reason for the decline was a negative cash flow with payments and external transfers exceeding premium income. Changing conditions to New Trad and changed assumptions for calculating technical provisions also contributed to the decline.

Asset Management

Net investment income was SEK 373 M (12,023). Investment assets according to the balance sheet including conditional bonus fell to SEK 115,354 M (121,808) during the year.

New Trad

New Trad offers customers the opportunity to change the conditions of their traditional insurance policies. The new conditions include lower fees and lower guarantees. Lower guarantees provide greater scope for investment assets with higher expected returns. The change in the investment mix is expected to generate higher returns and improved opportunities for future increases in the value of savings.

Länsförsäkringar Liv continued to invite customers to change the conditions of their traditional insurance to New Trad during 2015. The offer has been sent to customers with a total insurance capital of SEK 35 billion, of which a value of SEK 12 billion was changed to New Trad. The positive effect of New Trad on solvency for the year was SEK 1.9 billion. New Trad had managed assets of SEK 15 billion (8.6) at year-end.

New Trad has a separate investment portfolio. The investments are largely made up of assets with higher expected returns due to the greater risk scope than in Old Trad. On 31 December 2015, asset allocation in the New Trad portfolio was: 48% interest-bearing securities, 40% equities, 7% alternative investments and 5% property. The return on the various asset classes was as follows: interest-bearing securities negative 0.2% (pos: 5.8), equities 1.9% (10.1), alternative investments 3.0% (6.4) and properties 30.0% (41.5). Investment income for New Trad amounted to 1.4% (9.4) in 2015. The relatively weak return for New Trad was primarily due to negative returns on interest-bearing assets and equities in emerging markets, but also due to low equities returns in the US and Europe.

At year-end, collective consolidation for New Trad was 114% (120) and the bonus rate was 10%. The bonus rate was an average of 9.2% during 2015.

Old Trad

A narrow risk scope meant that the percentage of long-term interest-bearing investments remained high for Old Trad. However, the percentage of equities and alternative investments increased during the year. On 31 December 2015, asset allocation in Old Trad was as follows: 85% interest-bearing securities, 4% equities, 9% alternative investments and 2% property. The return on the various asset classes was as follows: Interest-bearing securities negative 1.8% (pos: 11.1), equities 4.1% (21.0), alternative investments 27.9% (6.1) and properties 13.6% (2.6). The high return for alternative investments was mainly due to the sharp increase in the value of forest holdings. The duration of the fixed-income portfolio declined slightly in 2015. Managed assets in Old Trad amounted to SEK 86.6 billion (97.6) and the return was 0.5 (11.3).

Collective consolidation in Old Trad amounted to 120% (120) at year-end. The bonus rate for Old Trad was 2% for all of 2015. The average bonus rate for Old Trad in the past ten years was 3.4%.

New World

New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax. In New World, approximately 30% of customers' capital is normally invested in bonds and 70% in equities spread over different markets. Managed assets in New World amounted to SEK 11.7 billion (12.7).

The return in December 2015 amounted to 0.3% (8.7).

Insured Pension

Insured Pension combines opportunities to profit from stock-market upswings, while protecting from stock-market slumps. Savings comprise a bond that extends over the entire savings period and a share option that follows the trends on the stock markets. As a result, the savings perform differently for different savers. Managed assets in Insured Pension amounted to SEK 1.6 billion (1.7).

Risk operations

Risk operations for Länsförsäkringar Liv comprise products for life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit. Risk operations are largely integrated with the company's savings and occupational-pension products.

The risk result after reinsurance for Länsförsäkringar Liv amounted to SEK 112 M (112). Following the divestment of Länsförsäkringar Fondliv, essentially all new underwriting of risk products has been transferred to Länsförsäkringar Fondliv. The claims ratio weakened slightly and amounted to 62% (59), due to a higher claims outcome and thus increased reserves.

The risk-cover capacity that provides suitable protection for customers is ensured by Länsförsäkringar's own retention and an extensive reinsurance programme. The reinsurance programme comprises an obligatory component whereby a certain quota of business is automatically reinsured, and a voluntary component whereby high individual risks are reinsured, and catastrophe insurance in the event of a unique major event. The share of risk operations that was reinsured declined compared with the preceding year.

Solvency

Solvency shows the company's financial strength in relation to the guaranteed commitments to customers. Solvency in Länsförsäkringar Liv is measured according to Solvency I, using the solvency rate and solvency ratio. The solvency rate measures the ratio between the capital base and required solvency margin, while the solvency ratio measures total assets in relation to the company's guaranteed commitments to policyholders. Länsförsäkringar Liv has worked actively since the start of 2011 on measures to strengthen its solvency. The company has followed a plan for solvency-strengthened measures decided by the Board. The plan contains a number of measures for enhancing the efficiency of the company's operations and balance sheet. Strengthened solvency would provide the company with greater flexibility and the option of investing in asset classes with higher expected returns.

In 2015, the company pursued a strategy whereby the investment portfolio was largely matched against liabilities to protect the company's surplus against falling interest rates. The matching level reduced slightly during the year. Measured according to the future Solvency II rules, the company matches about 80% of its liabilities. Part of the matching strategy in 2015 was to generate a certain surplus when interest rates rise. The strategy's effect on solvency was slightly positive. There were major fluctuations in the fixed-income market during the year, although the total change from year-end was relatively small. New Trad was the activity that made the largest contribution to strengthening solvency during the year. New Trad improves solvency since after changing conditions, the insurance policies have lower guarantees and thus reduce the need for reserves in the company's balance sheet.

The solvency rate was 5.6 (4.2) and the solvency ratio was 128% (122) on 31 December 2015.

Debt coverage

The debt coverage ratio for private insurance amounted to 123% (117) and for occupational pensions to 123% (117).

Five-year summary

The five-year summary is on page 11.

Risks and risk management

One of the key objectives for Länsförsäkringar Liv is to ensure that the company can meet its guaranteed commitments to customers by a satisfactory margin. This particularly applies to Old Trad where guarantees are relatively high. The historically low interest rates place even higher requirements on the company's risk management. Accordingly, risk-taking is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the level of risk and the conditions for generating returns. The company also works with prospective analyses to ensure long-term capitalisation.

Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks. The risks that entail the highest capital requirement under market risks are: equities risk, credit risk (spread risk) and interest-rate risk, and market risks are limited by applying limits to capital requirements from the investment activities. The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin.

Länsförsäkringar Liv has applied risk management using the EIOPA's guidelines on Solvency II preparations since 2014, and has made significant progress in its preparations and is well equipped for the new requirements.

Refer also to note 2 Risks and risk management.

Employees

Employeeship, leadership and performance

Dedicated employees and strong leadership are important prerequisites for achieving results. Länsförsäkringar Liv works together with the other companies in the Länsförsäkringar AB Group following a joint model for performance management.

A new employee profile was introduced in the operations in 2015. Employeeship at Länsförsäkringar Liv involves every employee assuming responsibility for their own development in terms of performance, skills and health, and employeeship also includes actively pursuing operational improvements. The basis is the company's values and the employee and leader profile.

The Employee Satisfaction Index (ESI) remained at the same high level as in the preceding year. Factors that affect the ESI include a good work climate, the perception of being respected in working groups, information from immediate managers and high awareness of the company's general objectives. The target is also to increase employee commitment.

Health and working environment

The personnel policy describes managers' responsibilities regarding working environment and health issues. All organisational changes in the business are preceded by risk assessments and are an explicit managerial responsibility. All employees have health care insurance that provides rapid access to private health care. This insurance includes medical consultations, personal counselling and preventive health services. A clear rehabilitation process is implemented in the operations.

Länsförsäkringar has a generously subsidised preventive health care offering at its own facilities, with exercise classes, fitness and weight training, the option of massage and one hour of exercise a week during working hours. Agreements have been signed with occupational health care services for medical check-ups and work-related illnesses or ergonomic problems.

Equality and diversity

All levels of the company endeavour to achieve an even distribution between men and women in managerial positions. Surveys are regularly conducted to study how employees perceive equality at the company. The 2015 survey showed an improvement in the perception of the company as an equal opportunity workplace. An analysis was conducted during the year to identify gender imbalances in working groups. No imbalances that require action were identified at the company. Salary levels for men and women in similar positions at all levels were quality assured during the year and a salary survey is to take place every three years according to law. Active work is taking place in new recruitment to increase ethnic diversity. No cases of discrimination were reported in 2015.

Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration of corporate management, are provided in note 10 Employees, staff costs and remuneration of senior executives. The Board of Directors of Länsförsäkringar Liv adopted a remuneration policy in accordance with the Financial Supervisory Authority's regulations and general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2011:2). It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Sustainability

Länsförsäkringar Liv works actively on sustainability in several areas, with a focus on the environment and responsible investments in 2015.

Environment

Länsförsäkringar Liv and the Länsförsäkringar AB Group take an environmental approach through the organisation by reducing the impact of the operations on the environment and ensuring that their offering is environmentally compatible. The environmental management system, as well as all of the regional insurance companies, has ISO 14001 certification to ensure that environmental activities are conducted in a structured and sustainable manner.

In accordance with the company's environmental policy, Länsförsäkringar Liv assumes its responsibility for the negative impact on the environment caused by its operations. Business travel results in, for example, emissions of the greenhouse gas, carbon dioxide. To reduce the environmental impact of business travel, train travel is increasingly used in line with the travel guidelines of the business travel policy. Technology allows meetings to be held by telephone, video and in digital channels, which reduces travel. Company cars meet the definition of green cars in the company car policy. The company also has charging stations for electric cars in its own car parks to stimulate the use of cars that do not operate on fossil fuels. Opportunities to borrow bikes and public transport travel cards for journeys throughout the day also provide an incentive for environmentally friendly travel.

Development of digital channels provides major opportunities for reducing paper-based communication to customers, while simultaneously improving service and quality of the information. In addition to reducing the environmental impact of paper manufacturing and transportation of paper-based communication, this makes information more accessible to customers. The Länsförsäkringar Alliance's digital target was launched at the end of 2015 – to produce the market's best and most popular digital services for banking, insurance, pensions and real-estate brokerage. Personal customer meetings – when the customer needs them – are and will remain a priority.

An analysis was conducted as part of continuously enhancing environmental performance and reducing electricity consumption to assess when the IT workplace is used and how much electricity is consumed. The results of the analysis showed low energy consumption.

A key function that also has an environmental impact is the purchasing of products and services. According to the purchasing policy and the Code of Conduct for suppliers, the environmental impact of purchasing processes will be minimised. Continuous efforts are taking place to develop environmental standards for all categories of purchasing and procurement.

Responsible investments

Länsförsäkringar Liv's investments follow Länsförsäkringar's ethical guidelines, which are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. Under Länsförsäkringar Liv's owner policy, no direct investments are made in companies that conduct operations in controversial weapons, such as cluster munitions, land mines and nuclear weapons. At the end of 2014, Länsförsäkringar AB signed the United Nations-supported Principles for Responsible Investment. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. There are two main alternatives in the event of contraventions of guidelines – divest the asset or seek to influence the company through lobbying and dialogue. Länsförsäkringar Liv primarily makes use of dialogue and lobbying to influence companies to act responsibly.

At the end of 2015, Länsförsäkringar AB signed the international Montreal Carbon Pledge initiative, under which investors across the world pledge to measure and publicly disclose the carbon footprint of their investment portfolios. The carbon footprint of Länsförsäkringar's own equity funds was disclosed at the end of 2015, and new measurements will be recorded in 2016. A project was initiated to identify how to reduce the carbon footprint of investments. Länsförsäkringar AB supports the Carbon Disclosure Project (CDP), which collates environmental data from companies that is used by investors for financial analyses.

Significant events after the end of the fiscal year

The bonus rate for New Trad was adjusted from 10% to 6% on 1 February 2016. This reduction is an adjustment to the financial markets.

Expectations regarding future development

Länsförsäkringar Liv's prioritised work on strengthening the balance sheet and improving key figures has been successful. The company's situation improved in terms of key figures and strength of the balance sheet. The solvency ratio has strengthened from 111% to 128% since the autumn of 2011. However, the prevailing situation means that the company remains vulnerable to negative scenarios. Measures will continue to be taken to strengthen the company's balance sheet and key figures in 2016. Changing conditions to New Trad will be an important part of this work.

Another measure to strengthen the company and reduce risks will be for Länsförsäkringar Liv to continue its investigation in 2016 into the possibility of a reinsurance programme for reducing the company's long-life expectancy risks. The reinsurance programme for long-life expectancy risks is expected to be more comprehensive than previous programmes and, if implemented, generate positive effects on the capital requirement under Solvency II.

In 2015, Länsförsäkringar Liv applied for permission to use a partial internal model for reporting its solvency capital requirements under Solvency II. The company expects to receive a ruling from the Financial Supervisory Authority during the first six months of the year as to whether the internal model can be used to calculate and report the capital requirements under Solvency II.

Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at, the Annual General Meeting in May 2016.

Group

Total equity for the Group amounted to SEK 21,402 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2015, recognised profit amounted to SEK 5,143,288,768.

The Board of Directors and the President propose that net profit for the year be appropriated as follows, SEK:

Net profit for the year	5,143,288,768
Total	**5,143,288,768**

Of the above net amount, withdrawals from (–) and provision to (+) the collective consolidation fund are proposed as follows, SEK.

Defined-contribution occupational pension insurance	2,350,578, 371
Occupation-linked health insurance and premium exemption	112,823,482
Individual traditional life assurance	2,714,572, 672
Non-cancellable accident and health insurance and premium exemption	–32,797,649
Cancellable group accident insurance	773,998
Group life assurance and employment group life assurance	–2,662,106
Total	**5,143,288,768**

TOTAL RETURN TABLE

Investment assets in Old Trad, SEK M	Total return, %	Market value, 31 Dec 2015	%	Market value, 31 Dec 2014	%
Interest-bearing	–1.8	74,078	85.5	88,145	90.3
Equities	4.1	3,350	3.9	1,777	1.8
Alternative investments[1]	27.9	7,597	8.8	6,204	6.4
Property	13.6	1,611	1.9	1,446	1.5
Total	**0.5**	**86,636**	**100**	**97,572**	**100**

Investment assets in New Trad, SEK M	Total return, %	Market value, 31 Dec 2015	%	Market value, 31 Dec 2014	%
Interest-bearing	–0.2	7,149	47.6	4,965	57.8
Equities	1.9	5,999	40.0	2,588	30.1
Alternative investments[1]	3.0	1,129	7.5	580	6.8
Property	30.0	727	4.8	458	5.3
Total	**1.4**	**15,004**	**100**	**8,591**	**100**

Investment assets in New World, SEK M	Total return, %[2]	Market value, 31 Dec 2015	%	Market value, 31 Dec 2014	%
Interest-bearing	0.8	3,630	30.9	3,336	26.3
Equities	1.8	8,107	69.1	9,367	73.7
Total	**0.3**	**11,737**	**100**	**12,703**	**100**
Total		**113,377**		**118,866**	

[1] The valuation of alternative investments on 31 December is based on the most recent information from fund managers.
[2] The total return is based on the net asset value (NAV) of the portfolio, while the return per asset class is calculated based on the closing rates in each market.

RECONCILIATION TOTAL RETURN TABLE WITH BALANCE SHEET

	31 Dec 2015	31 Dec 2014
Shares and participations in Group companies	411	671
Interest-bearing securities issued by Group companies and loans to Group companies	3,953	4,483
Shares and participations in associated companies	220	225
Shares and participations	16,543	12,348
Bonds and other interest-bearing securities	80,812	90,535
Loans with collateral in fixed property	1,793	1,805
Derivatives	4,819	5,517
Other financial investment assets	1,618	767
Total investment assets	**110,169**	**116,351**
Assets for conditional bonus	4,959	5,837
Cash and cash equivalents	3,844	3,864
Accrued interest and rental income	762	938
Derivatives, liabilities	–3,216	–5,142
Total	**116,518**	**121,848**
Adjustments		
Shares and participations in Group and associated companies and loans to Group companies	–1,285	–1,689
Market value, property	1,508	1,318
Cash and cash equivalents not included in total return table	–1,510	–890
Insured Pension	–1,593	–1,667
Other	–261	–54
Total	**113,377**	**118,866**

Five-year summary

	2015	2014	2013	2012	2011
Earnings, Group, SEK M					
Premium income for own account	1,919	2,639	3,388	4,319	6,514
Investment income, net	373	12,023	–1,744	7,659	4,530
Claims payments	–5,959	–6,627	–7,645	–7,491	–5,432
Disbursed and balanced bonus	–1,222	–1,475	–1,888	–1,891	–1,669
Technical result, insurance operations	5,388	2,248	5,495	5,447	–12,226
Net profit/loss for the year	5,089	1,903	5,174	4,872	–13,063
Financial position, SEK M					
Financial assets measured at fair value, Group	110,395	115,971	106,777	121,964	113,920
Technical provisions, net in the Group	88,539	97,172	91,585	104,942	106,913
Solvency capital, Parent Company	21,503	17,651	17,226	13,970	10,981
Of which, surplus value in Group companies and associated companies	334	341	395	412	483
Of which, deferred tax	–	–	–	–	7
Collective consolidation capital, Parent Company	15,471	16,895	6,309	10,325	8,772
Capital base, Parent Company	21,169	17,310	16,831	13,558	10,498
Required solvency margin, Parent Company	3,872	4,214	3,991	4,527	4,580
Capital base for the insurance group[3)]	9,437	7,619	–	–	–
Required solvency margin for the insurance group[3)]	6,072	6,293	–	–	–
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.4	0.4	0.3	0.3	0.6
Direct yield	1.8	1.5	2.7	4.8	7.7
Total return, Old Trad	0.5	11.3	–3.0	6.1	6.5
Total return, New World[1)]	0.3	8.7	13.5	12.2	–3.8
Total return, New Trad	1.4	9.4	4.3	–	–
Collective consolidation ratio, Old Trad	120	120	107	111	109
Collective consolidation ratio, New Trad	114	120	115	–	–
Solvency ratio[2)]	128	122	118 (123)	113 (116)	111 (114)
Solvency rate, multiple	5.6	4.2	4.3	3.1	2.4
Bonus rate before tax and expenses, Old Trad	2.0	1.0	0.2	0.0	4.0
Bonus rate after tax, average, Old Trad					
Endowment insurances (tax rate 30%)	1.73	0.37	–0.28	–0.50	3.25
Pension insurances (tax rate 15%)	1.76	0.70	–0.06	–0.39	3.59
Bonus rate before tax and expenses, New Trad	9.17	6.6	5.0	–	–
Bonus rate after tax, average, New Trad					
Pension insurances (tax rate 15%)	8.93	6.28	4.77	–	–

1) The calculation of total return in New World changed from 2014 and comparative figures for 2013 have been restated. In the new calculation method, all items that benefit customers are included in total returns.

2) A new model for calculating the solvency ratio was introduced in December 2014. The change entails that conditional bonuses are not fully included in liabilities, which is a change that better reflects the differences in the capital requirements between conditional bonus and life-assurance provisions. Restated comparative figures are presented in parentheses.

3) Länsförsäkringar Liv is included in an insurance group for Länsförsäkringar AB (publ) together with Länsförsäkringar Sak and Länsförsäkringar Fondliv. The reason for the new insurance group is an amendment to the Swedish Insurance Business Act (2010:2043) that came into effect on 1 August 2013 (Act on Amendments to Insurance Business Act (2010:2043) (2013:672)), but that applied from 1 January 2014 based on transition rules.

Financial statements

Income statement

TECHNICAL RECOGNITION OF LIFE-ASSURANCE OPERATIONS		Group		Parent Company	
SEK M	**Note**	**2015**	**2014**	**2015**	**2014**
Premium income					
Premium income before ceded reinsurance	3	2,113	2,932	2,113	2,932
Premiums for ceded reinsurance		–194	–293	–194	–293
Total premium income after ceded reinsurance		**1,919**	**2,639**	**1,919**	**2,639**
Investment income, revenue	4,5	**4,865**	**5,459**	**5,025**	**5,648**
Unrealised gains on investment assets	4,6	**1,412**	**10,297**	**1,236**	**10,297**
Claims payments					
Claims paid before ceded reinsurance	7	–6,076	–6,702	–6,076	–6,702
Reinsurers' portion		109	136	109	136
Total claims paid after ceded reinsurance		**–5,967**	**–6,566**	**–5,967**	**–6,566**
Change in provision for claims outstanding before ceded reinsurance		2	–83	2	–83
Reinsurers' portion		6	21	6	21
Total change in provision for claims outstanding after ceded reinsurance		**8**	**–61**	**8**	**–61**
Total claims payments after ceded reinsurance		**–5,959**	**–6,627**	**–5,959**	**–6,627**
Change in other technical provisions after ceded reinsurance					
Life-assurance reserve	27	8,619	–5,501	8,619	–5,501
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus		878	137	878	137
Operating expenses	8, 9, 10	**–442**	**–423**	**–444**	**–421**
Investment income, expenses	4, 11	**–1,372**	**–3,716**	**–1,356**	**–3,853**
Unrealised losses on investment assets	4, 12	**–4,532**	**–17**	**–4,532**	**–17**
Technical result, life-assurance operations		**5,388**	**2,248**	**5,386**	**2,302**
NON-TECHNICAL RECOGNITION					
Technical result, life-assurance operations		5,388	2,248	5,386	2,302
Other non-technical expenses		–284	–347	–	–
Profit before tax/Profit before appropriations and tax		**5,104**	**1,901**	**5,386**	**2,302**
Tax allocation reserve		–	–	63	12
Tax	13	–15	2	–306	–348
NET PROFIT FOR THE YEAR		**5,089**	**1,903**	**5,143**	**1,966**

Statement of comprehensive income

	Group		Parent Company	
SEK M	**2015**	**2014**	**2015**	**2014**
Net profit for the year	**5,089**	**1,903**	**5,143**	**1,966**
Other comprehensive income				
Items that cannot be transferred to profit and loss				
Revaluation of defined-benefit plans	–2	–9	–	–
Total other comprehensive income for the year, net after tax	**–2**	–9	–	–
Comprehensive income for the year	**5,087**	**1,894**	**5,143**	**1,966**

Performance analysis 2015

SEK M	Total	Direct insurance in Sweden Occupational pension Defined-contribution insurance	 Health insurance & premium exemption
Premium income before ceded reinsurance	**2,113**	**1,065**	**378**
Premiums for ceded reinsurance	–194	–23	–105
Total premium income after ceded reinsurance	**1,919**	**1,042**	**273**
Investment income, revenue	**5,025**	**2,599**	**30**
Unrealised gains on investment assets	**1,236**	**677**	–
Claims payments			
Claims paid before ceded reinsurance	–6,076	–2,960	–203
Reinsurers' portion	109	14	39
Total claims paid after ceded reinsurance	–5,967	–2,946	–164
Change in provision for claims outstanding before ceded reinsurance	2	–	–41
Reinsurers' portion	6	–	14
Total change in Provision for claims outstanding after ceded reinsurance	**8**	–	**–27**
Total claims payments after ceded reinsurance	–5,959	–2,946	–191
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	8,619	3,753	1
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	878	636	–
Operating expenses	–444	–199	–61
Investment income, expenses	–1,356	–699	–
Unrealised losses on investment assets	–4,532	–2,368	**0**
Technical result, life-assurance operations	**5,386**	**2,495**	**53**
Tax allocation reserve	63	–	92
Tax	–306	–144	–32
NET PROFIT FOR THE YEAR	**5,143**	**2,351**	**113**
Run-off result	432	–	340
Technical provisions, before ceded reinsurance			
Life-assurance reserves	86,264	46,710	4
Provision for claims outstanding	2,275	14	1,207
Total	**88,539**	**46,724**	**1,211**
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	4,959	3,428	–
Reinsurers' portion of technical provisions			
Provision for claims outstanding	481	2	303
Collective consolidation funds	**20,703**	**5,363**	**1,440**

Performance analysis 2015, cont.

SEK M	Direct insurance in Sweden Other life assurance: Individual traditional insurance	Non-cancellable accident and health insurance	Cancellable Group accident insurance	Group life assurance and Employment group life assurance
Premium income before ceded reinsurance	**551**	**96**	**22**	**1**
Premiums for ceded reinsurance	–41	–25	–	–
Total premium income after ceded reinsurance	**510**	**71**	**22**	**1**
Investment income, revenue	**2,371**	**23**	**2**	**0**
Unrealised gains on investment assets	**559**	–	–	–
Claims payments				
Claims paid before ceded reinsurance	–2,756	–138	–17	–2
Reinsurers' portion	27	29	–	–
Total claims paid after ceded reinsurance	–2,729	–109	–17	–2
Change in provision for claims outstanding before ceded reinsurance	0	39	4	–
Reinsurers' portion	–	–8	–	–
Total change in Provision for claims outstanding after ceded reinsurance	**0**	**31**	4	–
Total claims payments after ceded reinsurance	–2,729	–78	–13	–2
Change in other technical provisions before ceded reinsurance				
Life-assurance reserve	4,865	0	–	0
Technical provisions for life assurance for which the policyholder bears the risk				
Conditional bonus	242	–	–	–
Operating expenses	–142	–31	–11	–0
Investment income, expenses	–657	–	–	–
Unrealised losses on investment assets	–2,164	–	–	–
Technical result, life-assurance operations	**2,855**	–15	**0**	–1
Tax allocation reserve	–	–27	1	–3
Tax	–140	9	–0	1
NET PROFIT FOR THE YEAR	**2,715**	–33	**1**	–3
Run-off result	–	92	–	–
Technical provisions, before ceded reinsurance				
Life-assurance reserves	39,546	4	–	–
Provision for claims outstanding	57	929	–	68
Total	**39,603**	**933**	–	**68**
Provisions for life assurance for which the policyholder bears the insurance risk				
Conditional bonus	1,531	–	–	–
Reinsurers' portion of technical provisions				
Provision for claims outstanding	4	171	–	–
Collective consolidation funds	**12,917**	**886**	**74**	**23**

Balance sheet

ASSETS, SEK M	Note	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Property and equipment					
Property and equipment	14	2	2	2	2
Total property and equipment		**2**	**2**	**2**	**2**
Investment assets					
Investment property	15	1,295	1,092	–	–
Investments in Group companies and associated companies					
Shares and participations in Group companies	16	–	–	411	671
Interest-bearing securities issued by Group companies and loans to Group companies	17	3,306	3,696	3,953	4,483
Shares and participations in associated companies	18	209	211	220	225
Other financial investment assets					
Shares and participations	19	16,543	12,348	16,543	12,348
Bonds and other interest-bearing securities	20	80,812	90,535	80,812	90,535
Loans with collateral in fixed property		1,793	1,805	1,793	1,805
Derivatives	21, 23	4,819	5,517	4,819	5,517
Other financial investment assets		1,618	767	1,618	767
Total investment assets		**110,395**	**115,971**	**110,169**	**116,351**
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	22	4,959	5,837	4,959	5,837
Reinsurers' portion of technical provisions					
Provision for claims outstanding		481	476	481	476
Receivables					
Other receivables	23	1,378	1,574	1,372	1,563
Total receivables		**1,378**	**1,574**	**1,372**	**1,563**
Other assets					
Current tax assets		101	64	101	64
Cash and cash equivalents		3,844	3,864	3,844	3,864
Total other assets		**3,945**	**3,928**	**3,945**	**3,928**
Prepaid expenses and accrued income					
Accrued interest	24	762	938	762	938
Prepaid acquisition costs	25	195	257	195	257
Other prepaid expenses and accrued income		0	0	0	0
Total prepaid expenses and accrued income		**957**	**1,195**	**957**	**1,195**
TOTAL ASSETS		**122,117**	**128,983**	**121,885**	**129,352**

Balance sheet, cont.

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Equity					
Share capital	26	8	8	8	8
Collective consolidation fund		16,307	15,635	15,560	14,816
Other reserves					
Net profit for the year		5,087	1 894	5,143	1 966
Total equity		**21,402**	**17,537**	**20,711**	**16,790**
Untaxed reserves					
Tax allocation reserve		–	–	458	520
Technical provisions before ceded reinsurance					
Life-assurance reserve	27	86,264	94,884	86,264	94,884
Provision for claims outstanding	28	2,275	2,288	2,275	2,288
Total technical provisions		**88,539**	**97,172**	**88,539**	**97,172**
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus	22	4,959	5,837	4,959	5,837
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	29	27	26	26	25
Deferred tax liabilities	13	102	114	–	–
Other provisions		8	10	7	10
Total provisions for other risks and expenses		**137**	**150**	**33**	**35**
Deposits from reinsurers		**481**	**476**	**481**	**476**
Liabilities					
Liabilities, direct insurance	30	212	174	212	174
Liabilities, reinsurance		15	17	15	17
Derivatives	21, 33	3,216	5,142	3,216	5,142
Other liabilities	31	2,964	2,270	3,088	2,994
Total liabilities		**6,407**	**7,603**	**6,531**	**8,328**
Accrued expenses and deferred income					
Other accrued expenses and deferred income		192	208	173	194
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**122,117**	**128,983**	**121,885**	**129,352**
MEMORANDUM ITEMS	32				
For own liabilities, pledged assets		114,659	120,495	114,659	120,495
Other pledged assets		8	3	8	3
Contingent liabilities		1	5	26	25
Commitments		1,547	1,349	1,547	1,349

Statement of changes in shareholders' equity

SEK M	Group: Share capital	Group: Collective consolidation fund	Group: Equity method reserve	Group: Retained earnings incl. net profit for the year	Group: Total	Parent Company: Share capital	Parent Company: Collective consolidation fund	Parent Company: Retained earnings incl. net profit for the year	Parent Company: Total
Opening equity, 1 January 2014	**8**	**11,935**	**2**	**5,173**	**17,118**	**8**	**11,055**	**5,236**	**16,299**
Net profit for the year	–	–	–	1,903	1,903	–	–	1,966	1,966
Other comprehensive income for the year	–	–	–	–9	–9	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**1,894**	**1,894**	**–**	**–**	**1,966**	**1,966**
Appropriation of profit	–	5,173	–	–5,173	–	–	5,236	–5,236	–
Transfer, equity method reserve	–	2	–2	–	–	–	–	–	–
Disbursed bonus	–	–1,475	–	–	–1,475	–	–1,475	–	–1,475
Closing equity, 31 December 2014	**8**	**15,635**	–	**1,894**	**17,537**	**8**	**14,816**	**1,966**	**16,790**
Opening equity, 1 January 2015	**8**	**15,635**	–	**1,894**	**17,537**	**8**	**14,816**	**1,966**	**16,790**
Net profit for the year	–	–	–	5,089	5,089	–	–	5,143	**5,143**
Other comprehensive income for the year	–	–	–	–2	–2	–	–	–	–
Comprehensive income for the year	–	–	–	**5,087**	**5,087**	–	–	**5,143**	**5,143**
Appropriation of profit	–	1,894	–	–1,894	–	–	1,966	–1,966	–
Transfer, equity method reserve	–	–	–	–	–	–	–	–	–
Disbursed bonus	–	–1,222	–	–	–1,222	–	–1,222	–	–1,222
Closing equity, 31 December 2015	**8**	**16,307**	–	**5,087**	**21,402**	**8**	**15,560**	**5,143**	**20,711**

All equity is classified as restricted.

Cash-flow statement

SEK M	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Net profit for the year before tax	5,104	1,901	5,449	2,314
Income and yield tax paid	–441	–456	–439	–458
Disbursed bonus and pension collective agreements from collective consolidation fund	–1,222	–1,475	–1,222	–1,475
Adjustment for non-cash items	–7,982	–5,167	–8,018	–5,821
Total	**–4,541**	**–5,197**	**–4,230**	**–5,440**
Change in other operating receivables and liabilities				
Assets	5,317	1,991	5,717	2,046
Liabilities	–796	3,423	–1,647	3,438
Cash flow from operating activities	**–20**	**217**	**–160**	**44**
Investing activities				
Loans to Group and associated companies	–	–	140	173
Investments in property and equipment	–0	–1	–0	–1
Cash flow from investing activities	**–0**	**–1**	**–0**	**172**
Net cash flow for the period	**–20**	**216**	**–20**	**216**
Cash and cash equivalents, 1 January	3,864	3,648	3,864	3,648
Change in cash and cash equivalents	**–20**	**216**	**–20**	**216**
Cash and cash equivalents, 31 December	3,844	3,864	3,844	3,864

Cash and cash equivalents pertains to balances of bank accounts and Plusgiro, the amount is recognised in the balance sheet under cash and bank balances.

SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS

SEK M	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Interest payments, inward	2,827	2,505	2,827	2,503
Interest payments, outgoing	– 275	– 97	– 274	– 91
Dividends received	248	168	485	435

Both interest payments and dividends are recognised in the operating activities.

SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS

SEK M	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Specification of non-cash items:				
Changes in technical provisions	–8,627	5,562	–8,627	5,562
Change in value and results of investment assets	1,467	–10,682	1,488	–11,314
Value changes in investment assets for which the policyholder bears the risk	–878	–137	–878	–137
Other	56	90	–1	68
Total	**–7,982**	**–5,167**	**–8,018**	**–5,821**

Notes to the financial statements

All figures in SEK M unless otherwise stated.

1 ACCOUNTING POLICIES

Company information

The Annual Report and consolidated financial statements for Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corp. Reg. No. 516401–6627, pertains to the fiscal year 1 January–31 December 2015. Länsförsäkringar Liv Försäkringsaktiebolag (publ) is a mutual limited liability insurance company, with its registered office in Stockholm. The company's address is Tegeluddsvägen 11–13, SE-106 50 Stockholm, Sweden. The company is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corp. Reg. No. 556549–7020, with its registered office in Stockholm. The company and its subsidiaries are not consolidated in Länsförsäkringar AB's consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

In addition to life-assurance operations, the Länsförsäkringar Liv Group's business activities comprise non-life insurance operations in the form of group accident insurance. Since such group accident insurance represents less than 1% of the total operations, and accordingly is not material, the Group's entire operations have been recognised as life-assurance operations in the income statement. The portion comprising non-life insurance operations is recognised in the performance analysis under Cancellable group accident insurance. Consequently, this line of insurance has not been specified by occupational pension.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's FFFS 2008:26 and its amendment regulations and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups were also applied.

The Parent Company applies the same accounting policies as the Group with the exceptions described in the section on the Parent Company's accounting policies.

The Annual Report was approved for publication by the Board of Directors and President on 1 March 2016. Final adoption of the Annual Report will take place at the 2016 Annual General Meeting.

Conditions relating to the preparation of the Parent Company's and consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK) and the financial statements for both the Parent Company and the Group, are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million (SEK M). Assets and liabilities are recognised at cost, except for most of the Group's financial assets and liabilities, which are measured at fair value or amortised cost. Investment property is measured at fair value.

The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities. These judgements and estimates are based on previous knowledge and experience and the information available on the balance-sheet date. The actual outcome may deviate from these estimates and judgements, but estimates are regularly evaluated to reduce deviations.

Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the Group's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Länsförsäkringar Liv has assessed all insurance contracts. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Liv would be obligated to pay a significant amount of compensation. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts in accordance with IFRS 4. For further information, see the section on Insurance contracts below.

Länsförsäkringar Liv bases the classification of financial assets and liabilities on the purpose of the holding. The categories of financial assets and liabilities are described below under the section Financial assets and liabilities, which also describes the company's classification.

Significant sources of estimation uncertainty

The assumptions used in the calculation of the technical provisions have the most significant effect on the amounts recognised in the financial statements. In calculating the life-assurance reserve, assumptions are made regarding the discount rate, mortality, morbidity and expenses. An actuarial estimate of future costs for incurred health claims and claims that have not yet been reported is made when calculating provisions for claims outstanding. Statistical methods are used to estimate future claims costs. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2, which provides information on risks in the operations.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

For the market valuation of investment property, cash-flow statements containing several assumptions and judgements are used.
They include such parameters as rental and cost trends, inflation and the discount rate. A change in any of these parameters due to a change in vacancy rate, market conditions or similar events affects the calculated cash flows and thus the value of the properties. For further information, refer to the accounting policies for Investment assets.

Pension provisions are calculated on an actuarial basis according to insurance guidelines and assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement. Accounting policies for defined-benefit pension plans are described below under the section Remuneration of employees.

New and amended accounting policies

New standards and amendments to standards adopted by the EU that are to be applied from 1 January 2015 did not entail any significant changes to the company's earnings or financial position. The amendments applied by the Group since 1 January 2015 are described below.

IFRIC 21 Levies

IFRIC 21 will take effect for fiscal years beginning on or after 17 June 2014. The interpretation applies to all levies and taxes that do not fall under the frameworks of other standards (such as IAS 12 Income Taxes). Levies according to IFRIC 21 are levies and taxes imposed by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. The interpretation clarifies when to recognise a liability for such a levy/tax and states that a liability is to be recognised when a company is obliged to pay a levy due to an event that has occurred ("obligating event"). The interpretation is to be applied retrospectively in accordance with IAS 8. For Länsförsäkringar Liv Group, levies refer to real estate tax. The amendment will not have any effect on the Group's Annual Report, however it will have a marginal impact on the Group's first three interim reports since total assets in these reports have increased. Costs are recognised in profit and loss in line with the obligation to pay the liability arising.

IASB Annual Improvements cycle 2011–2013

The IASB Annual Improvements cycle 2011-2013 takes effect for fiscal years beginning on or after 1 January 2015. The Annual Improvement project includes several minor amendments that affect a total of four standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property. The amendments are to be applied prospectively. The amendments that are of significance to the company's financial statements are:

- IAS 40 Investment Property – The amendment clarifies the interrelationship between IFRS 3 and IAS 40. IAS 40 distinguishes between investment property and owner-occupied property. IFRS 3 is applied to assess whether an acquisition of an investment property comprises a business combination. The company applies IAS 40 to its investment properties. The amendment is not deemed to affect the financial statements.

New accounting regulations that have not yet been applied

A number of new or amended accounting regulations will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or revised accounting regulations may have on the consolidated financial statements are described below.

The Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12)

Regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) will replace the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26).

The new regulations introduce expanded disclosure requirements for the discount rate used by the company. The provisions on key figures have been adjusted to the requirements and concepts applied with the introduction of the Solvency II directive and the division of the insurance classes has been adjusted to the national supervisory reporting. The regulations on the publication of accounting-related information on remuneration and benefits for management are transferred to FFFS 2015:12 from the Financial Supervisory Authority's regulations and general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2011:2).

The regulations will take effect on 1 January 2016 and be applied for the first time to annual accounts, annual reports and consolidated financial statements for fiscal years beginning after 31 December 2015 and interim reports prepared for periods of such fiscal years.

Other than the changed requirements regarding disclosures and key figures, the new regulations are not expected to entail any significant changes to the financial statements.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard contains new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting.

IFRS 9 will take effect for fiscal years beginning on or after 1 January 2018. Early adoption is permitted provided that the EU adopts the standard. The EU is expected to approve the standard in the first half of 2016. The standard is to be applied retrospectively, except for the rules on hedge accounting that are mainly to be applied prospectively.

Under IFRS 9, financial assets are to be classified into three different measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is determined on initial recognition based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces a recognition inconsistency (an "accounting mismatch"). Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value of instruments not held for trading in other comprehensive income instead. There are no major changes for the rules regarding financial liabilities compared with IAS 39, except for financial liabilities measured at fair value according to the fair value option. For these liabilities, the portion of the change in value attributable to own creditworthiness is recognised in other comprehensive income, unless this would create an accounting mismatch.

New principles are introduced for the impairment of financial assets measured at amortised cost and for debt instruments measured at fair value through other comprehensive income. The impairment model requires recognition based on the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses.

The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9 on recognition and measurement. The company does not have any financial liabilities measured according to the fair value option and does not apply hedge accounting, and therefore these changes are not deemed to have any significant effect on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously issued standards and interpretations on income (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). IFRS 15 contains a single model for recognising revenue from contracts with customers that is not encompassed by other standards (for example, IFRS 4 or IFRS 9). The basis of the standard is a contract on the sale of goods or services between two parties. A customer agreement is initially to be identified, which generates an asset for the seller (rights, a promise to receive consideration) and a liability (obligations, a promise to transfer the goods or services). Under the model, income is to be recognised when an obligation to deliver the promised goods or services to the customers is fulfilled. The

EU is expected to approve the standard in the first quarter of 2016.

The company has commenced an analysis of the effect of IFRS 15 which has not yet been completed. However, the initial assessment is that most of the company's income is attributable to insurance contracts, which are encompassed by IFRS 4, and thus the effect of IFRS 15 on the company's financial statements is not deemed to be significant.

IASB Annual Improvements cycle 2010-2012

The IASB Annual Improvements cycle 2010-2012 will take effect for fiscal years beginning on or after 1 February 2015. The Annual Improvement project includes a several minor amendments that affect a total of seven standards: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating segment, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures. These amendments are not deemed to have a significant effect on the company's financial statements.

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. The new standard will take effect on 1 January 2019 and early adoption is permitted provided that IFRS 15 is also applied. The standard has not yet been approved by the EU.

For lessees, the new standard means that essentially all lease agreements are to be recognised in the balance sheet. Leases are not to be classified as operating or finance. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a lease term of 12 months or less. For lessors, the rules under IAS 17 are substantially unchanged, and lessors are to classify leases as operating or finance in accordance with the current leasing standard. The standard contains more extensive disclosure requirements compared with the current standard. The company's evaluation of the effects of IFRS 16 has not yet been completed.

Other amendments to IFRS

The IASB has published the following new or revised standards that are not deemed to have a significant effect on the company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 19 Defined-Benefit Plans: Employee Contributions
- IASB Annual Improvements cycle 2012–2014

Future amendments to IFRSs that have not yet been published

The expected effects that the application of these future new or amended IFRSs may have on the consolidated financial statements are described below.

IFRS 4 Insurance Contracts – amendments

The IASB is currently working on a new version of IFRS 4 Insurance Contracts that will replace the existing standard. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The updated standard will also impose new disclosure requirements to increase comparability between different companies.

The final standard is expected to be published in 2016. The amendment is expected to take effect for fiscal years beginning on or after 1 January 2019.

Länsförsäkringar Liv has started to analyse the effects of this new standard.

Consolidated financial statements

The Group includes the Parent Company and the companies in which Länsförsäkringar Liv has a controlling influence. A controlling influence is defined as having direct or indirect control to thereby influence a company's financial and operational strategies in order to receive financial benefits. The consolidated financial statements were prepared following the purchase method in accordance with IFRS 3. The purchase method entails that acquired identifiable assets and assumed liabilities are measured at fair value on the acquisition date. If the cost is greater than the fair value of the net assets, the difference is recognised as goodwill. Earnings from operations acquired or divested during the year are recognised in the consolidated financial statements from the acquisition date until the date on which the controlling influence ceases.

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises a significant influence over the management. The share in associated companies' earnings after tax is recognised in the consolidated income statement. Associated companies are recognised in the consolidated financial statements in accordance with the equity method.

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when the consolidated financial statements are prepared.

Related parties

Related legal entities include the Länsförsäkringar AB Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB and the 23 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 business planning process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Joint development projects and service are financed collectively and invoiced based on an established distribution key. See note 37 Disclosures on related-party transactions, etc. for more information.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences thus arising are recognised in profit and loss as exchange-rate gains/losses net under Investment income, revenue or Investment income, expenses. The currency futures utilised for financial hedging of currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both Interest income and Exchange-rate gains/losses.

Insurance contracts

Insurance contracts are contracts in which Länsförsäkringar Liv undertakes a significant insurance risk for the policyholder by committing 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 the level of insurance risk. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which Länsförsäkringar Liv would be obligated to pay a significant amount of compensation. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts. Insurance products that do not involve a sufficiently significant level of insurance risk are classified as non-insurance contracts.

Contracts with discretionary participation features

Traditional life assurance at Länsförsäkringar Liv comprises contracts with discretionary participation features. This means that the policyholders have a preliminary distributable surplus. However, this preliminary distributable surplus is not guaranteed. Accordingly, these contracts are recognised in accordance with the polices applied for insurance contracts. The preliminary distributable surplus is recognised as equity.

Premium income

Premiums for the insurance contracts are recognised as premium income in line with premiums being paid. Premiums pertain to direct life assurance and direct accident and health insurance and comprise periodic premiums and single premiums. Premium income is recognised as the total gross premium for direct insurance 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.

Claims payments

Claims paid correspond to compensation to policyholders and cancellations, repurchases and external transfers during the accounting period. Such compensation is recognised by the guaranteed portion being expensed and the bonus portion reducing equity. Expenses for claims adjustment are also included in claims paid.

Investment income

Investment income, revenue and expenses

Investment income includes rental income, interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivatives, and cash and cash equivalents. Dividends received, any impairment of financial assets, operating expenses for investment property and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets and derivatives. Realised gains and losses are calculated as the difference between the purchase consideration received and the cost of the asset.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items Unrealised gains and Unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as an unrealised gain or loss.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, administration, commission and profit shares in ceded reinsurance and changes in the item prepaid acquisition costs. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses. Operating expenses for property management are recognised as direct costs for properties, and are included in Investment income, expenses.

Leasing

Länsförsäkringar Liv leases equipment from its Parent Company Länsförsäkringar AB. These agreements are limited in scope and recognised in their entirety as operating leases. These rental changes are recognised straight-line over the leasing period.

Tax

Yield tax

Yield tax is not a tax on an insurance company's earnings but is paid by the company on behalf of the policyholders. Tax objects comprise the value of the net assets managed on behalf of the policyholders. For the Group, the yield tax attributable to the period is recognised in profit and loss as other non-technical expenses. For the Parent Company, yield tax is recognised as tax in profit and loss.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date, and any 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. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice 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 it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Property and equipment

Property and equipment are recognised as an asset in the balance sheet if it is probable that Länsförsäkringar Liv will receive future financial benefits and the cost of the asset can be calculated reliably.

Property and equipment are recognised at cost with deductions for accumulated depreciation and any impairment loss, plus any revaluations.

The carrying amount of a tangible asset is derecognised from the balance sheet in connection with disposal or divestment, or when no future financial benefits are expected from the use, disposal or divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. This difference is recognised as other non-technical income or expenses.

Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use. Depreciation is recognised as operating expenses in profit and loss. The useful life for cars is five years. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Investment assets

Investment property

The Group holds land and buildings for the purpose of generating rental income and increases in value. Accordingly, these holdings are classified as investment property. The properties are continuously measured at fair value according to the revaluation technique. This is performed by an external appraiser by applying both location prices and cash flows. Valuations take place every six months. Since the properties are recognised and measured at fair value, they are not depreciated. Changes in fair value of these properties are recognised in profit and loss as unrealised gains and losses on investment assets.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

A financial asset and a financial liability are offset and recognised at a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting in the balance sheet is provided in note 33 on Information about offsetting.

Classification and valuation

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. Following initial recognition, the classification determines how the financial instrument is measured. For instruments classified as Financial assets measured at fair value through profit and loss, the cost corresponds to the fair value without additions for transaction costs. Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to.

Financial assets measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The Held for trading category comprises derivatives that have a positive market value. The Financial assets measured according to fair value option category includes assets that are managed and valued based on the fair values of the assets. The fair value also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as Financial assets measured at fair value through profit and loss. In the balance sheet, the category of Financial assets measured according to fair value option comprises the following items: Interest-bearing securities issued by Group companies and loans to Group companies; Shares and participations; Bonds and other interest-bearing securities; Loans with collateral in fixed property and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and Unrealised losses on investment assets.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or quoted in an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items: Other receivables; Accrued interest income and Cash and cash equivalents.

Financial liabilities measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company classifies derivatives that have a negative market value in the Held for trading category. The company has no financial liabilities in the Financial liabilities measured according to fair value option category.

Other financial liabilities

The Other financial liabilities category in the balance sheet comprises Other liabilities and Accrued expenses and deferred income. Liabilities in this category are measured at amortised cost.

Method for determining fair value

The methods for determining fair value and the level of the valuation hierarchy from which inputs are used for calculating the fair value are stated in note 35 Fair value valuation techniques.

Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions are made for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy. Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are not quoted in an active market and are measured according to Level 2), Shares and participations, Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items: Interest-bearing securities issued by Group companies and loans to Group companies (debt securities in issue are quoted in an active market and are measured according to Level 1); Shares and participations; Loans with collateral in fixed property and Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items: Investment property; Shares and participations and Bonds and other interest-bearing securities.

Impairment tests for property and equipment and shares and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment of assets attributable to a cash-generating unit is distributed proportionally in relation to assets included in the unit.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of a need for impairment of a financial asset. Objective evidence comprises observable circumstances that have occurred and affect the possibility of recovering the cost.

The recoverable amount for assets belonging to the category of Loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists or a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous 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. These acquisition costs pertain to operating expenses, for example, commission and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. Costs are depreciated straight-line over ten years. The asset is impairment tested every year.

Untaxed reserves

Untaxed reserves are eliminated in the consolidated financial statements and 22% of the item is recognised as deferred tax liabilities and 78% as restricted equity.

Technical provisions

Technical provisions comprise a life-assurance reserve and a provision for claims outstanding. All changes in technical provisions are recognised in profit and loss.

Life-assurance reserve

The life-assurance reserve corresponds to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity premium changes, repurchases/transfers, taxes and operating expenses.

In the calculation of technical provisions, a gross interest assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2013:23 for the choice of interest rate in calculating technical provisions. Two current yield curves are produced for the calculation on the balance-sheet date, one that is cautious for occupational pension insurance and one that is adequate for other types of insurance policies.

The entire yield curve is applied, meaning that each future transaction is valued taking into account the interest rate corresponding to the duration of the transaction in relation to the calculation date.

Assumptions regarding mortality are structured as generation mortality and include a trend-based increase in life expectancy in relation to year of birth. These assumptions are based on the company's experience of mortality in its own portfolio. The assumption regarding mortality was updated on 31 December 2015. Assumptions regarding premium changes, repurchases/transfers, taxes and operating expenses are determined based on the company's experience and, in certain cases, by applying expert judgement regarding future outcomes. All cash flows are neutral or modestly cautiously defined.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provisions for disability annuities, established claims and non-established claims. The provision for disability annuities corresponds to the discounted capital value of the company's commitments in accordance with the insurance contract. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the yield curves used for life-assurance reserves. Similarly, two real yield curves were applied to index-linked disability annuities, one for occupational pensions and one for other types of insurance.

The provision for established claims corresponds to the expected capital value of the company's future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations.

The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products.

Conditional bonus

The provision for conditional bonus for the Insured Pension management form is determined as the difference on an aggregated level between the market value of investment assets on behalf of the policyholders and the life-assurance reserves. The provision for conditional bonus for New World is determined as the difference between insurance capital and the life-assurance reserves on an individual level. Provisions for conditional bonus may not be negative for the specific insurance.

Reinsurance

Contracts signed between Länsförsäkringar Liv 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. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as an asset item as the Reinsurers' portion of technical provisions, which corresponds to the reinsurers' liability. Deposited funds from reinsurers comprise the liability item Deposits from reinsurers. 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. Annual earnings are primarily settled through deductions in accordance with reinsurance contracts.

Länsförsäkringar Liv does not underwrite assumed reinsurance.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of bonus payments and other variable remuneration is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration for termination of employment

An expense for remuneration in conjunction with the termination of employment is recognised only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and that the number of employees who may accept the offer can be reliably estimated.

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 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) and SPP Liv, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide the necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Defined-benefit pension plans

The Group's net commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and prior periods. This remuneration is discounted to a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality corporate bond with a term corresponding to that of the Group's pension commitments. When there is no functioning market for such corporate bonds, the market interest rate on government bonds with a corresponding term is used instead. The calculation is performed by applying the Projected Unit Credit Method. The fair value of the plan assets is calculated as per the reporting date.

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the commitment in the plan assets. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions have changed.

The carrying amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains and losses and unrecognised expenses for service during prior periods.

When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during prior periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during prior periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned. When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated. All expenses for defined-benefit plans are recognised as staff costs in operating profit.

Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The cash-flow statement is reported using the indirect method, which means that operating profit is adjusted for transactions that do not involve receipts or payments during the period specified by the various insurance classes.

Contingent liabilities

Obligations, which derive from events that have occurred that do not meet the requirements for being recognised as a liability or a provision, are recognised under Contingent liabilities. The reason for this is that it is not likely that an outflow of resources will be required and/or the obligation cannot be calculated with sufficient reliability.

Parent Company accounting policies

The Parent Company's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), and the Swedish Financial Reporting Board's recommendation RFR 2. The Parent Company applies legally restricted IFRS. This means that all IFRS and interpretations 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 Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

Amended accounting policies

No amended accounting policies are applied by the Parent Company apart from the exceptions described for the Group.

Differences between the Group's and the Parent Company's accounting policies

The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, according to the above. The Parent Company applies the same accounting policies as the Group except in the following cases:

Shares and participations in Group and associated companies

The Parent Company's Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements. Associated companies are companies in which ownership comprises a part of a permanent connection and in which the company exercises a significant but not a controlling influence.

On each reporting occasion, the company assesses whether there is any indication of an impairment requirement. If so, the recoverable amount is calculated. If the carrying amount exceeds the recoverable amount, the asset is impaired with the impairment loss recognised in profit and loss. If the recoverable amount increases again, the impairment is reversed in profit and loss.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor. Group contributions are recognised in accordance with the main rule of RFR 2. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends. Group contributions paid to a subsidiary are recognised as an increase in Shares and participations in Group companies. Group contributions that have been paid to or received from the Parent Company are recognised directly against equity after deductions for their current tax effects since Group contributions are accounted for according to the policies for dividends and shareholders' contributions.

Defined-benefit pension plans

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

The Parent Company follows a pension agreement from 2006 for the insurance sector whereby 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 the age of 62.

Untaxed reserves

Changes in untaxed reserves are recognised in the Parent Company's accounts, according to Swedish practice, in profit and loss under appropriations. The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet. Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

Tax allocation reserve

An accounting unit can make a provision to the tax allocation reserve to reduce its taxable earnings during an income year, but must reverse the same tax allocation reserve for taxation during the sixth year following the provision year.

2 RISKS AND RISK MANAGEMENT

Principles of Länsförsäkringar Liv's risk management

Länsförsäkringar Liv conducts life-assurance operations. The company offers various forms of pension savings and risk insurance. The financial products and services that Länsförsäkringar Liv offers involve risk-taking. Since Länsförsäkringar Liv is operated according to mutual principles, the company's risks are borne by the policyholders. The management of risk-taking is to contribute to the provision of financial products at a controlled risk level with a reasonable return. One of the key objectives is to ensure that Länsförsäkringar Liv can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that could contribute to the company's insolvency and the company not being able to meet the commitments to its policyholders.

Risk management organisation

The Board of Directors of Länsförsäkringar Liv is responsible for ensuring appropriate risk management and follow-up of the company's risks. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities.

The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and identifying new risks. An Own Risk and Solvency Assessment is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on a number of governance documents. The company's President is responsible for incorporating all governance documents into the operations and for establishing more detailed regulations for risk management within the framework determined by the Board. The governance documents are updated and approved at least annually. Examples of governance documents that regulate risk management and risk control are Länsförsäkringar Liv's risk policy, ALM policy, investment guidelines, insurance guidelines, risk assessment policy, instructions for reserve levels, reinsurance policy and solvency policy.

The Board's Risk and Capital Committee supports the Board in risk and capital adequacy issues and serves as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk and capital requirements. The Board's Audit Committee is responsible for monitoring the company's financial reporting, including the efficiency of the company's internal governance, control and risk management. The Audit Committee monitors the company's corporate governance systems and the internal control of the operational risks.

There is an Investment Committee at management level in Länsförsäkringar Liv which acts as a preparatory body for the Risk and Capital Committee. The Investment Committee examines and prepares the Asset Management Unit's proposed investment orientations based on established targets, financial environment analyses and specified frameworks. Representatives for Länsförsäkringar Liv's corporate management, the Asset Management Unit, the Compliance Function and the Risk Control function participate in the Committee.

The Risk Control function is responsible for the independent risk control, which is separate from the business operations and reports to the President and Board. The Risk Control function is also responsible for keeping the President and Board continuously informed of the companies' overall risk profile by submitting risk reports at least four times a year. Furthermore, the function conducts annual risk analyses for business risks and operational risks in Länsförsäkringar Liv.

The Compliance function provides support for ensuring that the operations maintain a full regulatory compliance. The function identifies and reports on risks that may arise as a result of non-compliance with regulatory requirements.

Internal Audit is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

Capital management

Risk exposure, capital requirements and available capital are continuously monitored and reported to the Board every quarter or more often if dictated by the circumstances. Governance of risk-taking takes place in conjunction with, for example, decisions on how the company's capital is to be managed, when insurance products are designed and when reinsurance is procured. The preparations of proposals on investment orientations include an analysis of the impact of the proposals on solvency and debt coverage, the risk profile and returns. The assets are invested with respect to the nature and term of the commitments. The company's investment risks are governed based on commitments to customers and the assets are invested with a suitable risk diversification to ensure that the expected returns are sufficient for the company to be able to meet its obligations. Matching between assets and commitments is achieved by setting mandates and strategic allocations based on, for example, long-term ALM analyses, and by risk-based governance according to Länsförsäkringar's internal model for solvency capital calculations. The aim of the investment operations in Old Trad is to match insurance undertakings and also generate high risk-adjusted returns. The degree of matching in Old Trad declined during the year. In New Trad, which has greater risk scope, the aim is to generate higher returns than the established benchmark.

Länsförsäkringar Liv's solvency and debt coverage ratio exceed the statutory levels and the traffic-light model has given the company a green light. The solvency ratio for Länsförsäkringar Liv totalled 128% (122). The solvency rate was 5.6 (4.2). The ratio between the capital buffer and the capital requirement according to the Financial Supervisory Authority's traffic-light model was 180% (190). The ratio between available capital and risk-based capital requirements measured according to Länsförsäkringar Liv's internal model was 200%. Measured according to the standard formula of the Solvency II regulations, the ratio was 139% as per 31 December 2015.

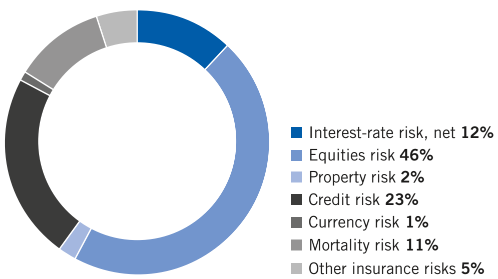
Risk profile

The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin. A smaller insurance portfolio combined with customers transferring their insurance capital to New Trad contributed to lower insurance liabilities, while investment income was slightly positive during the year. At the same time, customers' changes of management portfolio resulted in a higher share of equities in the investment assets, which contributed to higher capital requirements under the Financial Supervisory Authority's traffic-light model.

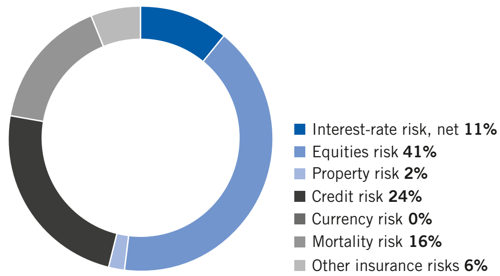
Figure 1 shows the specification of risk by main type of risk in Länsförsäkringar Liv as per 31 December 2015 and 31 December 2014 in accordance with the traffic-light model. Diversification effects have been distributed proportionally. The following factors characterise Länsförsäkringar Liv's risk-taking:

- The operations are primarily targeted to private individuals, employees and self employed persons working in small and medium-sized businesses.
- All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution of life-assurance risks throughout Sweden.
- Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks.
- Among market risks, equities risk, credit risk (spread risk) and interest-rate risk are the risks that entail the highest capital requirements. Equities risk increased in 2015 as a result of customers transferring their insurance capital to the New Trad management portfolio, which has a higher share of equities. Credit risk (spread risk) derive primarily from holdings in Swedish covered mortgage bonds and Investment Grade corporate bonds. Interest-rate risk is reduced by matching the technical provisions with assets of similar properties. Market risks are limited by applying limits to capital requirements from the investment activities.
- One of the major life-assurance risks is the risk that the average life span of policyholders increases more than the assumptions made which could lead to the technical provisions being insufficient to meet Länsförsäkringar Liv's guaranteed commitments. Länsförsäkringar Liv reviewed its life expectancy assumptions during the year. Länsförsäkringar Liv has reinsured all mortality risks through excess loss reinsurance and catastrophe risk is limited by the catastrophe reinsurance that Länsförsäkringar AB has, in which Länsförsäkringar Liv participates.

Figure 1. **Risk profile for Länsförsäkringar Liv 2015**



Risk profile for Länsförsäkringar Liv 2014



The following section describes Länsförsäkringar Liv's overall risks and their governance and management. Figure 2 illustrates the classification of risk that is applied within Länsförsäkringar Liv.

Figure 2. **Classification of risk at Länsförsäkringar Liv**

Life-assurance risk Mortality risk Longevity risk Expenses risk Cancellation risk Catastrophe risk	**Market risk** Interest-rate risk Equities risk Property risk Spread risk Currency risk Concentration risk in investment assets	**Counterparty risk** Counterparty risk in ceded reinsurance Counterparty risk in financial derivatives Other counterparty risk
Operational risk Internal fraud External crime Labour practices and work environment Business conditions Damage to physical assets Interruptions and disturbances to operations and systems Transaction management and process control	**Health-insurance risk**	**Liquidity risk including financing risk**
	Business risk Strategic risk Earnings risk Reputation risk	**Concentration risk** in insurance operations

Insurance risks

Life-assurance risk

Life-assurance risks are the risks that arise in conjunction with undertaking to insure the life of individual people. Life-assurance risks can be divided into a number of sub-groups: longevity risk, mortality risk, expenses risk, cancellation risk and catastrophe risk.

Longevity and mortality risk

Longevity risk is the risk of losses arising due to the insured living longer than assumed. Longevity risk is naturally strongly related to mortality risk since they are opposites.

Mortality risk are limited by risk assessment regulations applied by Länsförsäkringar Liv. Risk assessments mainly take into account the costs of a potential insured event and the age, employment conditions, financial circumstances and health status of the insured. Medical examinations may also take place in certain cases. Information provided in claims adjustment processes is regularly checked. Mortality risk is also limited through reinsurance. Länsförsäkringar Liv has reinsured all of its mortality risk through excess loss reinsurance.

Life expectancy in Sweden is successively increasing over time, entailing a growing need for provisions for those policyholders where longevity risk is dominant. This is primarily managed by regularly updating life-expectancy assumptions and including an assumption on the trend in life-expectancy increases.

Longevity and mortality risk can also be limited by making a variety of changes, for example, by reducing the payment period, making payment at an earlier date, repurchases or transfers. To reduce this risk, a change rule framework is in place that aims to limit the risk of anti-selection.

Expenses risk

In addition to the purely insurance risks, there are also such risks as expenses risk, which is the risk of losses arising due to the estimated costs for conducting the company's operations not covering the company's actual costs. The level and amounts of administrative operating expenses are continuously monitored.

Cancellation risk

Cancellation risk is the risk of losses arising due to a change in the premium payments, repurchases or transfers deviating from that which has been assumed. The risk of increased cancellations impacting earnings capacity is limited by cancellation terms, meaning that sales remuneration is repaid if early cancellation takes place.

Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments. Catastrophe risk is limited by the catastrophe reinsurance that Länsförsäkringar AB has, in which Länsförsäkringar Liv participates. The retention is SEK 20 M and the cover encompasses amounts up to SEK 600 M.

Health-insurance risk

Health-insurance risk is the risk that arises in conjunction with undertaking to insure the health of individual people. Health-insurance risk is the risk of losses arising due to the insured's disability and morbidity being greater than assumed. Morbidity risk includes the probability of a person falling ill and recovering. Health-insurance risk is limited by assessing risk according to the company's risk assessment regulations. Regular checks of information provided in connection with claims adjustment are regularly performed in accordance with the company's claims-adjustment policy. Assumptions regarding illness incidence and recovery are regularly updated.

If the risks described above were not limited, they could lead to a negative outcome and ultimately have a negative impact on equity. For guaranteed commitments, this could mean in the future that the technical provisions will be insufficient to meet the company's commitments to its policyholders. The technical provisions correspond to the company's guaranteed commitments and are calculated per insurance contract after assumptions are made for mortality, morbidity, the probability of recovery, cancellations, operating expenses, tax, interest and inflation. These assumptions are made following regulations which are intended to ensure that the company is always able to meet its undertakings. For occupational pensions, the assumptions are selected according to the prudence principle, whereas for other products each of the assumptions is to be satisfactory.

Life span in Sweden is gradually increasing, which means lower requirements for provisions for insurance with a high mortality risk (when insurance has been taken out against premature death). On the other hand, this trend entails a great need for provisions for those policyholders where longevity risk is dominant. Table 1 shows the sensitivity to reasonably probable changes in several key actuarial assumptions.

Table 1. **Sensitivity analysis, longevity and health-insurance risks**

Assumption before reinsurance	Change in assumption, %	Change in provision, SEK M 2015	2014
Mortality (incl. longevity risk)	–20%/20%	+1,760/–1,447	+2,075/–1,708
Morbidity	+50%	+212	+232
Expense ratio	+10%	+359	+362
Nominal market interest rates[1]	–100 bp	+6,092	+6,902

1) Change in value of the best estimate of the commitments calculated using the Swedish Financial Supervisory Authority's traffic-light model for which the discount rate is assumed to be a minimum of zero.

Concentration of insurance risk

Länsförsäkringar Liv has few commitments to large companies and primarily targets private individuals, employees and self employed persons working in small and medium-sized businesses. All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden. Accordingly, Länsförsäkringar Liv's insurance risks are highly diversified. Concentration risk is primarily counterbalanced by limits for exposure per reinsurer and discretionary reinsurance of the insured for very large individual risks. Länsförsäkringar Liv has taken out catastrophe reinsurance to further limit its risks.

Market risk

Market risk is the risk of losses arising due to changes, in level or volatility, of interest rates, financial asset prices and exchange rates. In the management of Länsförsäkringar Liv's assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and investment decisions of an operational nature. The main asset classes in portfolio management are interest-bearing securities, equities, alternative investments and property. Derivative instruments are utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. To determine the level of risk that can be taken in management activities, an analysis of assets and liabilities and their properties such as expected returns, risk and correlation is carried out. Forecasts of the performance of the insurance operations are also included in the analysis, and the purpose is to determine an optimal risk level, with a high and competitive return or by protecting or improving key figures, within the framework of legal restrictions and applicable investment guidelines.

Investment guidelines are based on compliance with legal restrictions, such as debt coverage and solvency requirements, but also stipulate limits based on Länsförsäkringar Liv's internal model, such as the lowest level in relation to available capital and risk-based capital requirements in parallel with limits based on other types of risk measures, for example, lowest permitted credit quality for counterparties in derivatives and repurchase agreements or lowest solvency ratio in various stressed scenarios. Länsförsäkringar Liv's Board makes decisions on allocation mandates and current risk limits for each management form and for the company as a whole.

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. The interest-bearing asset portfolio includes interest-rate risk from government bonds and credit bonds. Interest-rate risk is also inherent in insurance liabilities by policyholders being entitled to a guaranteed interest rate under many life assurance contracts and by life-assurance reserves being discounted by the current market interest rate.

Länsförsäkringar Liv governs its own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates, with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. This primarily takes place by using various types of interest-rate derivatives. Länsförsäkringar Liv has a high matching level for assets in the traditional management portfolio. A narrow risk scope means that the percentage of long-term interest-bearing investments needs to be high. The desired interest-rate risk is described and decided in an interval of matching level expressed as a ratio between the interest-rate sensitivity of assets and liabilities regarding the applicable discount curve according to the Financial Supervisory Authority's rules. Part of the company's matching strategy is to generate a surplus when interest rates rise.

The insurance undertakings are presented in table 6 on the maturity analysis for financial assets and liabilities and insurance undertakings that appears at the end of this note.

Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative investments. The company's equities exposure is low and primarily attributable to the equity funds found in the New Trad and New World portfolios. In addition, equities risk is also found to a certain extent in unquoted shares, known as private equity, and hedge fund holdings.

Equities risk is reduced by diversifying investments between different industries and geographic areas. On 31 December 2015, the percentage of equities in the balance sheet amounted to 15% (12) of the investment assets.

Property risk

Property risk is the risk of losses arising due to changes in the level or volatility of property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels.

Länsförsäkringar Liv has limited property risk from property holdings that is partly concentrated to properties located in Stockholm city centre. On 31 December 2015, the percentage of property holdings, including property funds, amounted to 2% (2) of the investment assets.

Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. The company has spread-risk exposure in Swedish mortgage bonds and in European and US corporate loans.

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 and the desired level of risk-taking in the investment portfolio. Table 4 below shows that most of the interest-bearing investments have an AAA rating.

Table 2 shows the sensitivity inherent in the company's earnings for the market risks above.

Table 2. Sensitivity analysis, market risks

		Impact on profit before tax, SEK M	
Sensitivity analysis		**2015**	**2014**
Interest-rate risk[1)]	1% lower interest rate	–2,599	–1,960
Equities risk[2)]	10% low share prices	–2,695	–2,049
Property risk	10% lower market value	–130	–109
Credit-spread risk	1% higher credit spread	–2,915	–3,314

1) Net changes in value of investment assets including interest income, less changes in technical provisions, calculated according to the Swedish Financial Supervisory Authority's traffic-light model for which interest rates are assumed to be a minimum of zero.
2) Includes 10% lower prices on hedge funds.

Currency risk

Currency risk is the risk that the net value of assets, liabilities and insurance undertakings may decline due to changed exchange rates. Länsförsäkringar Liv's technical provisions are recognised in SEK.

The currency exposure that exists is due to investment assets in other currencies and the risk being limited by the use of currency derivatives The total net currency exposure on 31 December 2015 amounted to 0.1% (0.02) of total investment assets. Exposure by currency is shown in table 3.

Table 3. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

	Impact on earnings before tax, SEK M	
Currency	**2015**	**2014**
AUD	1	0
CHF	1	1
DKK	0	2
EUR	–139	–16
GBP	4	3
JPY	–3	–1
KRW	2	5
NOK	3	2
RUB	1	1
USD	270	–2
INR	–3	3
Other currencies	12	25

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable. Länsförsäkringar Liv's exposure to counterparty risk primarily arises through the use of financial derivatives. Derivatives are purchased to protect the balance sheet against interest-rate risk, equities risk and currency risk and entail that the counterparty undertakes, through derivative contracts, to compensate for negative results arising from changes in, for example, market interest rates, share prices or exchange rates. As a result, a receivable from the counterparty may arise in the event of market changes. Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that part of the receivable can thus not be paid.

Counterparty risk in financial derivatives is managed by limits for derivative exposures per counterparty, and by ISDA and CSA agreements with all counterparties regarding OTC derivatives. These agreements regulate how receivables in derivatives contracts are to be regulated between the contract parties, for example, the amount of receivables permitted, how they are to be paid and at what frequency. In practice, this means that for the majority of cases the collection and provision of collateral takes place on a daily basis. The size of the permitted exposure depends on the rating of the counterparty. Table 4 shows the maximum credit-risk exposure without consideration of credit enhancement and corresponds to the carrying amount of the assets on the balance-sheet date.

Table 4. Credit quality of fully functioning financial assets

Specification of financial assets, SEK M	**2015**	**2014**
Cash and cash equivalents		
A	3,844	3,864
Total	**3,844**	**3,864**
Bonds and other interest-bearing securities[1)]		
AAA – Swedish Government	6,997	10,932
AAA – Government securities other than those issued by the Swedish Government	311	211
AAA – other	48,581	49,533
AA	3,738	7,058
A	6,288	8,419
BBB	7,862	8,765
BB	3,134	2,711
B	2,434	2,283
CCC	260	260
CC	1	3
No rating available	4,276	3,669
Total	**83,882**	**93,845**

1) Market values including accrued interest.

The company is also exposed to counterparty risk from the reinsurer Sweden Re. Länsförsäkringar Liv reinsures mortality and morbidity risks as well as catastrophe risk in life assurance. The aim is for the company to avoid assuming greater individual liability than that stated in the insurance guidelines and reinsurance policy. Reinsured risks instead become the responsibility of the reinsurer. However, there is the risk that the reinsurer is unable to fulfil its obligations, which in such a case revert to become a liability for Länsförsäkringar Liv to meet. For this reason, reinsurers are selected among well-reputed companies with high credit ratings, although there is also a certain risk in these cases that the reinsurer could default on its obligations. To minimise the need for external reinsurance, Länsförsäkringar Liv is to maintain a sufficiently large retention in accordance with the company's reinsurance policy.

Counterparty risk in ceded reinsurance is limited in the first instance by selecting counterparties with high credit ratings. Sweden Re has an A rating from Standard & Poor's and the outstanding receivable on 31 December 2015 totalled SEK 481 M (475).

Concentration of market risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. Concentration risk in relation to market risk is deemed to be small. Having as a general rule that these investments can be used for debt coverage also means that the risk of excessively high individual commitments is kept low. However, from time to time, there may be individual investments that may comprise a certain concentration of market risk.

Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per counterparty in financial derivatives and the diversification of investment assets. Concentration risk in loans is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for the exposure for credit instruments per rating level. The largest counterparties on 31 December 2015 were Nordea, Handelsbanken, SEB and Swedbank. The company's single largest shareholding was in Bergvik Skog AB (publ), which accounted for 3% of the investment assets. Notes 16 and 18 present the company's holdings in Group companies and associated companies.

ALM risk

ALM (asset liability management, also known as matching risk) risk pertains to the risk of losses occurring as a result of changes in one or more market-risk-related variables (such as interest rates, share prices, exchange rates, inflation) resulting in a change in the value of the assets that is not offset by a corresponding change in the value of the liabilities.

ALM risk in the form of matching deviations between assets and liabilities is identified by analysing duration gaps, curve risks, currency risks and other market risks. The long-term interaction between assets and liabilities is also analysed by carrying out stochastic simulations.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. Insurance companies are subject to a prohibition on loans to related parties according to law and regulations. Naturally, the reason for this is that business operations are based on premiums being received in advance and being managed until insurance compensation is to be paid out.

Liquidity risk is managed by adjusting the need for cash and surplus liquidity based on liquidity forecasts established by the company for the payment of securities transactions and claims payments and, where necessary, other inward and outward payments, such as premiums and operating expenses. This process takes place for different periods to gain an understanding of whether there is a risk of a shortage of liquidity so as to be able to manage it in time. Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on well-established exchanges. To further limit liquidity risks, the management agreements describe how investments are to be made in unlisted assets. Sometimes investments are made consciously in less liquid and unlisted assets to achieve a higher return.

Länsförsäkringar Liv signs CSA agreements with counterparties in financial derivatives. The agreements require that collateral be pledged for derivatives that have a negative value for the company. This collateral is pledged in the form of cash funds that are transferred to the counterparties, thus entailing a liquidity risk for the company. For derivatives with positive values for the company, collateral is received which can reduce this risk.

Table 5 below presents the discounted net cash outflows for technical provisions by year.

Table 5. Discounted net cash outflows for technical provisions

	Percentage of cash flow, %	
Duration, year	**2015**	**2014**
0–5	30.6	26.1
5–10	22.7	21.4
10–15	17.2	17.7
15–20	12.5	14.0
20–30	12.0	14.5
30–	5.0	6.4

Table 6 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. Amounts comprise undiscounted cash flows.

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events. Operational risks are a part of Länsförsäkringar Liv's operations. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Liv can reduce the probability of operational risks materialising and thus reduce their consequences.

The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting. Operational risk analyses are performed annually. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter.

As part of the work on operational risk, the responsibility for business-critical processes and their risks has been delegated, analysed and documented. In connection with this, controls for identifying the greatest risks in the critical processes, known as key controls, have been introduced. Reporting on the outcome of implemented key controls is part of identifying improvements in the quality and efficiency of the processes and enhancing the management of critical risks. Reporting also creates an overview of the aggregated control environment.

A joint method, reporting formats and system support are used in the entire Länsförsäkringar AB Group to identify incidents that have occurred and shortcomings in work methods and processes. Incidents are logged, valued, reported and monitored. Furthermore, a continuity plan is adopted annually by executive management.

Table 6. **Maturity analysis for financial assets and liabilities and insurance undertakings**

	2015					2014				
Parent Company, SEK M	**<3 months**	**3 months –1 year**	**1–5 years**	**> 5 years**	**Total**	**<3 months**	**3 months –1 year**	**1–5 years**	**> 5 years**	**Total**
Assets										
Interest-bearing securities issued by Group companies and loans to Group companies	960	55	2,201	187	3,403	609	292	2,484	519	3,904
Bonds and other interest-bearing securities[1)]	2,425	3,310	37,574	44,504	87,813	3,120	6,523	37,587	50,563	97,793
Loans with collateral in fixed property	16	48	1,775		1,840	16	48	1,840	0	1,904
Other receivables	1,360				1,360	1,561				1,561
Prepaid expenses and accrued income	762				762	938				938
Liabilities										
Technical provisions[2)]	1,454	4,535	22,661	64,847	93,497	1,279	4,057	21,543	76,128	103,007
Other liabilities	2,944				2,944	2,850				2,850
Accrued expenses and deferred income[3)]	164				164	178				178
Total cash flows, net	**961**	**–1,121**	**18,889**	**–20,156**	**–1,427**	**1,937**	**2,806**	**20,368**	**–25,046**	**65**
Derivatives, in and outflows, net	592	389	1,183	2,667	4,831	–1,376	343	900	2,488	2,355
Total cash flows, net	**1,553**	**–732**	**20,072**	**–17,489**	**3,404**	**561**	**3,149**	**21,268**	**–22,558**	**2,420**

[1)] The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and thus are not included in the table above.
[2)] Technical provisions are recognised gross, before ceded reinsurance.
[3)] Other liabilities and Accrued expenses and deferred income in 2014 were adjusted from a total of 3,210 to 3,028 due to the reclassification of accounts to liabilities, direct insurance.

Business risk

Business risk is the risk of losses arising due to effects of strategic decisions, weaker earnings and effects arising from a bad reputation. Business risk is the risk of losses arising due to 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 Board and management 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 require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Solvency II – future risk-based regulatory requirements

Länsförsäkringar Liv has made significant progress in the Solvency II preparations. The work initially focused on ensuring compliance with the rules, but was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns.

During the year, Länsförsäkringar Liv, together with the other insurance companies in the Länsförsäkringar AB Group, applied to the Swedish Financial Supervisory Authority for permission to use a partial internal model for calculating and reporting its solvency capital requirements. Länsförsäkringar Liv will thus be able to work with measures of capital requirement that are better aligned with the company's own risks in its operations than those in the standard formula of the rules.

3 PREMIUM INCOME

Group and Parent Company	2015	2014
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations		
Direct life assurance	1,615	2,384
Direct accident and health insurance	498	548
Total	**2,113**	**2,932**
Gross premium income for direct life assurance is distributed in the following categories		
Premiums for individual life assurance	1,376	2,154
Group insurance premiums	239	230
Total	**1,615**	**2,384**
Periodic premiums	1,382	1,888
Single premiums	233	496
Total	**1,615**	**2,384**
Premiums for contracts that do not carry bonus rights	252	267
Premiums for contracts that carry bonus rights	1,363	2,117
Total	**1,615**	**2,384**

All premiums pertain to insurance in Sweden.

4 NET INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	Group		Parent Company	
	2015	2014	2015	2014
Investment income, per measurement category				
Financial assets measured according to fair value option	1,837	12,764	1,837	12,764
Held for trading	–850	158	–850	158
Loans and receivables	–27	169	–27	169
Items not distributed by category				
Exchange-rate gains/losses, net	–592	–1,221	–592	–1,221
Dividends in Group companies and associated companies	17	–	255	267
Depreciation/amortisation and impairment of shares and participations	–	–14	–20	–175
Asset management expenses	–215	–215	–215	–215
Non-financial items included in investment income, net	203	382	–15	328
Total	**373**	**12,023**	**373**	**12,075**

5 INVESTMENT INCOME, REVENUE

	Group		Parent Company	
	2015	2014	2015	2014
Rental income	**77**	**84**	**0**	**0**
Dividends				
Dividends received	230	168	230	168
Dividends received from Group companies and associated companies	18	–	255	267
Total dividends	**248**	**168**	**485**	**435**
Interest income				
Interest-bearing securities issued by and loans to Group companies	46	108	46	114
Bonds and interest-bearing securities	1,689[1)]	2,047	1,689[1)]	2,047
Derivatives	281	285	281	285
Other interest income	106[2)]	139	106[2)]	138
Total interest income	**2,122**	**2,579**	**2,122**	**2,584**
Capital gains, net				
Interest-bearing securities issued by and loans to Group companies	49	38	49	38
Shares and participations	1,097	1,321	1,097	1,321
Bonds and interest-bearing securities	1,266	1,268	1,266	1,269
Other investment assets	6	1	6	1
Total capital gains	**2,418**	**2,628**	**2,418**	**2,629**
Investment income, revenue	**4,865**	**5,459**	**5,025**	**5,648**

1) Of which, a negative interest on bonds and interest-bearing securites of SEK 132 M, in Group/Parent Company.
2) Of which, a negative interest rate on cash and bank balances of SEK 2 M, in Group/Parent Company.

6 UNREALISED GAINS ON INVESTMENT ASSETS

	Group		Parent Company	
	2015	2014	2015	2014
Investment property	**176**	**0**	–	–
Interest-bearing securities issued by and loans to Group companies	–	21	–	21
Shares and participations	1,236	1,416	1,236	1,416
Bonds and other interest-bearing securities	–	6,709	–	6,709
Loans with collateral in fixed property	–	59	–	59
Derivatives	–	2,061	–	2,061
Other financial investment assets	–	31	–	31
Total	**1,412**	**10,297**	**1,236**	**10,297**

7 CLAIMS PAID BEFORE CEDED REINSURANCE

Group och Parent Company	2015	2014
Claims payments	–4,977	–4,809
Cancellations, repurchases and external transfers	–1,090	–1,883
Claims adjustment costs	–9	–10
Total	**–6,076**	**–6,702**

8 OPERATING EXPENSES

	Group		Parent Company	
	2015	2014	2015	2014
Operating expenses in life-assurance operations distributed according to function				
Acquisition	–62	–58	–62	–58
Change in the prepaid acquisition costs item	–62	–79	–62	–79
Administration expenses	–402	–421	–404	–419
Commission and profit shares in ceded reinsurance	84	135	84	135
Total	**–442**	**–423**	**–444**	**–421**
Of which, purchasing from the Länsförsäkringar AB Group	–331	–330	–331	–330
Total amount of direct insurance commission	**–117**	**–119**	**–117**	**–119**
Total amount of research and development expenses that have been expensed	**–**	**–2**	**–**	**–2**

The item Acquisition below consists of Acquisition and Change in the prepaid acquisition costs items. The item Administration consists of the total of the items Administration expenses and Commission and profit shares in ceded reinsurance.

Total expenses comprise the following

	Group		Parent Company	
	2015	2014	2015	2014
Acquisition	–124	–137	–124	–137
Claims adjustment	–9	–10	–9	–10
Administration	–318	–286	–320	–284
Financial management	–215	–215	–215	–215
Property management	–36	–27	–0	0
Total	**–702**	**–675**	**–668**	**–646**

Costs for acquisition and administration are recognised in profit and loss under operating expenses, the claims adjustment costs are recognised under claims payments in note 7, costs for financial management are recognised in note 11 under asset management expenses, and costs for property management are recognised as direct costs for properties in note 15.

	Group		Parent Company	
	2015	2014	2015	2014
Total costs are distributed as follows				
Staff costs, etc.	–56	–52	–56	–52
Costs for premises, etc.	–0	–0	–0	–0
Amortisation/depreciation, etc.	–84	–103	–84	–103
Other	–562	–520	–528	–491
Total	**–702**	**–675**	**–668**	**–646**

9 FEES AND REMUNERATION OF AUDITORS

	Group		Parent Company	
	2015	2014	2015	2014
KPMG AB				
Audit assignment	1	1	1	1
Audit operations in addition to the audit assignment	1	0	1	0
Tax consulting	0	1	0	1
Total	**2**	**2**	**2**	**2**

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments.

10 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group och Parent Company

Average number of employees	**2015**	**2014**
Sweden		
Men	15	16
Women	17	17
Total number of employees	**32**	**33**
Salaries, other remuneration and social security expenses, other employees		
Salaries and remuneration	19.2	18.6
of which, variable remuneration	–	–
Social security expenses	16.8	12.6
of which, pension costs	8.6	5.4
Total	**36.0**	**31.2**
Board of Directors and senior executives, 19 (14)		
Salaries and remuneration	13.0	11.3
of which, salary to President	3.7	3.6
of which, variable remuneration of President	–	–
of which, fixed salary to other senior executives	6.9	5.6
of which, variable salary to other senior executives	–	–
Social security expenses	9.7	8.7
of which, pension costs	4.5	4.2
Total	**22.7**	**20.0**
Total salaries, remuneration and social security expenses		
Salaries and remuneration	32.2	29.9
of which, variable remuneration	–	–
Social security expenses	26.4	21.3
of which, pension costs	13.1	9.6
Total	**58.6**	**51.2**

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

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

10 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Remuneration and other benefits for senior executives

Parent Company 2015, SEK 000s	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Jörgen Svensson, President	3,651	–	1,764	5,415	50
Karl-Olof Hammarkvist, Chairman of the Board	398	–	–	398	–
Gunnar Wetterberg, Board member	284	–	–	284	–
Anders Grånäs, Board member	278	–	–	278	–
Henrik Perlmutter, Board member	212	–	–	212	–
Karin Starrin, Board member	221	–	–	221	–
Marie-Louise Zetterström, Board member	284	–	–	284	–
Birgitta Carlander, Board member	287	–	–	287	–
Ingemar Larsson, Board member	118	–	–	118	–
Örian Söderberg, Board member	117	–	–	117	–
Ann Söderblom, Board member	125	–	–	125	–
Karin Lindblad, former Board member	87	–	–	87	–
Ulrika Jansson Messing, former Board member	115	–	–	115	–
Other senior executives (6 people)	6,613	241	2,698	9,552	40
Total 2015	**12,790**	**241**	**4,462**	**17,493**	–

Remuneration and other benefits for senior executives

Parent Company 2014, SEK 000s	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Jörgen Svensson, President	3,570	2	1,763	5,335	51
Karl-Olof Hammarkvist, Chairman of the Board	375	–	–	375	–
Gunnar Wetterberg, Board member	264	–	–	264	–
Ulrika Jansson Messing, Board member	264	–	–	264	–
Anders Grånäs, Board member	241	–	–	241	–
Henrik Perlmutter, Board member	203	–	–	203	–
Karin Starrin, Board member	191	–	–	191	–
Marie-Louise Zetterström, Board member	231	–	–	231	–
Karin Lindblad, Board member	117	–	–	117	–
Birgitta Carlander, Board member	260	–	–	260	–
Other senior executives (4 people)	5,195	361	2,416	7,972	44
Total 2014	**10,911**	**363**	**4,179**	**15,453**	**95**

Pension pertains to the cost that impacted net profit for the year.

Pensions

The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 31% of the pensionable salary. Pensionable salary refers to fixed salary. In addition, the company pays an additional pension premium of SEK 120,000 per year. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

Severance pay

A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable collective 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 of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

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 employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee and mandate

The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and two Board members.

Policies for remuneration of corporate management

Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. 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

Pensions should comply with the terms of the collective 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.

Number of women among senior executives, %

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Board members	52	27	46	36
Other senior executives	33	40	33	40

11 INVESTMENT INCOME, EXPENSES

	Group		Parent Company	
	2015	2014	2015	2014
Operating expenses, investment property	**–36**	**–27**	**–0**	**–0**
Asset management expenses	**–215**	**–215**	**–215**	**–215**
Interest expense				
Interest-bearing securities issued by and loans to Group companies	–0	–	–0	–2
Bonds and other interest-bearing securities	–1	–1	–1	–1
Derivatives	–257	–66	–257	–66
Other interest expense	–16	–48	–16	–48
Total interest expense	**–274**	**–115**	**–274**	**–117**
Impairment				
Shares and participations	–	–14	–20	–175
Total impairment	–	**–14**	**–20**	**–175**
Exchange-rate losses, net	**–592**	**–1,221**	**–592**	**–1,221**
Capital losses, net				
Bonds and other interest-bearing securities	–2	–3	–2	–3
Other investment assets	–253	–2,121	–253	–2,122
Total capital losses	**–255**	**–2,124**	**–255**	**–2,125**
Investment income, expenses	**–1,372**	**–3,716**	**–1,356**	**–3,853**

12 UNREALISED LOSSES ON INVESTMENT ASSETS

	Group		Parent Company	
	2015	2014	2015	2014
Interest-bearing securities issued by and loans to Group companies	–70	–	–70	–
Shares and participations	–	–17	–	–17
Bonds and other interest-bearing securities	–3,818	–	–3,818	–
Loans with collateral in fixed property	–12	–	–12	–
Derivatives	–621	–	–621	–
Other assets	–11	–	–11	–
Total	**–4,532**	**–17**	**–4,532**	**–17**

13 TAXES

	Group		Parent Company	
	2015	2014	2015	2014
Current tax expense				
Yield tax on pension funds	–	–	–284	–347
Tax	–28	–11	–22	–11
Adjustment of tax pertaining to prior years	0	10	0	10
Deferred tax				
Deferred tax pertaining to temporary differences	13	3	–	–
Total recognised tax expense	**–15**	**2**	**–306**	**–348**
Deferred tax liabilities pertaining to the following:				
Untaxed reserves	102	115	–	–
Total	**102**	**115**	–	–

The change between the years pertaining to recognised deferred tax liabilities and tax assets has been recognised as deferred tax expenses/income in profit and loss. Yield tax is recognised in the Group according to IFRS in the item other non-technical expenses.

	Group		Parent Company	
	2015	2014	2015	2014
Tax rates applied:				
Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	30%	30%	30%	30%
Average government funding rate for taxation, pension insurance	1.62%	2.01%	1.62%	2.01%
Average government funding rate for taxation, endowment insurance	0.9%	2.09%	0.9%	2.09%
Tax rate for calculating income tax	22%	22%	22%	22%
Tax rate for calculating deferred tax	22%	22%	22%	22%

14 PROPERTY AND EQUIPMENT

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Cost				
Opening cost, 1 January	3	1	3	1
Divestments/scrapping for the year	–0	–0	–0	–0
Acquisitions for the year	0	2	0	2
Closing cost, 31 December	**3**	**3**	**3**	**3**
Depreciation				
Opening accumulated depreciation, 1 January	–1	–0	–1	–0
Accumulated depreciation for divestments/scrapping	0	–0	0	–0
Depreciation for the year	–0	–1	–0	–1
Closing accumulated depreciation, 31 December	**–1**	**–1**	**–1**	**–1**
Carrying amount, 31 December	**2**	**2**	**2**	**2**

15 INVESTMENT PROPERTY

Holdings

Group	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value[1)]	Change in value[1)]
Investment property, value on 31 December 2015	1,038	1,295	11.8%	5.6%	**–373**	**–29.0%**
Investment property, value on 31 December 2014	990	1,092	14.8%	5.1%	**–332**	**–28.0%**

1) Change in value refers to change in the market value if the yield requirement is raised by two percentage points. No portion of the properties are owner-occupied.

Change in value for the period

	Cost		Fair value	
Group	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Opening balance	990	1,263	1,092	1,427
Additional investments in existing assets	48	14	48	14
Reclassification	–0	–	–	–
Sales	–	–287	–	–348
Profit/loss from adjustments of fair value	–	–	155	–1
Closing balance	**1,038**	**990**	**1,295**	**1,092**

Summary of values

Group	Tax assessment value	Fair value	Cost
Subsidiaries	604	1,295	1,038
Total for the Group	**604**	**1,295**	**1,038**

Similar to prior years, the Group's properties were valued externally by independent valuation companies. The valuations were conducted by using both location prices, based on reported purchases of comparable properties, and yield method. For further information on how fair value was determined, see note 35 Fair value valuation techniques.

Impact on profit for the period	Group	
	31 Dec 2015	31 Dec 2014
Rental income	80	86
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees)	–22	–32

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

16 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity 2015	Profit 2014	Carrying amount	Fair value
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100%	0	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100%	243	25	321	664
KB Hålstenen 2	916618-1330	Stockholm	100	99%	4	0	2	4
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100%	41	12	88	89
Fastighets AB Storsundet	556740-2390	Stockholm	1,000	100%	0	0	0	0
Total 31 December 2015					**288**	**37**	**411**	**757**
Total 31 December 2014					**733**	**281**	**671**	**1,026**

All shares and participations are unlisted.

16 SHARES AND PARTICIPATIONS IN GROUP COMPANIES, cont.

	Parent Company	
Cost	**31 Dec 2015**	**31 Dec 2014**
Opening balance	369	369
Added and deducted assets	–117	–
Closing balance	**252**	**369**
Accumulated changes in value		
Opening balance	302	210
Change in value for the year	–143	92
Closing balance	**159**	**302**
Total carrying amount	**411**	**671**
Fair value	**757**	**1,026**

17 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

	Group		Parent Company	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Listed bonds issued by Länsförsäkringar Hypotek	2,539	2,110	2,539	2,110
Listed bonds issued by Länsförsäkringar Bank	337	527	337	527
Promissory notes from Swedish Group companies	–	–	647	787
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	28	530	28	530
Loans to Group companies (Länsförsäkringar AB)	402	529	402	529
Total fair value	**3,306**	**3,696**	**3,953**	**4,483**

18 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity 2015	Profit 2015	Group's carrying amount	Fair value	Parent Company's carrying amount	Fair value
FAB S-Holt i Kista	556678-4715	Stockholm	499	49.9	0	0	209	209	220	209
Kista Qvadrat KB	916511-5057	Stockholm	499	49.9	111	35	0	0	0	0
Total 31 December 2015					**111**	**35**	**209**	**209**	**220**	**209**
Total 31 December 2014					**59**	**37**	**211**	**211**	**225**	**211**

All shares and participations are unlisted.
It has been assessed that the holdings in associated companies are not of material significance to the Parent Company.

Total amount for associated companies	Income	Earnings	Assets	Liabilities	Equity	Fair value
Group and Parent Company 31 Dec 2015	60	35	127	16	111	209
Group and Parent Company 31 Dec 2014	66	37	132	12	121	211

	Group		Parent Company	
Cost	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Opening balance	211	252	225	251
Added and deducted assets	–2	–41	–5	–26
Closing balance	**209**	**211**	**220**	**225**

19 SHARES AND PARTICIPATIONS

Group and Parent Company

	31 Dec 2015	31 Dec 2014
Listed shares and participations	14,319	12,411
Unlisted shares and participations	5,434	3,983
Total	**19,753**	**16,394**
Cost	12,120	9,982
Total carrying amount	19,753	16,394
Less, assets for conditional bonus	–3,210	–4,047
Total	**16,543**	**12,348**

20 BONDS AND OTHER INTEREST-BEARING SECURITIES

Group and Parent Company	31 Dec 2015	31 Dec 2014
Issued by		
Swedish government	7,143	11,048
Swedish mortgage institutions	26,212	28,801
Other Swedish issuers	17,286	18,460
Foreign states	4,125	4,681
Other foreign issuers	27,136	28,763
Total	**81,902**	**91,753**
Amortised cost	77,285	83,230
Market status		
Securities listed	80,823	90,798
Securities unlisted	1,079	955
Total	**81,902**	**91,753**
Carrying amounts compared with nominal amounts		
Total surplus	4,634	8,120
Total deficit	–464	–117
Total carrying amount	81,902	91,753
Less, assets for conditional bonus	–1,090	–1,218
Total	**80,812**	**90,535**

21 DERIVAT

	Carrying amounts		Nominal amounts	
Group and Parent Company	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Derivative instruments with positive values or valued at zero				
Interest	4,152	5,435	23,251	–1,302
Currency	768	93	33,245	268
Total	**4,920**	**5,528**	**56,496**	**–1,034**
Derivatives with negative values				
Equity	2	–	25	–
Interest	3,139	3,777	25,821	–1,303
Currency	75	1,365	1,869	34,510
Total	**3,216**	**5,142**	**27,715**	**33,207**
Total carrying amount for derivatives with positive values	4,920	5,528		
Less, assets for conditional bonus	–101	–11		
Total	**4,819**	**5,517**		

22 ASSETS AND PROVISIONS FOR CONDITIONAL BONUS

Group and Parent Company	31 Dec 2015	31 Dec 2014
Opening balance	5,837	5,978
Change in value	–878	–141
Closing balance	**4,959**	**5,837**

Changes in provisions are recognised in the Income statement on the row Technical provisions for life assurance for which the policyholder bears the risk. The change in value on the asset side is recognised in the Income statement included in the rows Investment income, revenue and expenses and Unrealised gains and losses.

23 OTHER RECEIVABLES

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Receivables from Länsförsäkringar AB Group	33	24	36	24
Other receivables	1,345	1,550	1,336	1,539
Total	**1,378**	**1,574**	**1,372**	**1,563**

24 ACCRUED INTEREST

Group and Parent Company	31 Dec 2015	31 Dec 2014
Accrued interest from Länsförsäkringar AB Group	42	63
Other accrued interest rates	720	875
Total	**762**	**938**

25 PREPAID ACQUISITION COSTS

Group and Parent Company	31 Dec 2015	31 Dec 2014
Insurance contracts		
Opening balance	257	336
Capitalised costs during the year	22	23
Depreciation according to plan for the year	–84	–102
Closing balance	**195**	**257**

26 SHARE CAPITAL

Parent Company	31 Dec 2015	31 Dec 2014
Number of shares, issued and paid	8,000	8,000
Quotient value per share, SEK	1,000	1,000
Number of shares outstanding	**8,000**	8,000

According to applicable Articles of Association, the company is unable to pay any dividend. The changes in equity, compared with the preceding year's balance sheet, are recognised in the statement of changes in equity.

27 LIFE-ASSURANCE RESERVES

Group and Parent Company	31 Dec 2015	31 Dec 2014
Opening balance	94,884	89,383
Premiums paid	1,376	2,154
Claims paid	–5,599	–6,236
Costs withdrawn	–268	–293
Investment income contributed to life-assurance reserves	–	495
Change in reserves due to amended interest-rate assumptions	–1,139	12,195
New assumptions for mortality	–1,464	–
Mortality results	–53	–31
Tax expense withdrawal, life-assurance reserve	–130	–332
Change due to changing conditions to New Trad	–1,872	–1,786
Other changes	529	–665
Closing balance	**86,264**	**94,884**

28 PROVISION FOR CLAIMS OUTSTANDING

Group and Parent Company	Established claims	Non-established claims	Provision for claims and disability	Total 31 Dec 2015	Total 31 Dec 2014
Opening balance	67	199	2,022	2,288	2,202
Other changes	–12	5	–6	–13	86
Closing balance	**55**	**204**	**2,016**	**2,275**	**2,288**

29 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group	31 Dec 2015	31 Dec 2014
Provisions for pensions	23	23
Provision for early retirement in accordance with pension agreement	4	3
Total	**27**	**26**

Defined-benefit pension plans
The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector whereby 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 upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

Defined-benefit pension plans	31 Dec 2015	31 Dec 2014
Present value of unfunded commitments	27	26
Total deficit of defined benefit pension plans	27	26
Liabilities in statement of financial position	**27**	**26**

Change in defined-benefit commitment:	2015	2014
Commitment, 1 January	**26**	**21**
Pension costs		
Costs for service during current year	0	1
Interest expense	0	0
Past service cost and gains and losses on settlements	1	2
Special employer's contribution	–0	– 0
Total pension costs	**1**	**3**
Remeasurements		
Gain/loss as a result of changed financial assumptions	–	2
Experience-based gains	2	7
Special employer's contribution related to remeasurement	0	2
Total remeasurement	**2**	**11**
Paid remuneration	–2	–2
Payments in conjunction with settlement	0	–6
Paid special employer's contribution	0	0
Assumed pension commitments	0	–1
Commitments, 31 December	**27**	**26**

Significant calculation assumptions	2015	2014
Discount rate	0.7%	0.9%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to utilise agreement of voluntarily retirement at age 62	40%	30%

Population	2015	2014
Active	4	4
Old-age pensioners	4	4
Total	**8**	**8**

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 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, the main rule under this pension plan entails that a company recognises its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide necessary information which is why the pension plans above are recognised as defined-contribution plans in accordance with item 34 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.

FTP plan contributions for 2016 are expected to total SEK 4 M.

	2015	2014
Expenses for defined-contribution plans	9	8

30 LIABILITIES, DIRECT INSURANCE

Group and Parent Company	31 Dec 2015	31 Dec 2014
Liabilities to policyholders	202	173
Liabilities to insurance brokers	10	1
Total	**212**	**174**

In the annual report for 2014 this debt was included in Other accrued expenses and deferred income.

31 OTHER LIABILITIES

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Liabilities to Group companies	–	–	131	734
Liabilities to Länsförsäkringar AB Group	157	96	157	96
Other liabilities	2,807	2,174	2,800	2,165
Total	**2,964**	**2,270**	**3,088**	**2,995**

32 MEMORANDUM ITEMS

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
For own liabilities, pledged assets				
Carrying amount for financial assets provided as collateral for technical provisions:				
Bonds	90,587	98,788	90,587	98,788
Shares and participations	14,069	13,491	14,069	13,491
Property-related assets	4,385	2,891	4,385	2,891
Other assets	5,618	5,325	5,618	5,325
Total	**114,659**	**120,495**	**114,659**	**120,495**

The total above consists of registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act.

The technical liabilities, which correspond to registered assets, amount to	93,498	101,347	93,498	101,347

In the event of insolvency, the policyholders have a preferential 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 Swedish Insurance Business Act.

Other pledged assets	8	3	8	3
Total	**8**	**3**	**8**	**3**

	Group		Parent Company	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Contingent liabilities				
Part-owner of Fastighets KB Automobilpalatset	–	–	25	20
Part-owner of KB Hålstenen 2	–	–	0	0
Early retirement at age 62 in accordance with pension agreement	1	5	1	5
Total	**1**	**5**	**26**	**5**
Commitments				
Remaining amount to invest in investment assets	1,547	1,349	1,547	1,349

33 INFORMATION ABOUT OFFSETTING

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The Group has ISDA and CSA agreements with all derivative counterparties regarding OTC-derivatives, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Group and Parent Company

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2015	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (–)/ Pledged(+)	Net amount
Assets						
Derivatives	4,920	–	4,920	–2,520	–1,669	731
Liabilities						
Derivatives	–3,216	–	–3,216	2,520	–	–696
Total	**1,704**	–	**1,704**	–	**–1,669**	**35**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2014	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (–)/ Pledged(+)	Net amount
Assets						
Derivatives	5,528	–	5,528	–5,142	–318	68
Liabilities						
Derivatives	–5,142	–	–5,142	5,142	–	**–**
Total	**386**	**–**	**386**	**–**	**–318**	**68**

34 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY GROUP

Group	Financial assets measured at fair value in profit and loss				
31 Dec 2015	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,306	–	–	3,306	3,306
Shares and participations	19,753[1]	–	–	19,753	19,753
Bonds and other interest-bearing securities	82,460[1]	–	–	82,460	82,460
Loans with collateral in fixed property	1,793	–	–	1,793	1,793
Derivatives	–	4,920[1]	–	4,920	4,920
Other financial investment assets	1,618	–	–	1,618	1,618
Other receivables	–	–	1,360	1,360	1,360
Prepaid expenses and accrued income	–	–	762	762	762
Cash and cash equivalents	–	–	3,844	3,844	3,844
Total	**108,930**	**4,920**	**5,966**	**119,816**	**119,816**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	–	3,216	–	3,216	3,216
Other liabilities	–	–	2,820	2,820	2,820
Accrued expenses and deferred income	–	–	183	183	183
Total	–	**3,216**	**3,003**	**6,219**	**6,219**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

	Financial assets measured at fair value in profit and loss				
31 Dec 2014	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,696	–	–	3,696	3,696
Shares and participations	16,394[1]	–	–	16,394	16,394
Bonds and other interest-bearing securities	92,315[1]	–	–	92,315	92,315
Loans with collateral in fixed property	1,805	–	–	1,805	1,805
Derivatives	–	5,528[1]	–	5,528	5,528
Other financial investment assets	767	–	–	767	767
Other receivables	–	–	1,561	1,561	1,561
Prepaid expenses and accrued income	–	–	938	938	938
Cash and cash equivalents	–	–	3,864	3,864	3,864
Total	**114,977**	**5,528**	**6,363**	**126,868**	**126,868**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	–	5,142	–	5,142	5,142
Other liabilities	–	–	2,123	2,123	2,123
Accrued expenses and deferred income	–	–	192	192	192
Total	–	**5,142**	**2,315**	**7,457**	**7,457**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

[1] Including amounts in the balance sheet recognised as assets for conditional bonus.

34 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.

Parent Company	Financial assets measured at fair value in profit and loss				
31 Dec 2015	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,306	–	647	3,953	3,953
Shares and participations	19,753[1]	–	–	19,753	19,753
Bonds and other interest-bearing securities	82,460[1]	–	–	82,460	82,460
Loans with collateral in fixed property	1,793	–	–	1,793	1,793
Derivatives	–	4,920[1]	–	4,920	4,920
Other financial investment assets	1,618	–	–	1,618	1,618
Other receivables	–	–	1,360	1,360	1,360
Prepaid expenses and accrued income	–	–	762	762	762
Cash and cash equivalents	–	–	3,844	3,844	3,844
Total	**108,930**	**4,920**	**6,613**	**120,463**	**120,463**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	–	3,216	–	3,216	3,216
Other liabilities	–	–	2,944	2,944	2,944
Accrued expenses and deferred income	–	–	164	164	164
Total	–	**3,216**	**3,108**	**6,324**	**6,324**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

	Financial assets measured at fair value in profit and loss				
31 Dec 2014	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,696	–	787	4,483	4,483
Shares and participations	16,394[1]	–	–	16,394	16,394
Bonds and other interest-bearing securities	92,315[1]	–	–	92,315	92,315
Loans with collateral in fixed property	1,805	–	–	1,805	1,805
Derivatives	–	5,528[1]	–	5,528	5,528
Other financial investment assets	767	–	–	767	767
Other receivables	–	–	1,561	1,561	1,561
Prepaid expenses and accrued income	–	–	938	938	938
Cash and cash equivalents	–	–	3,864	3,864	3,864
Total	**114,977**	**5,528**	**7,150**	**127,655**	**127,655**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives	–	5,142	–	5,142	5,142
Other liabilities	–	–	2,850	2,850	2,850
Accrued expenses and deferred income	–	–	178	178	178
Total	–	**5,142**	**3,028**	**8,170**	**8,170**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

[1] Including amounts in the balance sheet recognised as assets for conditional bonus.

35 FAIR VALUE VALUATION TECHNIQUES

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

Group

31 Dec 2015	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment property	–	–	1,295	1,295
Interest-bearing securities issued by Group companies and loans to Group companies	2,904	402	–	3,306
Shares and participations	14,326	–	5,427	19,753
Bonds and other interest-bearing securities	81,381	–	1,079	82,460
Loans with collateral in fixed property	–	1,793	–	1,793
Derivatives	13	4,907	–	4,920
Other financial investment assets	1,618	–	–	1,618
Liabilities				
Derivatives	20	3,196	–	3,216

31 Dec 2014	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment property	–	–	1,092	1,092
Interest-bearing securities issued by Group companies and loans to Group companies	3,167	529		3,696
Shares and participations	12,411	6	3,977	16,394
Bonds and other interest-bearing securities	91,360		955	92,315
Loans with collateral in fixed property	–	1,805	–	1,805
Derivatives	16	5,512	–	5,528
Other financial investment assets	767	–	–	767
Liabilities				
Derivatives	1	5,141	–	5,142

There were no significant transfers between Level 1 and Level 2 during 2015 or during 2014. There were no transfers from Level 3 in 2015 or 2014.

There are not normally active markets for investment property, which is why fair value is estimated using models based on discounted cash flows. The method applied to the calculation of fair value is a combination of the location-price method, based on reported purchases of comparable properties, and a return-based cash-flow method. The cash-flow method is based on a calculation of the present value of future actual cash flows in the form of operating net, which has been successively adjusted to market, over 10 years and the present value of the estimated residual value in year 10. The residual value was estimated by performing a constant capitalisation of an estimated market-adjusted operating net.

Shares and participations in Level 3 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. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses and Unrealised gains and losses on investment assets.

Change level 3

	Investment property	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2014	1,427	4,056	624	6,107
Change in opening balance[1)]	–	–210	210	–
Acquisitions	–	–	118	118
Divestments	–348	–441	–28	–817
Recognised in profit and loss	13	572	31	616
Closing balance, 31 December 2014	**1,092**	**3,977**	**955**	**6,024**
Opening balance, 1 January 2015	1,092	3,977	955	6,024
Acquisitions	–	54	301	355
Divestments	–	–92	–44	–136
Recognised in profit and loss	203	1,488	–133	1,558
Closing balance, 31 December 2015	**1,295**	**5,427**	**1,079**	**7,801**

[1)] During 2014, two holdings were reclassified from shares and participations to bonds and other interest-bearing holdings.

35 FAIR VALUE VALUATION TECHNIQUES, cont.

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

Parent Company

31 Dec 2015	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	2,904	402	–	3,306
Shares and participations	14,326	–	5,427	19,753
Bonds and other interest-bearing securities	81,381	–	1,079	82,460
Loans with collateral in fixed property	–	1,793	–	1,793
Derivatives	13	4,907	–	4,920
Other financial investment assets	1,618	–	–	1,618
Liabilities				
Derivatives	20	3,196	–	3,216

31 Dec 2014	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	3,167	529	–	3,696
Shares and participations	12,411	6	3,977	16,394
Bonds and other interest-bearing securities	91,360	–	955	92,315
Loans with collateral in fixed property	–	1,805	–	1,805
Derivatives	16	5,512	–	5,528
Other financial investment assets	767	–	–	767
Liabilities				
Derivatives	1	5,141	–	5,142

There were no significant transfers between Level 1 and Level 2 during 2015 or during 2014. There were no transfers from Level 3 in 2015 or 2014.

Shares and participations in Level 3 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. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses and Urealised gains and losses on investment assets.

Change level 3

	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2014	4,056	624	4,680
Change in opening balance[1]	–210	210	–
Acquisitions	–	118	118
Divestments	–441	–28	–469
Recognised in profit and loss	572	31	603
Closing balance, 31 December 2014	**3,977**	**955**	**4,932**
Opening balance, 1 January 2015	3,977	955	4,932
Acquisitions	54	301	355
Divestments	–92	–44	–136
Recognised in profit and loss	1,488	–133	1,355
Closing balance, 31 December 2014	**5,427**	**1,079**	**6,506**

[1] During 2014, two holdings were reclassified from shares and participations to bonds and other interest-bearing holdings.

36 RECOVERY DATES

	Group 2015		Group 2014		Parent Company 2015		Parent Company 2014	
	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year
Assets								
Property and equipment	–	2	–	2	–	2	–	2
Investment property	–	1,295	–	1,092	–	–	–	–
Shares and participations in Group companies	–	–	–	–	–	411	–	671
Interest-bearing securities issued by Group companies and loans to Group companies	932	2,374	609	3,087	932	3,021	609	3,874
Shares and participations in associated companies	–	209	–	211	–	220	–	225
Shares and participations	–	16,543	–	12,348	–	16,543	–	12,348
Bonds and other interest-bearing securities	7,426	73,386	11,053	79,482	7,426	73,386	11,053	79,482
Loans with collateral in fixed property	–	1,793	–	1,805	–	1,793	–	1,805
Derivatives	1,760	3,059	5,408	109	1,760	3,059	5,408	109
Other financial investment assets	–	1,618	–	767	–	1,618	–	767
Assets for conditional bonus	152	4,807	77	5,760	152	4,807	77	5,760
Provision for claims outstanding	111	370	88	388	111	370	88	388
Other receivables	1,378	–	1,574	–	1,372	–	1,563	–
Current tax asset	101	–	64	–	101	–	64	–
Cash and cash equivalents	3,844	–	3,864	–	3,844	–	3,864	–
Accrued interest and rental income	762	–	938	–	762	–	938	–
Prepaid acquisition costs	63	132	84	173	63	132	84	173
Other prepaid expenses and accrued income	0	–	–	–	0	–	–	–
Total	**16,529**	**105,588**	**23,759**	**105,224**	**16,523**	**105,362**	**23,748**	**105,604**
Liabilities								
Life-assurance reserve	5,946	80,318	5,554	89,330	5,946	80,318	5,554	89,330
Provision for claims outstanding	369	1,906	357	1,931	369	1,906	357	1,931
Conditional bonus	152	4,807	77	5,760	152	4,807	77	5,760
Provisions for pensions and similar commitments	–	27	–	26	–	26	–	25
Deferred tax liabilities	102	–	–	114	–	–	–	–
Other provisions	4	4	8	2	3	4	7	3
Deposits from reinsurers	111	370	88	388	111	370	88	388
Liabilities, direct insurance	212	–	174	–	212	–	174	–
Liabilities, reinsurance	15	–	17	–	15	–	17	–
Derivatives	817	2,399	3,777	1,365	817	2,399	3,777	1,365
Other liabilities	2,964	–	2,270	–	3,088	–	2,995	–
Other accrued expenses and deferred income	192	–	203	5	173	–	183	11
Total	**10,884**	**89,831**	**12,525**	**98,921**	**10,886**	**89,830**	**13,229**	**98,813**

37 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC.

Organisation

Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies.

Joint operations are conducted in the Länsförsäkringar AB Group, which provides services to Länsförsäkringar Liv. This pertains to development, maintenance, services such as financial, legal, life-assurance administration, asset management, risk control, compliance, security, staff, communication plus operation, management and development of joint IT systems. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between the companies within the Länsförsäkringar Alliance.

Related legal entities and related parties

Länsförsäkringar Liv's operations are conducted in accordance with mutual principles. This means that no profits may be distributed to shareholders.

Related legal entities include all companies within the Länsförsäkringar AB Group, the regional insurance companies and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Remuneration of Board members and senior executives in Länsförsäkringar Liv is found in note 10 Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Guidelines for managing conflicts of interest

It is important that there is a well-functioning system to prevent disguised dividends or other non-permitted capital use, while utilising policyholders' interest in enjoying economies of scale and other benefits from being part of a group. Länsförsäkringar Liv's Board of Directors has established guidelines for managing conflicts of interest aimed at serving as a tool to promote internal control.

Cost price policy

To achieve accurate cost distribution, the overall starting point for pricing transactions with related legal entities is that pricing must be based on direct and indirect costs and that the pricing must be based on the cost price policy. The cost price policy entails that the price is set in the form of a total cost that is not charged with any profit mark-up. In addition, no pricing may exceed the market level.

The pricing and cost distribution of services in development and maintenance of general IT systems and other services is currently distributed in groups of basic services (for example, expenses for rents, workplaces and shared functions), mandatory services (for example, joint development and IT) and individual services. The common factor for these is that costs must be distributed as far as possible based on an assessment of actual utilisation.

Basic services include the basic service offering provided by Länsförsäkringar AB to Länsförsäkringar Liv through the Group-wide units. Group overheads pertain to costs consisting of Länsförsäkringar AB's President and staff, as well as expenses that are directly due to the fact that Länsförsäkringar AB with its subsidiaries is a Group. The mandatory services also include common development and service, maintenance and development of the shared brand, as well as management and operation of the Alliance's joint IT systems provided by Länsförsäkringar AB. In addition, there is a price list for individual services, for example, project management. Individual services pertain to services that are individually priced and which Länsförsäkringar Liv may choose to purchase from Länsförsäkringar AB when necessary.

Prices and cost distribution within the Länsförsäkringar AB Group are prepared in the Group's Pricing Committee and in the joint corporate management, which includes the President of Länsförsäkringar Liv. The Board of Länsförsäkringar Liv then decides on the price list and cost distribution for the coming year in conjunction with the annual business planning.

Decision-making process

The transactions are based on written agreements at market standards and terms. The decision-making documentation prior to a new agreement with related legal entities must be written and contain a risk assessment for conflicts of interest. The decision-making documentation must also include a brief requirement and impact analysis, as well as the person responsible for the transaction.

There are assignment agreements that regulate the assignments that Länsförsäkringar Liv has undertaken on behalf of Länsförsäkringar AB or another related party. The assignment agreements also state how control and planning of the outsourced operation is to take place. There are also specifications for assignment agreements that describes each assignment's service content, service level and execution.

Monitoring

Cost distribution is followed up on a monthly basis. The total costs and internal costs are reported to the Board of Länsförsäkringar Liv and corporate management.

The policies are documented in the finance handbook and prices for purchased services are published on Länsförsäkringar's intranet.

Länsförsäkringar Liv's transactions with related parties

The following section provides a description of the most significant related-party transactions in 2015.

1) IT services and products from Länsförsäkringar AB

Länsförsäkringar AB provides IT services and products according to a framework agreement since 2004. Pricing is based on the cost price policy. Costs for joint financial infrastructure are distributed according to various keys depending on the service to provide the most accurate picture possible. The framework agreement applies until further notice, with a 12-month period of notice.

2) Service and development from Länsförsäkringar AB

A more detailed description of pricing and organisation for these services is available in the above section about regulations for internal transactions of an ongoing nature.

Mandatory services within Länsförsäkringar Alliance

Costs for the mandatory services in the Länsförsäkringar AB Group are distributed among the three core business segments Non-life, Life assurance and Bank. The total operational costs are used as the distribution basis between the core businesses where no clear cost driver can be identified.

Individual service within Länsförsäkringar Alliance

Prices for individual services are set to reflect consumption of the product or service and invoicing is according to agreement with the customer.

Basic service in the Länsförsäkringar AB Group

The service centre and each Group-wide unit that provides basic service within the Länsförsäkringar AB Group prepares an annual documentation displaying the units that are counterparties, the products and services provided, content, service level, price structure and price level. This pertains, for example, to such services as IT, rent for premises and asset management. Länsförsäkringar Liv leases premises from Länsförsäkringar AB and pays market-based rent. The lease contract applies until 31 December 2016.

Costs for Group overhead

The costs for Group overhead are distributed between the units within the Länsförsäkringar AB Group. For Group overhead, a document must be prepared annually providing details on costs, meaning the services and activities executed and the staff/function responsible, how these costs are distributed between the business units, etc.

3) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar Liv's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 2,539 M (2,110).

4) Regional insurance companies' distribution remuneration

Länsförsäkringar Liv pays remuneration to the regional insurance companies for customer care based on capital under management (New Trad), premiums paid and for the change from traditional management to New Trad management. Remuneration levels are regulated through agreements.

5) Service offerings between Länsförsäkringar Liv and Länsförsäkringar Fondliv

Länsförsäkringar Liv purchases administrative services from Länsförsäkringar Fondliv. The service offerings are regulated through agreements. Pricing is based on the cost price policy and then a fixed price per insurance over three years (2014–2016). Services primarily pertain to life-assurance administration, IT management, administration of risk business, risk assessment and claims adjustment.

6) Asset management in Länsförsäkringar AB and with external managers

Länsförsäkringar AB is commissioned by Länsförsäkringar Liv to manage investment assets through its asset management department and a number of external managers. For management, Länsförsäkringar Liv pays remuneration in relation to its proportion of the asset management department's actual operating expenses. The remuneration is calculated on cost price applicable at any time pursuant to adopted financial control policies within the Länsförsäkringar AB Group. For external management, the companies pay remuneration of a corresponding amount and on the same date as Länsförsäkringar AB pays remuneration to external managers. The agreement applies until further notice, with a 12-month period of notice.

7) Management remuneration from Länsförsäkringar Fondförvaltning AB
Länsförsäkringar Fondförvaltning provides management remuneration for managing New World products. The cooperation agreement applies until further notice, with three months' period of notice.

8) Occupational pensions for employees of the Länsförsäkringar Alliance
Länsförsäkringar Liv provides occupational pensions for employees of the Länsförsäkringar Alliance. These pension benefits are based on agreements in the Swedish labour market and the premiums are market-based.

9) Bonds and subordinated debts in Länsförsäkringar Bank AB
Länsförsäkringar Liv owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 337 M (527), as well as listed subordinated debts in Länsförsäkringar Bank AB with a fair value of SEK 28 M (530).

10) Loans to Humlegården Holding I–III AB
In conjunction with the divestment of property-owning companies to Humlegården Holding I–III AB, based on market terms, loans amounting to SEK 1.7 billion were paid to the purchasers.

11) Loans to companies within the Life Group
There are a number of promissory notes between Länsförsäkringar Liv and the wholly owned property companies, as well as between the companies within the property group. Interest income for transactions within Länsförsäkringar Liv is presented in the table below.

12) Reinsurance agreements with the regional insurance companies
In 2014, Länsförsäkringar Liv terminated the excess loss reinsurance agreement with all 23 regional insurance companies that participated in the excess loss reinsurance model during the year. This means that commitments ceased after 31 December 2014. The amount of SEK - M (10) stated in the table below for related-party transactions is net of the reinsurance business.

13) Agreement on property management with Humlegården Fastigheter AB
Länsförsäkringar Liv pays remuneration calculated at cost price to Humlegården Fastigheter AB for the management of Länsförsäkringar Liv's Stockholm properties.

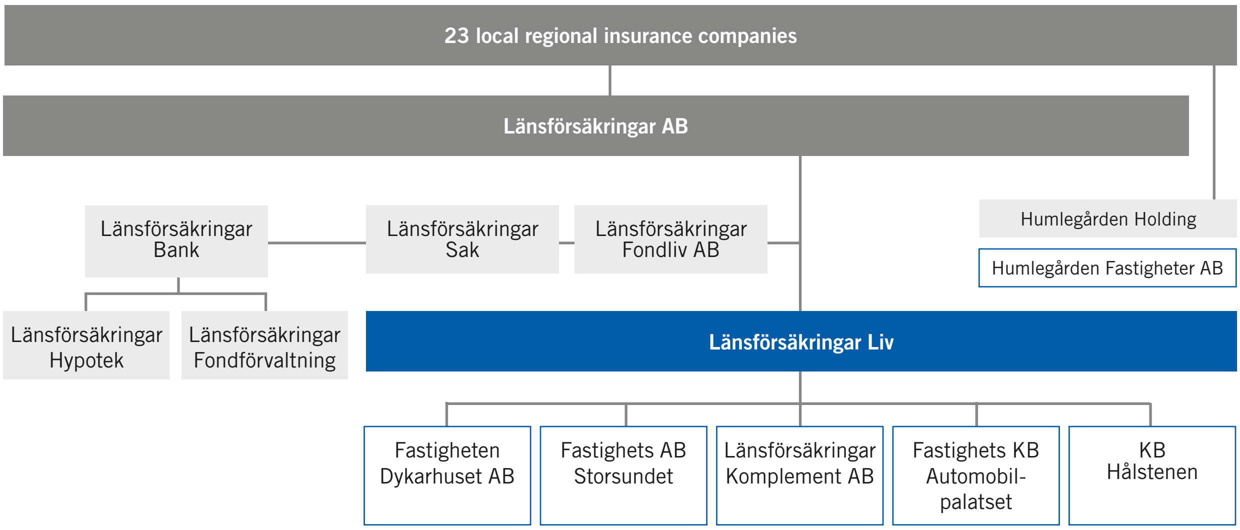
14) Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance
Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance. Länsförsäkringar Liv has commissioned Länsförsäkringar Sak's Reinsurance department to take responsibility for the procurement and administration of non-proportional reinsurance of catastrophe risks. This cooperation entails that the parties will share the reinsurance cover. The premium amounted to SEK 1.4 billion (1.6). No disaster claims were incurred during the year.

15) Agreement on transfer of personnel from Länsförsäkringar Liv to Länsförsäkringar Fondliv
In conjunction with Länsförsäkringar Liv outsourcing operations to Länsförsäkringar Fondliv, personnel were transferred from Länsförsäkringar Liv to employment with Länsförsäkringar Fondliv. Länsförsäkringar Fondliv paid compensation for this transfer to Länsförsäkringar Liv.

16) Agreement with Länsförsäkringar Fondliv regarding compensation for transfer of capital between the companies
Premium flows currently take place between Länsförsäkringar Liv and Länsförsäkringar Fondliv when management forms are changed. Länsförsäkringar Liv and Länsförsäkringar Fondliv have agreed that the companies will pay compensation to each other based on commercial terms for the expenses arise when insurance capital is transferred between the two companies. This compensation is to be at a level corresponding to the transfer fees that apply at any time for external transfers from each party. Settlement is to take place every quarter between the parties according to separate accounts.

17) Länsförsäkringar Liv's divestment of Länsförsäkringar Fondliv to Länsförsäkringar AB
In 2011, Länsförsäkringar Liv divested all shares in Länsförsäkringar Fondliv to Länsförsäkringar AB. An additional purchase price of SEK 50 M (50) was received in 2015 as according to the agreement.

18) Agreements regarding AML services with Länsförsäkringar Bank AB
Länsförsäkringar Bank AB provides certain anti-money laundering services and measures to combat financing of terrorism. Länsförsäkringar Liv pays remuneration according to a cost-distribution principle adopted by the Boards of both companies. Remuneration will be paid from 2016.



The image is not a complete organisational diagram. White boxes show subsidiaries. Grey boxes show other Group companies and the dark-blue boxes show the owners. Länsförsäkringar Liv is not consolidated in the Länsförsäkringar AB Group.

37 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC. CONT.

The tables below show the significant related-party transactions between companies within Länsförsäkringar Liv and legal entities closely related to the Group, as reported above. All amounts in SEK M.

Länsförsäkringar Liv's transactions with related parties

		2015		2014		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
IT products and services	Länsförsäkringar AB	–	47	–	55	1
Service and development, of which	Länsförsäkringar AB	–	92	–	92	2
– Individual service		–	19	–	17	
– Mandatory services		–	4	–	6	
– Basic service		–	58	–	55	
– Group overhead		–	11	–	14	
Interest rate	Länsförsäkringar Hypotek AB	64	–	41	–	3
Distribution remuneration, 2015 including remuneration capital	23 länsförsäkringsbolag	–	117	–	119	4
Service offerings	Länsförsäkringar Fondliv AB	29	192	8	183	5
Asset Management	Länsförsäkringar AB	–	97	–	85	6
Management remuneration	Länsförsäkringar Fondförvaltning AB	88	–	98	–	7
Occupational pension premiums for employees of the Länsförsäkringar Alliance	Länsförsäkringsgruppen	43	–	42	–	8
Interest	Länsförsäkringar Bank AB	7	–	111	–	9
Interest	Humlegården Holding I–III	64	–	64	–	10
Reinsurance agreements	23 regional insurance companies	–	6	–	10	12
Property management	Humlegården Fastigheter AB	–	2	–	0	13
Catastrophe reinsurance	Länsförsäkringar Sak AB	–	–	–	2	14
Transfer of personnel	Länsförsäkringar Fondliv AB	–	–	10	–	15
Compensation for transfer of capital	Länsförsäkringar Fondliv AB	16	–	2	–	16
Additional purchase price for sale of Länsförsäkringar Fondliv	Länsförsäkringar AB	**50**	**–**	50	–	17
Total		**361**	**553**	**426**	**546**	

Transactions between Länsförsäkringar Liv and its subsidiaries

		2015		2014		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
Interest	Länsförsäkringar Liv AB's subsidiaries	1	0	6	2	11
Total		**1**	**0**	**6**	**2**	

Related-party receivables and liabilities – Group

	2015-12-31		2014-12-31	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Länsförsäkringar Hypotek AB	2,581	–	2,151	–
Länsförsäkringar Bank AB	501	–	1,071	–
Länsförsäkringar AB	421	28	536	13
Länsförsäkringar Fondliv AB	41	118	16	80
Länsförsäkringar Fondförvaltning AB	7	–	8	–
Regional insurance companies	–	10	–	1
Länsförsäkringar Sak AB	–	1	–	2
Humlegården Holding I–III AB	1,793	–	1,805	–
Total	**5,344**	**157**	**5,587**	**96**

Related-party receivables and liabilities – Parent Company

	2015-12-31		2014-12-31	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Fastighets AB Storsundet	–	0	–	212
Fastighets KB Automobilpalatset	411	55	521	168
Fastigheten Dykarhuset AB	236	73	266	86
KB Hålstenen 2	–	3	–	268
Total	**647**	**131**	**787**	**734**

The company’s income statement and balance sheet will be adopted at the Annual General Meeting in May 2016.

Stockholm, 1 March 2016

Karl-Olof Hammarkvist
Chairman

Birgitta Carlander
Board member

Sten Dunér
Board member

Anders Grånäs
Board member

Ingemar Larsson
Board member

Henrik Perlmutter
Board member

Karin Starrin
Board member

Örian Söderberg
Board member

Anna Söderblom
Board member

Gunnar Wetterberg
Board member

Marie-Louise Zetterström
Board member

Bitte Franzén Molander
Employee representative

Kristina Padel Roström
Employee representative

Jörgen Svensson
President

My audit report was submitted on 2 March 2016.

Mårten Asplund
Authorised Public Accountant

This Annual Report is a translation of the Swedish Annual Report that has been reviewed by the company’s auditors.

Auditor's report

Translation of the Swedish original.

To the annual meeting of the shareholders of Länsförsäkringar Liv Försäkringsaktiebolag (publ), corp. id 516401-6627

Report on the annual accounts

I have audited the annual accounts of Länsförsäkringar Liv Försäkringsaktiebolag for the year 2015.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these annual accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Länsförsäkringar Liv Försäkringsaktiebolag as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Liv Försäkringsaktiebolag for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act for Insurance Companies.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act for Insurance Companies.

As basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act for Insurance Companies, the Annual Accounts Act for Insurance Companies or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 2 March 2016

Mårten Asplund
Authorised Public Accountant

Corporate Governance Report

Introduction

Länsförsäkringar Liv Försäkringsaktiebolag (Länsförsäkringar Liv) is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies. Länsförsäkringar Liv is operated according to mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

Länsförsäkringar Liv complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reason for deviations is that Länsförsäkringar Liv is not a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the "Deviations from the Code" section on page 56.

This Corporate Governance Report is unaudited.

Corporate governance

Länsförsäkringar Liv comprises the Traditional Life Assurance business unit within the Länsförsäkringar AB Group.

Länsförsäkringar AB has a corporate governance system based on the Länsförsäkringar Alliance's strategies, Länsförsäkringar AB's assignment from its owners, Länsförsäkringar AB's long-term direction and on principles for governance of the Länsförsäkringar AB Group decided upon by the Board of Länsförsäkringar AB. The risk-based performance management represents the basis of the corporate governance system.

Based on the aforementioned starting points, the corporate governance system consists of the organisation, the internal regulations and internal-control system, while Länsförsäkringar Liv guarantees the governance and internal control within the company within the framework of the corporate governance system.

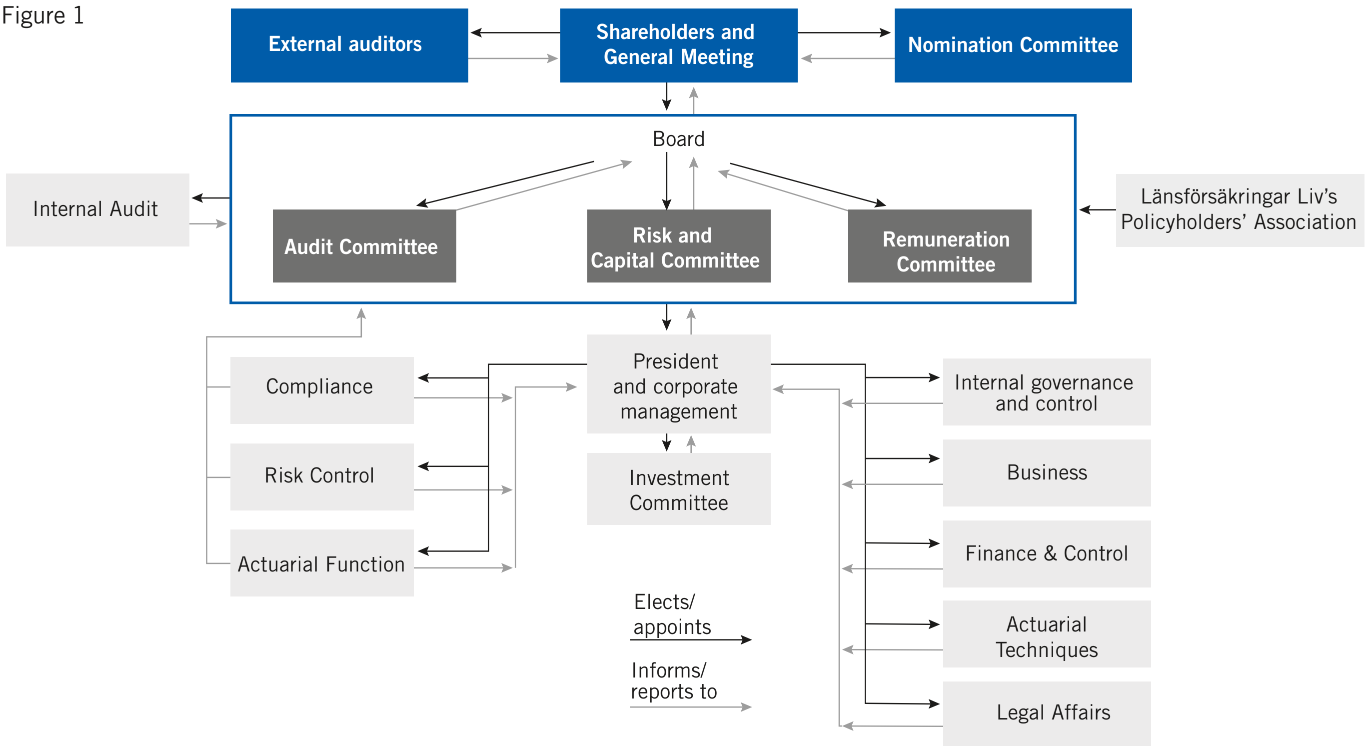
The Board establishes the operational organisation for Länsförsäkringar Liv, which should be appropriate and transparent, with a clear distribution of responsibility and information between the various company bodies and between the so-called lines of defence, and a clear decision and reporting procedure. An internal-control system is integrated into the operational organisation, including a compliance system and a risk management system. Economies of scale are guaranteed within the framework of the organisation via Group-wide functions and outsourced operations, continuity management and business contingency plans, efficient systems for reporting and transferring information, information security, management of conflicts of interest and ensuring that Board members and employees are suited to their tasks.

The internal regulations, which comprise governance documents such as policies, guidelines and instructions, represent an important tool for managing the operations. The organisation and distribution of responsibility are determined by the internal regulations, as are the procedures for governance and internal control. The internal regulations are reviewed and decided upon regularly.

Internal control is part of the governance and management of Länsförsäkringar Liv. Internal control aims to ensure that the organisation is efficient and fit for its purpose, that operations are conducted in accordance with decided strategies in order to achieve established targets, that financial statements and reporting are reli-

Länsförsäkringar Liv's governance structure

Figure 1



able, that information systems are managed and operated efficiently and that there is a strong ability to identity, measure, monitor and manage risks and full regulatory compliance. Risk and capital control and capital planning are a part of the internal control. The internal control process encompasses all parts of the organisation, including outsourced operations, and must be an integral part of the organisational structure and decision-making processes. Internal control at Länsförsäkringar Liv is based on a system comprising three lines of defence, which comprise operations in the first line, functions for compliance and risk control and the Actuarial Function in the second line and Internal Audit in the third line.

The purpose of the risk-management system, which is a part of internal control, is to ensure that Länsförsäkringar Liv's operations are continuously able to identify, measure, monitor, manage and report risks. Internal control also includes the compliance system which ensures that laws, regulations and other rules are complied with, and guarantees that new and amended regulations are monitored and implemented effectively, that the Boards and employees are trained and that risks linked to compliance with external and internal rules can continuously be identified, measured, controlled, managed and reported. The distribution of work in the Länsförsäkringar AB Group is a key tool for achieving economies of scale in terms of both finance and expertise. It is also a method of implementing effective and proactive governance within the Länsförsäkringar AB Group. The operational organisation with the business activities conducted in the business units and Group-wide functions in the Parent Company was established based on this approach.

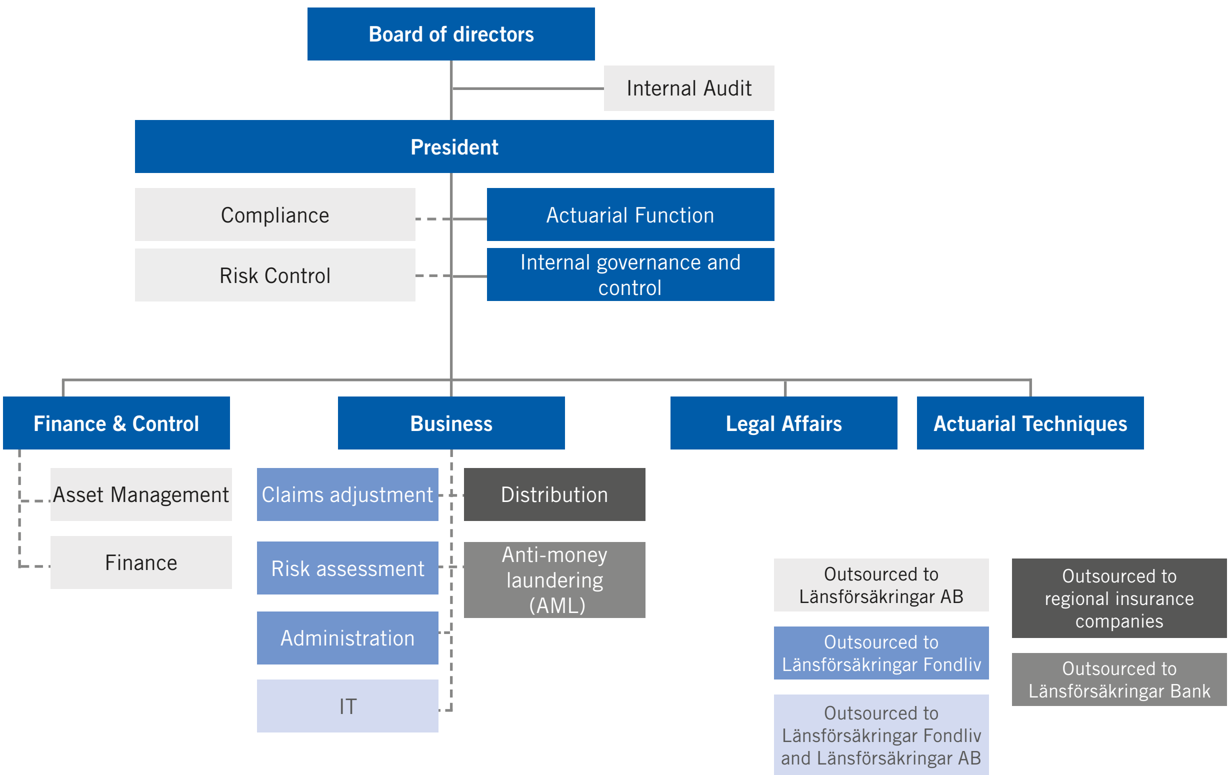
Outsourcing operations to external parties is also a key tool for achieving economies of scale in terms of both finance and expertise. For this reason, a Group-wide policy for outsourcing operations has been established that stipulates the overall principles for internally and externally outsourced operations. Based on this policy, Länsförsäkringar Liv has established guidelines for outsourcing operations.

An outline of the governance and reporting structure is provided in figure 1 below.

The company has outsourced important parts of its operations to the Parent Company Länsförsäkringar AB and fellow subsidiary Länsförsäkringar Fondliv Försäkringsaktiebolag (Länsförsäkringar Fondliv). The main reason for this is that the greatest efficiency is deemed to be achieved by performing certain functions jointly on a Group-wide basis. The greatest efficiency is also deemed to be achieved when the functions that both Länsförsäkringar Liv and Länsförsäkringar Fondliv require are conducted within Länsförsäkringar Fondliv, where new sales of business are made. In addition, Länsförsäkringar Bank manages the anti-money laundering activities. Distribution and customer care are primarily managed by the regional insurance companies.

An overview of the organisation and outsourced operations is provided in figure 2 below. Specialised expertise and resources are allocated in each responsible function in the company to ensure ordering, monitoring and control of the outsourced operations.

Figure 2



Shareholders and General Meeting

Shareholders exercise their voting rights at the General Meeting, which is the highest decision-making body. A General Meeting is normally held once a year, the Annual General Meeting. Länsförsäkringar AB holds 100% of the capital and votes in Länsförsäkringar Liv.

Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and other remuneration of Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration of Board members is specified for the Chairman and other Board members.

Nomination Committee

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the CEO of Länsförsäkringar AB, proposals regarding the Board of Directors and auditors of companies including Länsförsäkringar Liv, and fees and other remuneration of these Board members and auditors.

The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB and new Board members are recruited in accordance with the instructions and established procedures and processes. The Board is to have a sufficient number of Board members based on the size and degree of complexity of the company, and the nature and scope of the operations. With this as the starting point, the Nomination Committee is to assess, whether the Board has a suitable composition, with respect to the operations, stage of development and other conditions of the company, that ensures the overall competencies and experience necessary for the company are in place, characterised by diversity in terms of, for example, age, gender and ethnic origin, in accordance with the Länsförsäkringar AB Group's diversity policy applicable at any time. The Nomination Committee is also responsible for ensuring that a suitability assessment of proposed Board members is performed.

The Nomination Committee prior to 2016 Annual General Meeting

The Nomination Committee has comprised Otto Ramel (Chairman) (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkring Kronoberg), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2014 Annual General Meeting of Länsförsäkringar AB.

Prior to the Annual General Meeting, the Nomination Committee has:

- studied the Board's evaluation of its work,
- studied the Board Chairman's view of the operations, the Board's work and requirements for expertise and experience, and
- reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to the Annual General Meeting, the Nomination Committee will:

- evaluate the independence of candidates,
- nominate Board members, the Board Chairman and auditors,
- carry out suitability assessments of Board members, and
- propose fees and other remuneration of Board members and auditors.

External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Liv is to have between one and three auditors and between zero and three deputy auditors. Auditors are appointed for a period in office of a maximum of four years. At the 2015 Annual General Meeting, Mårten Asplund, KPMG AB, was appointed auditor and Anders Tagde, KPMG AB, deputy auditor, for the period up to the 2018 Annual General Meeting.

The auditor examines Länsförsäkringar Liv's Annual Report, as well as the administration of the Board and the President. The auditor presented his audit results and observations to the Board once during 2015. The auditor also participates in the meetings of the Board's Audit Committee. The auditor reviews Länsförsäkringar Liv's six-month accounts.

Länsförsäkringar Liv's Policyholders' Association

Länsförsäkringar Liv's Policyholders' Association was formed with the purpose of promoting the long-term interests of Länsförsäkringar Liv's policyholders. Members of the association are appointed by the policyholders in Länsförsäkringar Liv. To secure fulfilment of the purpose and ensure that the policyholders acquire influence and insight into the company's operations, the association is entitled to appoint two members to Länsförsäkringar Liv's Board of Directors. In matters of particular significance, the association will receive special information and be able to submit special statements.

Board of Directors

Composition of Board

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Liv is to comprise between eight and 14 Board members, with between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members appointed by trade-union organisations are also members of the Board. The President is not a member of the Board. Länsförsäkringar Liv has no time limit for the length of time a member may sit on the Board and no age limit for Board members. Two of the members are appointed by Länsförsäkringar Liv's Policyholders' Association. A majority of the Board members, including the employee representatives, must be independent in relation to Länsförsäkringar Liv and other companies in the same Group. The Chairman of the Board is appointed by the Annual General Meeting. The President and Board Secretary participate in Board meetings except for matters in which there may be a conflict of interest or when it would otherwise be inappropriate for them to attend. Individuals reporting on particular issues attend meetings when they make their presentations.

The Board currently comprises 13 regular members and two deputies. Nine of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and two deputies by the trade unions. Seven of the members are independent. A presentation of the Board members can be found on page 58 of the company's Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and decisions on issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for internal governance, control and risk management.

Every year, the Board adopts a formal work plan. The formal work plan includes a description of the duties and responsibilities of the Board, its Chairman and its members, the delegation of duties within the Board, the lowest number of Board meetings, procedures for reporting on the operations and financial reports, as well as procedures for Board meetings in terms of notices of meetings and presentations of materials, as well as conflicts of interest and disqualification.

The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting is to take place in accordance with established instructions and through regular Board meetings.

The Board must also regularly manage and evaluate the company's risk development and risk management. During the year, the Board regularly reviews the company's earnings and business-volume trends, financial position and risk trends in relation to, for example, the business plan and forecasts. The Board receives regular reports from Compliance, Risk Control, the Actuarial Function and Internal Audit. The Board continuously monitors current matters with authorities.

Chairman

According to the formal work plan, the Chairman is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman is also to ensure that the Board meets as required, that Board members are provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and apply an appropriate working methodology. Through ongoing contact with the President, also between Board meetings, the Chairman is to remain informed of significant events and developments in the company, and support the President in his work.

Work of the board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board has established the company's operational structure, clarified the allocation of responsibilities between the various units and executives in the company, and stated how the operations are to be governed and controlled.

In addition to the Board's formal work plan and the company directive, the Board establishes a directive at least once per year for the President, risk policy, insurance guidelines, investment guidelines and guidelines for managing conflicts of interest as well as a large number of governance documents for the operations.

The Board has established a Risk and Capital Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its separate formal work plans for the Committees. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluates the President's work and terms of employment. The Board meets the company's auditor at least once per year, see also the Audit Committee section below.

The dates of Board meetings are established at the first scheduled meeting following the Annual General Meeting for the next 18-month period. A notice of each meeting, including a preliminary agenda, is sent out about 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and materials presented at the meeting are saved electronically.

During 2015, the Board followed its established plan and received training in and gained greater knowledge of the new solvency rules for insurance companies, Solvency II. The training particularly focused on Länsförsäkringar's partial internal model (LIM), the company's Own Risk and Solvency Assessment and asset management issues.

The number of Board meetings and members' attendance are presented in the table on page 56.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2015 evaluation was based on an electronic survey completed by the Board members. The results were submitted to the Nomination Committee

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk-taking and capital requirements. Prior to Board meetings, the Committee is to discuss and address issues relating to the following:

- risk policy,
- the methods, models and valuations of the company's partial internal model,
- internal risk and capital assessment, and
- follow-up of risk trends and potential deviations from risk limits.

At the first Board meeting held after the 2015 Annual General Meeting, Karl-Olof Hammarkvist (Chairman), Sten Dunér, Anders Grånäs and Gunnar Wetterberg were appointed members of the Risk and Capital Committee.

Audit Committee

The Audit Committee is responsible for preparing the Board's work in areas including:

- Monitoring the company's financial reporting
- Regarding the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management
- Remaining informed of the audit of the Annual Report and consolidated financial statements
- Examining and monitoring auditors' impartiality and independence

and, in this respect, particularly noting whether the auditors provide the company with any other services than auditing services
- Monitoring the efficiency of the company's corporate governance system and control of the operational risks.

At the first scheduled Board meeting after the 2015 Annual General Meeting, Birgitta Carlander (Chairman), Sten Dunér, Karin Starrin and Marie-Louise Zetterström were appointed members of the Audit Committee.

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the first scheduled Board meeting after the 2015 Annual General Meeting, Karl-Olof Hammarkvist (Chairman), Gunnar Wetterberg and Sten Dunér were appointed members of the Remuneration Committee.

Board meetings and attendance

The table below shows the number of meetings held in each body since the 2015 Annual General Meeting until January 2016, and the attendance by each Board member:

	Independent members	Board of Directors	Risk and Capital Committee	Audit Committee	Remuneration Committee
Total number of meetings		5	3	3	1
Birgitta Carlander	X	5	1[1)]	2[2)]	–
Sten Dunér		4	3	2	1
Christer Ekehov (member until 31 Dec 2015)		3	–	–	–
Bitte Franzén Molander (deputy, ordinary Board member from 1 Jan 2016)		5	–	–	–
Anders Grånäs		5	2[2)]	1[1)]	–
Karl-Olof Hammarkvist	X	4	3	–	1
Ingemar Larsson	X	4	–	–	–
Susanne Lindberg (deputy)		5	–	–	–
Kristina Padel Roström		5	–	–	–
Henrik Perlmutter	X	5	–	–	–
Karin Starrin		5	–	2[2)]	–
Örian Söderberg		5	–	–	–
Anna Söderblom	X	5	–	–	–
Gunnar Wetterberg	X	4	3	–	1
Marie-Louise Zetterström	X	4	–	3	–

[1] Member until 11 June 2015.
[2] Member from 12 June 2015.

President and corporate management

Jörgen Svensson has been the President of Länsförsäkringar Liv since May 2008. He was born in 1959.

The organisational structure of Länsförsäkringar Liv is divided into departments. In addition, there are four control functions: Risk Control, Compliance, Actuarial Function and Internal Audit. Corporate management comprises the President and the heads of the departments. Corporate management serves as a forum for consultation and exchange of information between the company's senior executives. Management discusses and decides on matters pertaining to the company.

The President has also established an Investment Committee for preparing, deciding on and monitoring asset management issues. The President is the Chairman of this Committee.

Control functions

Internal Audit

Internal Audit is an independent review function that supports the Board in the evaluation of the corporate governance system, including the organisation's risk management, governance and controls. Based on its reviews, Internal Audit is to evaluate and assure that the operations' overall internal governance and control systems are conducted in an efficient manner and that the overall reporting to the Board provides a true and fair view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and in compliance with the Board's decisions and intentions. The Board has adopted a separate instruction for the internal audit function.

The results of the Internal Audit's review are reported in summary to the Board and in more detail to the Audit Committee.

Compliance

Compliance is an independent control function responsible for monitoring and controlling that operations are conducted in full regulatory compliance. The task of the function is to monitor and control regulatory compliance in the licensable operations, and identify and report on risks that may arise as a result of non-compliance with regulatory requirements. Compliance is to also provide support and advice to operations, to ensure that operations are informed about new and amended regulations and to take part in the implementation of training. Compliance risks and recommendations on courses of action are reported to the President and the Board.

Risk Control

Risk Control provides support to the President, management and the rest of the operations for fulfilling their responsibility of ensuring that proper risk management and risk control have been carried out for all operations and for ensuring that risks are managed in line with the risk framework established by the Board. Risk Control is to carry out its activities independently from the business activities. Risk Control reports regularly to the President and the Board. Operational risk is also continuously reported to the Audit Committee and other risks to the Risk and Capital Committee.

Actuarial Function

The Actuarial Function has the overall responsibility for the quality of the company's actuarial calculations and reports to management and the Board on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks and reinsurance cover. The Function also contributes to the company's risk-management system, for example, through its participation in the company's Own Risk and Solvency Assessment.

Deviations from the Code

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Nomination Committee, notice, publication of information prior to, and holding an Annual General Meeting.

Deviation from the provisions of the Code with respect to the fact that the company is not a stock-market company and only has one shareholder.

Period of office for Board members

The company deviates from the Code's provision of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of their term. A mandate period of more than one year contributes to ensuring continuity and establishing competence within the Board.

Composition of Audit Committee

A deviation from the Code's requirements regarding the independence of the majority of the members of the Committee in relation to the company and corporate management due to the structure, governance and working methods of the Länsförsäkringar Alliance, in order for the Audit Committee to efficiently fulfil its responsibilities.

Internal control over financial reporting

Internal control over financial reporting (ICFR) is a process for evaluating the reliability of financial reporting. ICFR is defined as a process carried out by the Board, management and operations.

Work with this process began in 2013 and together with the Länsförsäkringar AB Group Länsförsäkringar Liv works continuously to develop the methodology. The process is performed in an annual cycle as shown in the diagram below.

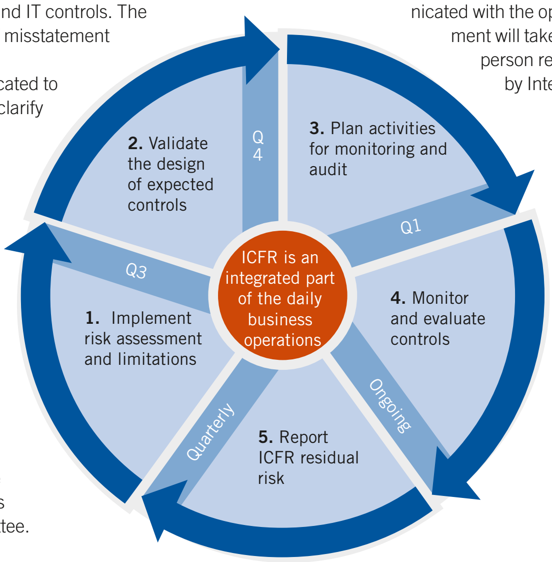
2 Validate the design of expected controls

Internal control over financial reporting includes company-specific and Group-wide controls, as well as process and IT controls. The purpose of the controls is to reduce the risk of misstatement in financial reporting.

The control structure is regularly communicated to the relevant individuals in the organisation to clarify the division of responsibilities.

1 Perform risk assessments and define limitations/scope

Risk assessments are performed annually at company and the Länsförsäkringar AB Group level to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the units, processes and systems that are to be covered by the ICFR process. The conclusions from the risk assessments are compiled in an annual scoping report in which the scope and goal scenario for the coming year is described and presented to the Audit Committee.



3 Plan activities for monitoring and audits

A plan for the quarterly self-assessment is produced and communicated with the operations. The plan sets out when the assessment will take place, the controls that will be assessed and the person responsible for the assessment. ICFR is examined by Internal Audit.

4 Monitor and evaluate controls

Monitoring includes, for example, quarterly self-assessment of the controls carried out in the operations. The monitoring process can identify weaknesses in the ICFR process, implement compensating controls and introduce improvement measures. The process also includes evaluating the controls and their effectiveness. The objective is for Länsförsäkringar Liv to reach a monitored level.

5 Report ICFR residual risk

The results of the self-assessment are compiled and analysed to determine the risk of misstatement in financial reporting. These are summarised in a report to the company's CFO and to the Audit Committee. The report describes the residual risk after the self-assessment, and the compensating controls adopted by the operations to manage risk in financial reporting.

In addition to the process described above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit's review, and recommendations, are reported regularly to the Audit Committee.

Board of Directors and auditors

Karl-Olof Hammarkvist 1

Chairman. Born 1945. Associate professor. Elected: 2006. **Education:** Doctor of Philosophy in Business and Economics, associate professor, also held position of adjunct professor. **Other Board appointments:** Deputy Chairman of Foundation for Financial Research, Board member of Bertil Danielsson Foundation and Swedish-Spanish Foundation. **Previous experience:** Member of management of Skandia International, Skandia and Nordbanken/Nordea, Vice-Chancellor President of the Stockholm School of Economics.

Birgitta Carlander[1] 2

Born 1952. Master of Science in Agriculture, Master of Science in Business and Economics. Elected: 2011. **Education:** Master of Science in Agriculture and Economics, adjunct training. **Other Board appointments:** Board member of Skaraborg County nursing home, Skaraborgsgrisen ek. för. **Previous experience:** Chairman of Lantmännens Research Foundation, Lantmännens Audit Committee, Cerealiastiftelsen, VL-stiftelsen, Board appointments in ODAL, Lantmännens, SW, Cerealias and LM Group.

Sten Dunér 3

Born 1951. President of Länsförsäkringar AB. Elected: 2009. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Insurance Sweden, Swedish Insurance Employers' Association (FAO), European Alliance Partners Company AG and Fastighets AB Balder. **Previous experience:** CFO and other senior positions at Länsförsäkringar AB.

Anders Grånäs 4

Born 1966. President of Dalarnas Försäkringsbolag Elected: 2013. **Education:** Master of Science in Engineering (Engineering physics), Uppsala, MBA Stanford. **Other Board appointments:** Board member of Humlegården AB. **Previous experience:** Venture Capital investeringar, Investor AB, Industrifonden and ATP (Danmark).

Ingemar Larsson 5

Born 1949. Self-employed. Elected: 2015. **Education:** Master of Science in Engineering. **Other Board appointments:** IngemarL AB, Länbo Fastigheter AB and Länbo Parkeringsbolag AB. **Previous experience:** President of Länsförsäkringar Göteborg and Bohuslän. **Previous Board appointments:** Platzer Fastigheter Holding, Wasa Kredit AB, Länsförsäkringar Sak Försäkrings AB and Länsförsäkringar Bank AB.

Henrik Perlmutter[1] 6

Born 1950. Master of Science in Engineering, MBA. Elected: 2013. **Education:** KTH Royal Institute of Technology, INSEAD. **Other Board appointments:** Chairman of Fjord Advisors AB, Board member of Exini Diagnostics AB, CAG Sweden AB, MCLP Sweden AB, MA Sweden AB and Managent AB. **Previous experience:** Chairman of Ponsus Pharma AB, Länsförsäkringar Liv's Policyholders' Association, Board member of Biolin Scientific AB.

Karin Starrin 7

Born 1947. Former Director General and County Governor. Elected: 2013. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Halmstad University, Länsförsäkringar Halland, Board member of Hallands Akademi and Swedish Gambling Authority. **Previous experience:** Head of government agency, County Governor, member of parliament, Chairman of Municipal Executive Board.

Örian Söderberg 8

Born 1952. President of Länsförsäkringar Jönköping. Elected: 2015. **Education:** Bachelor of Arts in Legal Science. **Other Board appointments:** Wasa Kredit, Insurance Industry's Pension Fund (FPK), Swedish Insurance Employers' Association (FAO). **Previous experience:** President of Länsförsäkringsbolagens Fondförvaltning AB, Länsförsäkringar Bank AB, Länsförsäkringar Wasa Fonder, Länsförsäkringar Fonder, Vice President Länsförsäkringar Stockholm, Deputy President Wasa Bank.

[1] Birgitta Carlander and Henrik Perlmutter are the policyholders representatives and appointed by Länsförsäkringar Liv's Policyholders' Association.

Anna Söderblom 9

Born: 1963. Degree of Doctor of Philosophy in Business and Economics, Teacher and researcher at the Stockholm School of Economics. Elected: 2015. **Education:** University degree in mathematics from Lunds university. Degree of Doctor of Philosophy in Business and Economics from the Stockholm School of Economics. **Other Board appointments:** Chairman of Avega Group AB (publ.) and Advenica AB (publ.). Board member of Ortivus AB (publ.), Poolia AB (publ.), Excanto AB and Almi Företagspartner. **Previous experience:** Technical Support Manager and Marketing Director at Microsoft Norden, Marketing Director at Posten Brev and Investment Manager Industrifonden.

Gunnar Wetterberg 10

Born 1953. Historian, author. Elected: 2004. **Education:** Bachelor of Arts, honorary Doctor of Philosophy. **Other Board appointments:** The Knowledge Foundation, Sveriges Radio, Ackum & Wetterberg AB. **Previous experience:** Diplomat, Director at Ministry of Finance, director of Association of Local Authorities, Head of Social Policy at Swedish Confederation of Professional Associations (SACO).

Marie-Louise Zetterström 11

Born 1959. President of Patient Insurance LÖF. Elected: 2013. **Education:** Law, specialising in insurance law. **Other Board appointments:** Personförsäkringsföreningen (PFF). **Previous experience:** President of Förenade Liv, several Board appointments at insurance companies, both as a Board member and Chairman.

EMPLOYEE REPRESENTATIVES

Bitte Franzén Molander 12

Born: 1961. Elected: 2009 as deputy, regular from 2016. **Education:** Degree in behavioural science. **Other Board appointments:** Länsförsäkringar Fondliv AB, Länsförsäkringar Fondförvaltning AB. **Previous experience:** Many years of experience in the life and pensions industry.

Kristina Padel Roström 13

Born: 1963. Product Specialist. Elected: 2015. **Other Board appointments:** Länsförsäkringar Fondliv. **Previous experience:** Accountant at Skandia International, Life and pension administrator at Länsförsäkringar Liv, Business developer at Swedbank Försäkring.

Deputy: Susanne Lindberg.

AUDITORS

Mårten Asplund

Elected by the Annual General Meeting. Authorised Public Accountant, KPMG Auditor of the company since 2010.

Deputy:

Anders Tagde

Authorised Public Accountant, KPMG Auditor of the company since 2015.

Executive management

Jörgen Svensson

Born 1959.
President.
Previous experience: President of Länsförsäkringar Blekinge. Board member of Länsförsäkringar Liv AB and Wasa Run Off AB.
Various executive positions at Skandia and If.

Erling Andersson

Born 1955.
Corporate Senior Actuary from January 2015.
Employed since 2001.
Previous experience: Corporate Senior Actuary Länsförsäkringar Liv 2001–2012, Actuary Skandia Liv.

Jakob Carlsson

Born 1967.
CFO.
Employed since 2007.
Previous experience: Head controller at SPP and Handelsbanken Liv, Group controller at Alecta.

Veronika Engstrand

Born: 1976.
Head of Legal Affairs.
Employed since 2015.
Previous experience: Provincial court clerk, insurance lawyer at Financial Supervisory Authority , Head of legal entity insurance and pension at Financial Supervisory Authority.

Roger Lidberg

Born 1960.
Business Manager.
Employed since 1995.
Previous experience: Regional manager of Länsförsäkringar Stockholm and of Wasa försäkring, various Sales Manager positions at Skandia.

Elizabeth Äng

Born 1963.
Head of Actuary department
Employed since 2012.
Previous experience: CRO at Swedbank Försäkring.

Definitions

Capital base
Total equity plus untaxed reserves according to the balance sheet.

Collective consolidation capital
The market value of total net assets less the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the insurance policies that carry bonus rights.

Collective consolidation ratio
The ratio between the market value of total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the insurance policies that carry bonus rights.

Direct yield
Calculated as the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.

Management cost ratio
Operating expenses according to the income statement and claims adjustment costs according to Note 8 as a percentage of average managed assets.

Required solvency margin
The Swedish Insurance Business Act's requirements of the lowest permitted level of the capital base for a life-assurance company, which mainly comprise 4% of the technical provisions in addition to 3 per mil of the positive risk totals (mortality risks).

Solvency capital
Equity, untaxed reserves (including deferred tax), as well as surplus values on assets.

Solvency rate
The capital base in relation to required solvency margin (the solvency rate must be at least 1.)

Solvency ratio
The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical provisions according to the balance sheet).

Total return
Total return on assets in traditional management prepared in accordance with Insurance Sweden's recommendation for annual reporting of total return. The total return table is found in the Board of Directors' Report. Other assets and administration costs are not included in the calculation of the total return.

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