Annual Report 2013

LÄNSFÖRSÄKRINGAR LIV

Länsförsäkringar

Länsförsäkringar Liv
In brief

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 in accordance with mutual principles, which entails that earnings are not distributed to owners; they remain with the company's customers. ■

The year in brief

In 2013, **Länsförsäkringar Liv** continued its work on strengthening the balance sheet and improving key figures. Changing conditions to New Trad is one of the most important activities in this work, and the reception from customers has been positive.

Profit amounted to SEK 5.2 billion (4.9). The increase in interest rates during the year strongly contributed to the positive earnings since liabilities to the policyholders are discounted and fall when interest rates rise. The mix in the investment portfolio remained relatively unchanged during the year and the percentage of interest-bearing investments was large.

The solvency ratio improved 5 percentage points to 118% (113) on December 31. Collective consolidation was 107% (111) for Old Trad and 115% for New Trad.

The bonus rate for Old Trad was raised from 0% to 1% from November 1. The bonus rate for New Trad was 5% in 2013 but was raised to 6% on January 1, 2014.

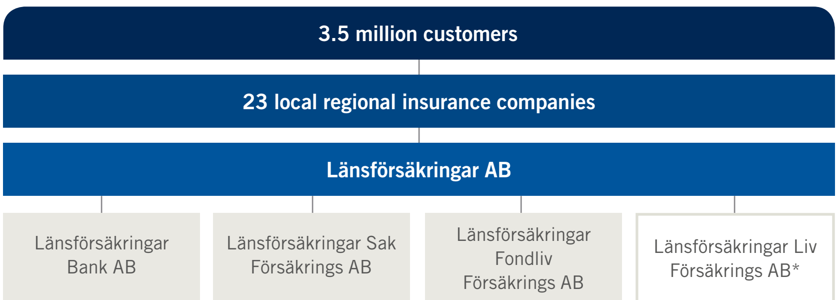
The total return for New Trad was 4.3% since it started in June 2013. The total return for Old Trad amounted to negative 3.0% (pos: 6.1) and to 12.8% (12.2) for New World.

Innehåll

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. The regional insurance companies are owned by the insurance customers. Customers are provided with a complete offering of banking, insurance, pension 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 mission. The Länsförsäkringar Alliance has almost 3.5 million customers and approximately 5,900 employees. ■



*The company is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

Continued challenges – high hopes for New Trad

STATEMENT BY THE PRESIDENT Our situation has improved significantly since the autumn of 2011 when we were strained hard by the sharp fall in interest rates that took place. A number measures were carried out to strengthen the balance sheet.

Insurance savings are an important part of the national economy. Pension savings contribute to investments in the expansion of society, business and state borrowing, and such commitments have a long-term horizon. Ultimately, pension savings involves saving income for tomorrow, when you have ended working, so that you can enjoy a high quality of life when you retire. As citizens, we receive a national pension from the government, as well as an occupational pension and a pension from private savings. The combination of these sources forms the financial basis that we are to rely on after we have retired. Accordingly, it is a very important part of society and an important foundation for the stability of our shared economy. As a result, managing people's money is an important task and involves a high level of trust.

Continued uncertainty

2013 was characterised by both sharp stock-market upswings in long-term market interest rates. Some concern is continuing surrounding parts of the European economy and stability in the future. China's growth has temporarily stalled yet the country remains a key engine in the global economy. In the US, the Federal Reserve's bond-buying stimulus is expected to reduce since the general economic signs are slightly more positive. Nevertheless, the general macroeconomic situation remains uncertain and features unstable growth.

Improved situation

Länsförsäkringar Liv is a life-assurance company operated in accordance with mutual principles, and employees, management and the Board work to serve customers and their best interests. Savings in a traditional life assurance in a mutual company involves being part of a collective in which risk is shared with others. The surplus that arises is divided between customers and, in the same way, customers share any deficit in the operations. Our model is based on equalisation to provide a stable and favourable savings trend over time.

Our situation has improved significantly since the autumn of 2011 when we were strained hard by the sharp fall in interest rates that took place. A number measures were carried out to reduce risks in the investment portfolio and with respect to the commitments we have towards our customers.

We discontinued underwriting new policies in September 2011, which means that we do not accept any new customers. Our existing customers can continue to save and pay in new deposits. Our managed assets declined in 2013 since negative returns were generated on our assets and due to the payments, repurchases and transfers of capital that took place during the year. This is something that management and the Board are closely monitoring to ensure the best possible conditions for our customers in the future.

The total return for savers with the old traditional management was negative 3.0% in 2013. This is unsatisfactory from a customer perspective. However, due to our narrow risk scope, we must have a high percentage of long-term bonds, which fell in value when long-term interest rates increased in 2013. 92% of our investment portfolio in Old Trad comprises various interest-bearing instruments. Due to this investment mix, our asset management exceeded the targets for 2013.

The New World management form, which has a fixed allocation of 70% equities and 30% interest rates in various markets, generated returns of 13%, which we are pleased with. New World manages SEK 13 billion in capital.

New Traditional management (New Trad), which started in May when the first customers changed the conditions of the insurance to a lower guaranteed interest rate, generated a return of 4%. The portfolio currently manages SEK 3 billion in capital and at year-end had an allocation of 30% equities, 5% properties, 5% alternative investments and hedge funds and 60% interest-bearing assets.

Conditions for high returns

We worked intensely in 2013 on improving our conditions for creating long-term high returns for our customers. We currently have guaranteed interest rates of 3–5% in Old Trad, while long-term Swedish bond interest rates have been at very low levels since the summer of 2011. Guaranteed interest rates also apply to future payments. This makes it very difficult to generate high returns over time since the guarantee levels tie up large amounts of capital that cannot be invested freely. This is not a sustainable solution in the long term for our customers. Consequently, we have actively started offering customers a lower guarantee level in exchange for a more flexible investment portfolio that is to generate higher returns over time. This work is being carried out in stages and 65,000 customers received the first offer in 2013. We expect to offer New Trad to a further 220,000 customers in 2014 and we have a target that 35% will have accepted the offer by 2016.

Low interest rates are of great significance to a Swedish life-assurance company, such as Länsförsäkringar Liv, that calculates its market value and discounts its liabilities with relatively long-term Swedish government bonds. The Swedish ten-year government bond has now climbed to about 2.50% from 1.50%, which was positive for discounting our technical provisions.

The Swedish Financial Supervisory Authority announced in the autumn that it intended to introduce a yield curve similar to Solvency II at year-end 2013 for calculating technical liabilities. We have a positive opinion of this change, particularly because it involves a more stable yield trend and volatility in liabilities in the balance sheet will decline considerably. Solvency II will be fully effective from 2016. We do not expect any transition rules similar to those announced in Germany, for example, and instead we are making preparations for full implementation. Already this year, we will adhere to the Solvency II rules regarding our partial internal model.

Also regarding Solvency II, we can conclude that this year has again involved intense work on our partial internal model and we will complete it for submission in our preparatory review to the Financial Supervisory Authority.

Continued solvency strengthening

In 2013, we successfully continued our programme to strengthen our key figures and achieved a solvency ratio of 118 during the year, which is 5 percentage points higher than at the start of the year. Rising interest rates and conversions to New Trad are the main drivers, though lower costs also contributed. However, our solvency ratio remained too low and work strengthening solvency is continuing, particularly through New Trad where customers accept a lower guarantee level in exchange for more flexible investment opportunities. A key factor for success is having many customers accept the New Trad offering.

Our cost-savings programme progressed and we attained our target of 0.3% in relation to managed assets. The target is continued cost savings.

Stockholm, February 2014

JÖRGEN SVENSSON
President of Länsförsäkringar Liv

Board of Directors' Report

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corporate Registration Number 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2013 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag is a wholly owned subsidiary of Länsförsäkringar AB (Corporate Registration Number 556549-7020). 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. Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. Investments in traditional life assurance are normally invested in listed equities and interest-bearing securities, as well as properties and alternative investments. Investments in New World are normally comprised as follows: 30% interest-bearing securities and 70% equities. Market trends have entailed that the investment portfolio in Old Trad has largely contained interest-bearing assets and equities exposure has been low.

Market

Work on strengthening the key figures and balance sheet continued in 2013. This work contributed to the solvency ratio for Länsförsäkringar Liv improving by 5% to 118%. Focus was directed to activities in New Trad where customers can choose to change the conditions of their insurance. The key figures for Länsförsäkringar Liv were positively affected by rising long-term Swedish market interest rates.

The stock markets and fixed-income markets experienced major fluctuations during the year. Performance was driven by the highly expansive monetary policies of several central banks, while underlying economic trends remained weak. Global growth was hampered by debt reduction in both the public sector and among households. Several countries pursued an austere fiscal policy while private consumption was impeded by high savings. Central banks continued their highly expansive monetary policies and the purchase of government and mortgage bonds by the Federal Reserve had a huge impact on the market. Interest rates were low at the start of the year only to rise following expectations that the Federal Reserve would reduce its bond-buying stimulus, which it did from January 2014. Improved economic indicators from the US, and also from Europe, also lent support to rising interest rates.

In the autumn of 2013, the Swedish Financial Supervisory Authority decided to introduce a new discount rate to be used for calculating technical provisions. The new regulation is based on the principles that will apply in the forthcoming Solvency II rules. Under the regulations, the discount yield curve is to be calculated based on modelled macroeconomic assumptions of long-term interest-rate levels, instead of being based on current market rates. The yield curve will be less sensitive to changes in market interest rates. The aim of these new, more detailed, regulations, is also to achieve greater uniformity in insurance companies' valuation of technical provisions. The changed discount rate was positive for Länsförsäkringar Liv.

Significant events during the year – New Trad

During the year, the first customer groups were sent the offer of voluntarily changing the conditions of their traditional insurance policies. These new conditions entail a lower guaranteed bonus and a different investment portfolio. Länsförsäkringar Liv's high guarantees in traditionally managed insurance policies impacted the solvency ratio and presented an obstacle to freely and flexibly investing capital at higher expected returns. The first policies had their conditions changed to New Trad in May 2013. New Trad has a separate investment portfolio with higher risk, which creates opportunities for higher returns than in Old Trad. Investment income for New Trad was positive during the year, amounting to 4.3% in 2013. Collective consolidation in the portfolio of changed conditions was 115%.

New standard for recognition of insurance contracts

In June 2013, the IASB presented a revised draft of IFRS 4, a standard for recognising insurance contracts. The aim is to produce an effective standard for recognising insurance companies' technical liabilities fairly and transparently, also during periods of low interest rates. Over the past three years, the IASB has reviewed the comments and suggestions that were submitted regarding the proposal in 2010. The IASB has thoroughly redrafted the standard and gradually introduced changes. The additional comment period that was extended by four months, encompasses rules for market-consistent valuation of technical provisions and recognising earnings. The additional comment period was held because the IASB had made extensive changes compared with most recent formal comment period in 2010. The IASB plans to publish the complete standard at the start of 2015. The standard is scheduled to come into effect in 2018 following a transition period that is expected to have a duration of three years. The standard will become law in the European Union once it has been adopted by the European Commission.

Solvency II – risk-based regulatory requirements from 2016

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency

II, at the end of 2009. These changed Solvency II rules are extensive and affect a number of areas of the insurance companies' operations. For example, the new rules place more rigorous demands on governance and risk control. The rules also stipulate that the requirements for minimum buffer capital must be better adjusted to the individual insurance company's actual level of risk. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority prior to application. Länsförsäkringar Liv has applied to the Financial Supervisory Authority for a preparatory review of the partial internal model for calculating the Solvency Capital Requirement. An application has also been submitted for the approval of an internal model for the insurance group. The Group's insurance companies will thus be able to work with measures of capital requirement that are better aligned with the specific risks of each company than those in the standard formula.

The timeframe for the introduction of Solvency II has been successively postponed. In the spring of 2013, the European Insurance and Occupational Pensions Authority (EIOPA) concluded its analysis of certain measures to reduce the effects of short-term market valuations in the valuation of long-term insurance commitments under the Solvency II regulations (Long-Term Guarantee Assessment, LTGA). More than 500 European insurance companies participated in the analysis, including Länsförsäkringar Liv. Based on the EIOPA's LTGA report, institutions in the EU succeeded in reaching an agreement in November 2013. Under this agreement, the Solvency II regulations in their entirety are to apply from January 1, 2016. However, from as early as January 1, 2014, companies encompassed by the Solvency II rules are to begin applying the preparatory guidelines issued by EIOPA. The guidelines comprise the following areas: 1) system of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

Länsförsäkringar Liv and other subsidiaries of Länsförsäkringar AB have made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar Liv essentially meets the requirements of the EIOPA's guidelines as per January 1, 2014. This work 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.

Earnings and financial position

Profit for Länsförsäkringar Liv amounted to SEK 5.2 billion (4.9). The positive earnings were largely explained by the sharp upturn in long-term market interest rates. The Swedish ten-year government bond rate rose by almost 1 percentage point. The increase in interest rates meant that liabilities to the policyholders declined. Liabilities were discounted by the market interest rate and thus the increase in interest rates contributed positively to earnings. Technical provisions declined SEK 11.8 billion. However, investment income in Länsförsäkringar Liv was negatively impacted by rising market interest rates. Long interest-bearing investments declined in value. The positive net earnings due to the increase in interest rates was the result of a deliberate strategy for how assets were matched against liabilities.

The introduction of New Trad also contributed to the positive result. Changing conditions to New Trad means that the guaranteed commitments decline, which has a positive effect on liabilities and earnings. Lower liabilities also provide greater scope for investments with higher expected returns.

In 2013, the company also worked actively on reducing it operating expenses. The company lowered its operating expenses by a total of 16% during the year.

The total return in Länsförsäkringar Liv's traditional portfolio, Old Trad, was a negative 3.0% (pos: 6.1) and net investment income included in profit and loss totalled a loss of SEK 1,744 M (pos: 7,660). The total return amounted to 4.3% for New Trad and to 12.8% (12.2) for New World.

Premium income

Premium income in Länsförsäkringar Liv (Group) in 2013 amounted to SEK 3,698 M (4,670), down 21%. The insurance portfolio has declined since new sales was discontinued. External transfers, paid-up insurance and no new additions of insurance resulted in the portfolio declining. Payments continued to be made for premium paying insurance policies in the portfolio, but premium income is declining as final insurance payments are made. One-off payments have essentially ceased since new sales were discontinued, which also adversely affected premium income.

Claims payments

Claims paid amounted to SEK 7,645 M (7,491).

Change in technical provisions

Technical provisions after provision for claims outstanding and reinsurance amounted to SEK 91,585 M (104,942). Surpluses in the New World management form have been reserved in the form of conditional bonus since 2011. In 2012, Länsförsäkringar Liv started making individual provisions, which led to a deferred capital contribution of SEK 55 M (86) for the year.

Asset management

Net investment income totalled negative SEK 1,744 M (pos: 7,659). Investment assets according to the balance sheet including conditional bonus fell to SEK 112,755 M (126,528) during the year. The bonus rate was lowered to 0% on November 1, 2011 and increased to 1% on November 1, 2013. The bonus rate in New Trad was 5% during 2013. The average bonus rate since Länsförsäkringar's traditional life-assurance operations were started in 1985 is 8.3%.

Traditional life assurance – New Trad

Strengthening the key figures was the focus in 2013. Activities in New Trad were an important part of this work. New Trad entails that customers are offered the opportunity to change the conditions of their traditional insurance policies. Lower guarantee levels combined with lower fees allow a changed investment mix with higher expected returns and improved opportunities for future increases in the value of savings.

Due to the broader risk scope in New Trad, the portfolio has a higher percentage of equities than the Old Trad portfolio, approximately 30% in New Trad compared with 2% in Old Trad. In addition, the capital is invested in properties and bonds yielding higher returns. The higher element of risk in the New Trad investment portfolio also entails higher expected returns and bonuses. At the end of May, the first customers were sent offers inviting them to change the conditions of their insurance product to New Trad. The response has been positive and on December 31 about 13,300 customers had changed the conditions of their insurance. The work on contacting and informing customers is continuing. Collective consolidation in New Trad was 115% at year-end and the bonus rate was 5% during 2013.

Old Trad

No major changes were made to the investment mix for Old Trad during 2013. A narrow risk scope meant that the percentage of long-term interest-bearing investments continued to dominate the portfolio. On December 31, 2013, asset allocation in Länsförsäkringar's traditionally managed Old Trad portfolio was as follows: 92% in interest-bearing securities, 2% in equities, 4% in alternative investments and 2% in property. The return on the various asset classes was as follows: Interest-bearing securities negative 3.8% (pos: 6.2), equities 21.6% (1.4), alternative investments 4.7% (14.2) and properties negative 4.0% (pos: 5.1). The company is in the final stage of the preparations for the forthcoming Solvency II regulations. During the autumn, the company gradually adjusted the investment portfolio to the transition rules for the discount rate prior to Solvency II that will come into effect from the start of 2014. Accordingly, durations in the fixed-income portfolio could be reduced slightly.

Collective consolidation in Old Trad was 107% at year-end. The bonus rate for Old Trad was raised from 1% from November 1, 2013.

New World

In the New World management form, approximately 30% of the customers' capital is invested in bonds and 70% in Swedish and foreign equities. 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.

The return in New World during 2013 was favourable, and particularly equities investments in mature markets contributed to the positive result. The return in December 2013 amounted to 12.8% (12.2).

Insured Pension

Insured Pension is Länsförsäkringar Liv's product for private pension savings. 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 fund that follows the trends on the stock markets. As a result, the savings perform differently for different savers. It is no longer possible for new savers to join Insured Pension.

Risk operations

Risk operations comprise life-assurance, health-insurance and non-life insurance products. These products contain life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit. From 2013, essentially all new policies underwritten in risk insurance were transferred from Länsförsäkringar Liv to Länsförsäkringar Fondliv. The risk result for Länsförsäkringar Liv amounted to SEK 274 M (459). The weaker earnings were largely due to lower premium income but also higher claims outcome. The claims ratio totalled 54% (44).

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 individual risks are reinsured, and catastrophe insurance in the event of a unique major event. Part of the reinsurance programme is managed internally within the Länsförsäkringar Alliance.

Solvency

Länsförsäkringar Liv has worked actively since the start of 2011 on strengthening its solvency and reducing risks. For example, the investment portfolio was further matched against liabilities to protect the company's balance sheet from falling interest rates. The solvency ratio shows the value of the company's assets in relation to the guaranteed commitments to customers. Since solvency is one of the company's most important financial restrictions, at lower levels the solvency ratio becomes a measure of the long-term ability to generate returns. The solvency ratio amounted to 118% (113) on December 31, 2013 and the solvency rate to 4.3. The solvency rate comprises the relation between the company's capital base and capital requirement. The solvency rate and solvency ratio are measures that reflect the company's capacity to quickly pay out the entire guaranteed capital. The solvency ratio improved 5 percentage points in 2013.

Collective consolidation

Collective consolidation in Old Trad amounted to 107% (111) on December 31, 2013. The measurement describes the market value of the assets in relation to the guaranteed commitments and the preliminary bonus allocation. The debt coverage ratio for private insurance amounted to 117% (112) and for occupational pensions to 117% (112).

Five-year summary

The five-year summary is on page 9.

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. 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.

Länsförsäkringar Liv is primarily exposed to life-assurance risks and market risks. The risks that entail the highest capital requirement under market risks are: spread risk, equities 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 adequacy requirements by a healthy margin.

The European Parliament is expected to soon set the date for the introduction of the new EU capital adequacy rules, Solvency II, as January 1, 2016. In preparation for these new rules, the European Insurance and Occupational Pensions Authority (EIOPA) decided on preparatory guidelines. These guidelines include requirements on system of governance and risk management system, Own Risk and Solvency Assessment (ORSA), reporting to supervisors and pre-application of internal models.

Länsförsäkringar Liv is well prepared for the new requirements and in 2013 continued its work on finalising a partial internal model for measuring risk and calculating the Solvency Capital Requirement under Solvency II. The model was subject to a preparatory review by the Financial Supervisory Authority in 2013, but has not yet been completed.

Employees

Leadership and performance

Employeeship at Länsförsäkringar AB means assuming responsibility through personal development in skills, health, business improvements and cost awareness. The aims of employeeship are stated in the personnel policy and the company's performance management work model.

The basis for employee performance and development, in both the short and long term, is the business plan and values and employees receive regular feedback on their performance. Maintaining positive health and a good working environment is essential for improving performance and is continuously followed up in talks between managers and employees.

During the year, Länsförsäkringar AB produced a new leader profile that details the company's expectations of its managers. The values of the leader profile are expressed in the forms of attitudes and behaviours and describe what managers should know, be and do in five areas: lead development, lead change, lead employees, lead the business and lead oneself. A leader profile also ensures that the company's recruits, develops and promotes managers with the right skills.

Part of equality efforts is to create a more even gender distribution among managers. The current distribution in the Länsförsäkringar AB Group is 58% (60) men and 42% (40) women. The target figure for 2015 is 50% men and 50% women in corporate management and at department and Group management level.

Health

The company's basic outlook is that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of being an attractive employer. It also helps to reduce sickness absence. Länsförsäkringar AB offers generous preventive health care benefits and employees can exercise for one hour a week during working hours. Länsförsäkringar's own fitness facility includes a gym, fitness classes, and health-inspiring preventive health care activities, subsidised massages and a personal trainer at cost price. All employees have health care insurance that provides rapid access to specialised care. Medical advice and follow-ups are provided through the sickness reporting service and managers can receive professional advice regarding rehabilitation for employees, if required.

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 9 Employees, staff costs and remuneration of senior executives. In accordance with the regulations and general advice of the Financial Supervisory Authority (FFFS 2011:2) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors of Länsförsäkringar Liv adopted a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Environment

Länsförsäkringar Liv believes that environmental considerations are natural elements of contributing to sustainable development in modern-day society. Länsförsäkringar Liv's environmental management system has been ISO 14001-certified since 2004. This certification was confirmed with a new certification partner this year, SFK Certification. Work is continuously carried out to reduce environmental impact in line with the company's environmental policy. A number of areas with a negative impact on the environment have been identified. To reduce the environmental impact, train travel is increasingly used for business trips according to the company's travel guidelines. To reduce the amount of business travel, investments were also made in technical equipment that will allow meetings to be held by telephone, video or online.

Another areas that the company is working on is to reduce paper-based communication with every customer. The Länsförsäkringar AB Group has set a target of reducing the volume of paper-based communication by 80%, to be achieved over a number of years, by changing its method of communication with customers. To reduce the consumption of paper, digital solutions are being developed and the Internet channel enhanced.

Significant events after the end of the fiscal year

The bonus rate for New Trad was adjusted from 5% to 6% on January 1, 2014. This adjustment was possible due to the high collective consolidation and returns that covered the bonus rate by a very healthy margin.

At the end of 2013, a new organisation was decided that is to take effect from January 1 2014. With this new organisation, Länsförsäkringar Fondliv will take over the operations of the life-assurance administration that was previously performed by Länsförsäkringar Liv. In addition, the company will take over claims adjustment and risk assessments, as well as management of operations-related IT systems that were previously performed by Länsförsäkringar AB. Länsförsäkringar Fondliv will sell services to Länsförsäkringar Liv and the regional insurance companies.

In conjunction with Länsförsäkringar Fondliv taking over operations that were previously performed by Länsförsäkringar Liv, some employees will also be transferred from Länsförsäkringar Liv to Länsförsäkringar Fondliv.

Expectations regarding future development

Länsförsäkringar Liv followed an established plan for strengthening the balance sheet and improving key figures. The solvency ratio improved during the year but remains an excessively low level. The opportunities for investing savers' capital was limited by the narrow risk scope. The current investment portfolio for Old Trad, of which more than 90% comprises interest-bearing investments, is deemed to contain too low a level of high-yield assets to generate sufficient returns over time. Broader risk scope provides greater freedom and enables investments with higher expected returns. For this reason, efforts to strengthen solvency will remain one of the company's most important targets.

Changing conditions to New Trad is the single activity that is considered to have the greatest positive effect on solvency and thus for the company's customers. More and more customers will be given the offer of changing the conditions of their insurance policies to New Trad during 2014.

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 2014.

Group

Total equity for the Group amounted to SEK 17,118 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2013, recognised profit amounted to 5,236 M.

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

Net profit for the year	5,236
Total	**5,236**

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

Defined-contribution occupational pension insurance	1,150
Occupation-linked health insurance and premium exemption	217
Individual traditional life assurance	3,894
Non-cancellable accident and health insurance and premium exemption	–24
Cancellable group accident insurance	–4
Group life assurance and employment group life assurance	–1
Assumed reinsurance	**2**
Total	**5,236**

TOTAL RETURN TABLE

Investment assets in traditional management, Old Trad, SEK M	Total return, %	Market value, Dec 31, 2013	%	Market value, Dec 31, 2012	%
Interest-bearing	–3.84	89,752	92.0	101,761	93.0
Equities	21.65	1,677	1.7	1,829	1.7
Alternative investments[1)]	4 .72	4,265	4.4	3,884	3.5
Property	–3.95	1,832	1.9	2,016	1.8
Total	–3.0	**97,526**	**100**	**109,490**	**100**

RECONCILIATION TOTAL RETURN TABLE WITH BALANCE SHEET

	Dec 31, 2013	Dec 31, 2012
Land and buildings	–	–
Interest-bearing securities issued by Group companies and loans to Group companies	7,003	7,506
Shares and participations	10,276	10,052
Bonds and other interest-bearing securities	84,130	93,093
Derivatives	2,846	8,730
Other financial investment assets	1,745	1,771
Assets for conditional bonus	5,978	4,564
Cash and cash equivalents	3,648	3,968
Accrued interest and rental income	745	1,135
Derivatives, liabilities	–2,611	–7,000
Total	**113,760**	**123,819**
Adjustments		
Market value, subsidiary	1,427	1,438
Market value, associated property company	228	330
Assets in New World management	–12,997	–12,871
Assets in New Trad management	–2,986	–
Group account balance	–381	–342
Trading book	–722	–719
Other	–803	–2,165
Total	**97,526**	**109,490**

1) The valuation of alternative investments on December 31 is based on the most recent information from fund managers.

Five-year summary

	2013	2012	2011	2010	2009
Earnings, Group, SEK M					
Premium income for own account	3,388	4,319	6,514	6,700	6,072
Investment income, net	–1,744	7,659	4,530	7,654	14,465
Claims payments	–7,645	–7,491	–5,432	–4,354	–4,300
Disbursed and balanced bonus	–1,888	–1,891	–1,669	–1,591	–1,719
Technical result, insurance operations	5,495	5,447	–12,226	4,670	19,001
Net profit/loss for the year	5,173	4,872	–13,063	3,716	18,106
Financial position, SEK M					
Financial assets measured at fair value, Group	106,777	121,964	113,920	105,872	106,781
Technical provisions, net in the Group	91,585	104,942	106,913	83,446	83,115
Solvency capital, Parent Company	17,226	13,970	10,981	34,065	30,997
Of which surplus value in Group companies and associated companies	395	412	483	1,964	1,510
Of which deferred tax	–	–	7	107	65
Collective consolidation capital, Parent Company	6,309	10,325	8,772	6,397	6,111
Capital base, Parent Company	17,226	13,970	10,981	34,065	30,997
Required solvency margin, Parent Company	3,991	4,527	4,580	3,652	3,622
Capital base for the insurance group	17,226	13,969	10,981	33,224	25,409
Required solvency margin for the insurance group	3,991	4,527	4,582	4,203	4,093
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.3	0.3	0.6	0.6	0.9
Direct yield on assets in traditional management	2.7	4.8	7.7	4.1	2.3
Total return on assets in traditional management	–3.0	6.1	6.5	4.1	2.3
Total return on assets in New World management	12.8	12.2	–3.8	8.9	24.3
Total return on assets in New Trad management	4.3	–	–	–	–
Collective consolidation ratio for traditional management	107	111	109	107	107
Collective consolidation ratio for New Trad management	115	–	–	–	–
Solvency ratio	118	113	111	141	137
Solvency rate, multiple	4.3	3.1	2.4	9.3	8.6
Bonus rate before tax and expenses	0.2	0.0	4.0	6.2	0.8
Bonus rate after tax, average:					
Endowment insurances (tax rate 30%)	4.55	–0.50	3.25	5.33	–0.22
Pension insurances (tax rate 15%)	4.77	–0.39	3.59	5.7	0.25

Financial statements

Income statement

TECHNICAL RECOGNITION OF LIFE-ASSURANCE OPERATIONS		Group		Parent Company	
SEK M	**Note**	**2013**	**2012**	**2013**	**2012**
Premium income					
Premium income before ceded reinsurance	3	3,698	4,670	3,698	4,670
Premiums for ceded reinsurance		–310	–351	–310	–351
Total premium income after ceded reinsurance		**3,388**	**4,319**	**3,388**	**4,319**
Investment income, revenue	4	**4,172**	**13,529**	**4,073**	**13,449**
Unrealised gains on investment assets	5	**996**	**1,040**	**996**	**1,040**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus		139	47	139	47
Claims payments					
Claims paid before ceded reinsurance	6	–7,885	–7,682	–7,885	–7,682
Reinsurers' portion		140	132	140	132
Total claims paid after ceded reinsurance		**–7,745**	**–7,550**	**–7,745**	**–7,550**
Change in provision for claims outstanding before ceded reinsurance		101	50	101	50
Reinsurers' portion		–1	9	–1	9
Total change in provision for claims outstanding after ceded reinsurance		**100**	**59**	**100**	**59**
Total claims payments after ceded reinsurance		**–7,645**	**–7,491**	**–7,645**	**–7,491**
Change in other technical provisions after ceded reinsurance:					
Life-assurance reserve		13,259	1,935	13,259	1,935
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus		–1,417	–562	–1,417	–562
Operating expenses	7, 8, 9	**–347**	**–412**	**–359**	**–406**
Investment income, expenses	10	**–1,442**	**–2,139**	**–1,326**	**–2,011**
Unrealised losses on investment assets	11	**–5,608**	**–4,818**	**–5,608**	**–4,818**
Technical result, life-assurance operations		**5,495**	**5,447**	**5,500**	**5,503**
NON-TECHNICAL RECOGNITION					
Technical result, life-assurance operations		5,495	5,447	5,500	5,503
Other non-technical expenses		–281	–460	–	–
Profit before tax/Profit before appropriations and tax		**5,214**	**4,987**	**5,500**	**5,503**
Tax allocation reserve		–	–	74	–100
Tax	12	–40	–115	–338	–553
NET PROFIT FOR THE YEAR		**5,174**	**4,872**	**5,236**	**4,850**

Statement of comprehensive income

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Net profit for the year	**5,174**	**4,872**	**5,236**	**4,850**
Other comprehensive income				
Items that cannot be transferred to profit and loss	–1	–	–	–
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	**5,173**	**4,872**	**5,236**	**4,850**

Performance analysis 2013

SEK M	Total	Direct insurance in Sweden Occupational pension: Defined-contribution insurance	Direct insurance in Sweden Occupational pension: Health insurance and premium exemption
Premium income before ceded reinsurance	**3,698**	**2,047**	**456**
Premiums for ceded reinsurance	–310	–63	–169
Total premium income after ceded reinsurance	**3,388**	**1,983**	**287**
Investment income, revenue	**4,073**	**2,050**	**82**
Unrealised gains on investment assets	**996**	**501**	**19**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk			
Conditional bonus	139	–	–
Claims payments			
Claims paid before ceded reinsurance	–7,885	–4,349	–193
Reinsurers' portion	140	38	47
Total claims paid after ceded reinsurance	**–7,745**	**–4,311**	**–146**
Change in provision for claims outstanding before ceded reinsurance	101	–	26
Reinsurers' portion	–0	–	–7
Total change in Provision for claims outstanding after ceded reinsurance	**100**	–	**19**
Total claims payments after ceded reinsurance	**–7,645**	**–4,311**	**–127**
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	13,259	5,686	–
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	–1,417	–864	–
Operating expenses	**–359**	**–232**	**22**
Investment income, expenses	**–1,326**	**–653**	**–27**
Unrealised losses on investment assets	**–5,608**	**–2,859**	**–113**
Technical result, life-assurance operations	**5,500**	**1,302**	**143**
Tax allocation reserve	74	–8	120
Tax	–338	–144	–45
NET PROFIT FOR THE YEAR	**5,236**	**1,150**	**217**
Run-off result	439		319
Technical provisions, before ceded reinsurance			
Life-assurance reserves	89,383	47,204	5
Provision for claims outstanding	2,201	14	1,079
Total	**91,585**	**47,218**	**1,084**
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	5,978	4,225	–
Reinsurers' portion of technical provisions			
Provision for claims outstanding	605	3	405
Collective consolidation funds	**16,291**	**3,762**	**1,423**

Performance analysis 2013, 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	Assumed reinsurance
Premium income before ceded reinsurance	**1,043**	**120**	**30**	**1**	**1**
Premiums for ceded reinsurance	–24	–53	–	–	–
Total premium income after ceded reinsurance	1,019	**66**	**30**	**1**	**1**
Investment income, revenue	**1,867**	**68**	**5**	**1**	–
Unrealised gains on investment assets	**459**	**16**	1	**0**	–
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk					
Conditional bonus	139	–	–	–	–
Claims payments					
Claims paid before ceded reinsurance	–3,163	–161	–18	–0	–
Reinsurers' portion	24	31	–	–	–
Total claims paid after ceded reinsurance	**–3,140**	**–130**	**–18**	**–0**	**–**
Change in provision for claims outstanding before ceded reinsurance	–	69	6	–	–
Reinsurers' portion	–	6	–	–	–
Total change in Provision for claims outstanding after ceded reinsurance	**–**	**75**	**6**	**–**	**–**
Total claims payments after ceded reinsurance	**–3,140**	**–55**	**–12**	**–0**	**–**
Change in other technical provisions before ceded reinsurance					
Life-assurance reserve	7,574	–1	–	–	–
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus	–553	–	–	–	–
Operating expenses	**–134**	**–2**	**–13**	**–0**	**–**
Investment income, expenses	**–621**	**–23**	**–2**	**0**	**–**
Unrealised losses on investment assets	**–2,536**	**–93**	**–7**	**–1**	**–**
Technical result, life-assurance operations	**4,074**	**–24**	**3**	**1**	**0**
Tax allocation reserve	–25	–8	–7	0	1
Tax	–155	7	0	–1	–
NET PROFIT/LOSS FOR THE YEAR	**3,894**	**–24**	**–4**	**–1**	**2**
Run-off result		120			
Technical provisions, before ceded reinsurance					
Life-assurance reserves	42,168	5	–	0	–
Provision for claims outstanding	102	935	71	–	–
Total	**42,270**	**940**	**71**	**0**	–
Provisions for life assurance for which the policyholder bears the insurance risk					
Conditional bonus	1,753	–	–	–	–
Reinsurers' portion of technical provisions					
Provision for claims outstanding	16	180	–	–	–
Collective consolidation funds	**10,053**	**991**	**57**	**1**	**4**

Balance sheet

ASSETS, SEK M	Note	Group Dec 31, 2013	Group Dec 31, 2012	Parent Company Dec 31, 2013	Parent Company Dec 31, 2012
Property and equipment					
Property and equipment	13	1	1	1	1
Total property and equipment		**1**	**1**	**1**	**1**
Intangible assets					
Other intangible assets	14	–	–	–	–
Total intangible assets		–	–	–	–
Investment assets					
Investment property/Land and buildings	15	1,427	1,435	–	–
Investments in Group companies and associated companies					
Shares and participations in Group companies	16	–	–	579	552
Interest-bearing securities issued by Group companies and loans to Group companies	17	6,043	6,545	7,003	7,507
Shares and participations in associated companies	18	252	333	251	292
Other financial investment assets					
Shares and participations	19	10,276	10,052	10,276	10,052
Bonds and other interest-bearing securities	20	84,130	93,093	84,130	93,093
Loans with collateral in fixed property		1,745	1,771	1,745	1,771
Derivatives	21	2,846	8,730	2,846	8,730
Other financial investment assets		56	–	56	–
Total investment assets		**106,777**	**121,964**	**106,887**	**122,002**
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	22	5,978	4,564	5,978	4,564
Reinsurers' portion of technical provisions					
Provision for claims outstanding		605	609	605	609
Receivables					
Other receivables	23	2,003	2,370	1,857	2,218
Total receivables		**2,003**	**2,370**	**1,857**	**2,218**
Other assets					
Deferred tax assets	12	0	0	–	–
Current tax asset		60	29	60	29
Cash and cash equivalents/Cash and bank balances		3,648	3,968	3,648	3,968
Total other assets		**3,708**	**3,997**	**3,708**	**3,997**
Prepaid expenses and accrued income					
Accrued interest and rental income		748	1,136	748	1,136
Prepaid acquisition costs	24	336	442	336	442
Other prepaid expenses and accrued income		0	0	0	0
Total prepaid expenses and accrued income		**1,084**	**1,578**	**1,084**	**1,578**
TOTAL ASSETS		**120,155**	**135,083**	**120,119**	**134,968**

Balance sheet, cont.

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group		Parent Company	
		Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Equity					
Share capital	25	8	8	8	8
Collective consolidation fund		11,935	8,911	11,055	8,093
Other reserves					
Equity method reserve		2	41	–	–
Net profit for the year		5,173	4,872	5,236	4,850
Total equity		**17,118**	**13,832**	**16,299**	**12,951**
Tax allocation reserve		–	–	**532**	**607**
Technical provisions before ceded reinsurance					
Life-assurance reserve	26	89,383	102,638	89,383	102,638
Provision for claims outstanding	27	2,202	2,304	2,202	2,304
Total technical provisions		**91,585**	**104,942**	**91,585**	**104,942**
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus		5,978	4,564	5,978	4,564
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	28	21	41	30	38
Deferred tax liabilities	12	117	134	–	–
Other provisions		8	1	7	1
Total provisions for other risks and expenses		**146**	**176**	**37**	**39**
Deposits from reinsurers		**605**	**609**	**605**	**609**
Liabilities					
Due to credit institutions		–	–	–	–
Derivatives	21	2,611	7,000	2,611	7,000
Other liabilities	29	1,733	3,542	2,113	3,878
Total liabilities		**4,344**	**10,542**	**4,724**	**10,878**
Accrued expenses and deferred income					
Other accrued expenses and deferred income		378	418	358	378
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**120,155**	**135,083**	**120,119**	**134,968**
MEMORANDUM ITEMS	30				
For own liabilities, pledged assets		112,699	121,459	112,699	121,459
Other pledged assets		4	6	4	6
Contingent liabilities		–	–	–	–
Commitments		495	796	495	796

For information about the Group's pledged assets and contingent liabilities, see note 30.

Statement of changes in shareholders' equity

SEK M	Group					Parent Company			
	Share capital	Collective consolidation fund	Equity method reserve	Retained earnings incl. net profit/loss for the year	Total	Share capital	Collective consolidation fund	Retained earnings incl. net profit/loss for the year	Total
Opening equity, January 1, 2012	**8**	**23,868**	**38**	**–13,063**	**10,851**	**8**	**25,995**	**–16,012**	**9,991**
Net profit for the year	–	–	–	4,872	4,872	–	–	4,850	4,850
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Comprehensive income for the year	–	–	–	4,872	4,872	–	–	4,850	4,850
Appropriation of profit	–	–13,063	–	13,063	–	–	–16,012	16,012	–
Transfer, equity method reserve	–	–3	3	–	–	–	–	–	–
Disbursed bonus	–	–1,891	–	–	–1,891	–	–1,891	–	–1,891
Closing equity, December 31, 2012	**8**	**8,911**	**41**	**4,872**	**13,832**	**8**	**8,093**	**4,850**	**12,951**
Opening equity, January 1, 2013	**8**	**8911**	**41**	**4,872**	**13,832**	**8**	**8,093**	**4,850**	**12,951**
Net profit for the year	–	–	–	5,174	5,174	–	–	5,236	5,236
Other comprehensive income for the year	–	–	–	–1	–1	–	–	–	–
Comprehensive income for the year	–	–	–	5,173	5,173	–	–	5,236	5,236
Appropriation of profit	–	4,872	–	–4,872	–	–	4,850	–4,850	–
Transfer, equity method reserve	–	39	–39	–	–	–	–	–	–
Disbursed bonus	–	–1,888	–	–	–1,888	–	–1,888	–	–1,888
Closing equity, December 31, 2013	**8**	**11,935**	**2**	**5,173**	**17,118**	**8**	**11,055**	**5,236**	**16,299**

All equity is classified as restricted.

Cash-flow statement

SEK M	Note	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Net profit for the year before tax		5,214	4,987	5,574	5,400
Income and yield tax paid		–367	–657	–365	–647
Disbursed bonus and pension collective agreements from collective consolidation fund		–1,888	–1,892	–1,888	–1,891
Adjustment for non-cash items	35	1,657	2,595	–7,340	–4,310
Total		**4,617**	**5,034**	–4,019	**–1,448**
Change in other operating receivables and liabilities					
Assets		8,704	–8,046	9,366	–8,997
Liabilities		–13,640	–1,858	–6,168	5,978
Cash flow from operating activities		**–4,935**	**–4,870**	**–821**	**–4,467**
Investing activities					
Sale of subsidiary		–	1,561	–	298
Loans to Group and associated companies		–	–	503	960
Investments in property and equipment		–1	–1	–1	–1
Cash flow from investing activities		**–1**	**1,560**	**502**	**1,257**
Net cash flow for the period		**–319**	**–3,311**	**–319**	**–3,311**
Cash and cash equivalents, January 1		–3,968	7,279	–3,968	7,279
Cash and cash equivalents, December 31		3,649	3,968	3,649	3,968
Change in cash and cash equivalents		**–319**	**–3,311**	**–319**	**–3,311**

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.

All figures in SEK M unless otherwise stated.

1 ACCOUNTING POLICIES

Company information

This Annual Report was submitted on Dece mber 31, 2013 and pertains to Länsförsäkringar Liv Försäkringsaktiebolag (publ) which is a non-profit-distributing limited liability insurance company, with its registered office in Stockholm. The company's address is Tegeluddsvägen 21, SE-106 50 Stockholm, Sweden. The company's Corporate Registration Number is 516401-6627.

In addition to life-assurance operations, the company'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 immaterial, the company's entire operations have been recognised as life-assurance operations. 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) as adopted by the EU, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the applicable parts of the Swedish Financial Supervisory Authority's FFFS 2008:26.

The Parent Company's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general advice of the Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), and the Financial Reporting Board's recommendation RFR 2. Länsförsäkringar Liv applies legally restricted IFRS. These accounting policies comply with IFRS as far as possible within the framework of Swedish law. This means that the Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in International Financial Reporting Standards (IFRS).

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 are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest SEK M. Assets and liabilities are recognised at cost, except for most of the Group's financial assets and liabilities that 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 this Annual Report.

Corporate management's judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets and liabilities. These judgements and estimates are based on historical experiences and the best information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly.

Significant judgements applied to the Group's accounting policies

Significant judgements in the application of accounting policies were made in conjunction with deciding the classification of financial assets and liabilities. A new interpretation of the conditions of insurance contracts for the New World management form was made in 2011. The new assessment is that the surplus is to be recognised as conditional bonus instead of in the collective consolidation fund as previously. From 2012, individual conditional bonuses that have resulted in a provision for deferred capital contribution are recognised. These changes are not applied retrospectively to the accounts.

The accounting policies below provide a more detailed definition of the judgements made.

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. For further details, see the accounting policies for liabilities and note 2 Risks and risk management below.

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 normal involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

For the 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 details, see the accounting policies for investment assets below.

Changed accounting policies, new IFRSs

New standards and amendments to standards adopted by the EU that are to be applied from January 1, 2013 did not entail any significant changes to the company's financial reporting.

IAS 1 Presentation of Financial Statements. This amendment involves changes to the presentation of other comprehensive income. Other comprehensive income is divided into two items for items that are never recognised in profit and loss and items that can later be reversed to profit and loss. The revaluation effect of defined-benefit pension is recognised under the heading "Items that cannot be transferred to profit and loss."
IFRS 7 Financial Instruments: Disclosures has been revised, which entails that disclosures are to be provided for both financial instruments that are offset in the balance sheet and for financial instruments that are encompassed by netting agreements.
IFRS 13 Fair Value Measurement. A new standard that contains joint principles for fair value measurement for most of the assets and liabilities measured at fair value. The standard has entailed additional disclosure requirements, although the introduction of the standard did not impact the carrying amounts of financial instruments to any material extent.
Amended IAS 19 Employee Benefits. Under this amendment, the corridor method is no longer permissible. Actuarial gains and losses are to be rec-

ognised in other comprehensive income. Actuarial gains and losses were previously recognised in accordance with the corridor method. Returns calculated on plan assets are based on the discount rate utilised in the calculation of pension commitments. This means that the net interest of net pension liabilities now comprises the interest expense on pension liabilities and the interest income on plan assets. The difference between the actual and calculated return on plan assets is recognised in other comprehensive income.

IAS 36 Impairment of Assets. The amendment entails that information about the recoverable amount is to be provided for each cash-generating unit for which the carrying amounts of goodwill or intangible assets are significant in relation to the total carrying amount of the company's goodwill or intangible assets with indefinite useful lives. The IASB has issued an amendment to IAS 36 that states that disclosures regarding the recoverable amount are required only in conjunction with impairment. The IASB's amendments were applied in advance.

New IFRSs that have not yet been applied

A number of new or amended IFRSs will come into 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 amended IFRSs may have on the company's financial statements are described below.

The IASB has published the first parts of what will jointly comprise the final version of IFRS 9. The first part addresses the classification and measurement of financial assets. The categories of financial assets under IAS 39 will be replaced by two categories: measured at fair value or amortised cost. Amortised cost is to be utilised for instruments held as part of a business model, the goal of which is to collect the contractual cash flows. These cash flows are to comprise payments of principal and interest on the principal outstanding on specified dates. Other financial assets are to be measured at fair value and the fair value option under IAS 39 will be retained. Changes in fair value are to be recognised in profit and loss, except for changes in the value of equity instruments that are not held for trading and for which a decision has been made to initially recognise the changes in value in other comprehensive income. In November 2012, the IASB published a proposal for changes to the adopted rules for the classification and measurement of financial assets. According to these proposed amendments, which have not yet been adopted, a company is to measure its financial instruments at fair value via other comprehensive income under certain conditions. The IASB has also published the parts of IFRS 9 that pertain to the classification and measurement of financial liabilities.

The IASB plans to complete the work on correcting the adopted rules for classification and measurement of financial assets, and the ongoing work on new rules for the recognition of expected loan losses during the first half of 2014. The effective date has not yet been decided, but the IASB has announced that it will not be until at least January 1, 2017. The EU has not yet approved IFRS 9 and, accordingly, advance application of this standard is not permitted.

In addition, the other new elements are not deemed to have any material effect on Länsförsäkringar Liv's earnings or financial position.

Consolidated financial statements

The Group includes the Parent Company and the companies in which Länsförsäkringar Liv directly or indirectly holds more than half of the votes for all of the shares/participations. The consolidated financial statements were prepared following the purchase method in accordance with IFRS 3.

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises 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.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and capitalised in shares and participations with the donor.

Group contributions received from subsidiaries are recognised as according to the same principles as for recognising dividends, in accordance with the main rule in RFR 2. Group contributions paid to a subsidiary are recognised as an increase in 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 the Group contributions are accounted for according to the policies of dividends and shareholders' contributions. No Group contributions were paid or received during the fiscal year.

Translation of foreign currencies

Assets and liabilities in foreign currency have been translated according to the exchange rates prevailing on the balance-sheet date. Transactions in foreign currency are translated to the functional currency at the exchange rate on the date of the transaction.

Insurance contracts

In accordance with IFRS 4 Insurance Contracts, insurance contracts are to contain a certain amount of insurance risk to be treated as insurance contracts in the accounts. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts. Premiums for insurance contracts are recognised as premium income when payments are made for traditional life assurance. Expenses are recognised when they arise, except for variable costs that are capitalised, see Prepaid acquisition costs. Paid remuneration is recognised by the guaranteed portion being expensed and the bonus portion reducing equity.

Contracts with discretionary participation features

Länsförsäkringar Liv has assessed that there are contracts with discretionary participation features in its traditional life assurance. This means that the policyholders have a preliminarily distributable surplus. This preliminarily distributable surplus is not guaranteed. These contracts are recognised in accordance with the polices applied for insurance contracts. The preliminarily distributable surplus is recognised as equity.

Income recognition

Insurance contracts

Premiums for insurance contracts for traditional life assurance are recognised as premium income when payments are made.

Other technical revenue

Other income in the insurance operations is recognised under this item, such as management remuneration, portfolio sales and other items.

Tax

Yield tax

Yield tax is not a tax on an insurance company's earnings but it 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. Fees charged for yield tax for financial agreements are recognised in Changes in technical provisions for life assurance for which the policyholder bears the risk.

Income 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 that is 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. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. 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

Equipment

Equipment is recognised at cost less accumulated depreciation and any accumulated impairment. 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 and any scrapping and divestments are recognised 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.

Intangible assets

Other intangible assets

In the consolidated financial statements, internal expenses for systems development were capitalised in the balance sheet. The useful life is based on the nature of each system and the amortisation periods are three or five years from the date of completion. The value of the assets is tested for impairment every year.

Financial instruments

Financial assets and liabilities are classified in different categories based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition.

1. Financial assets and liabilities measured at fair value with the change in value in profit and loss. This category has two sub-categories:
   a) financial assets and liabilities that the company has initially chosen to include in this category according to the Fair Value Option. Länsförsäkringar Liv has decided to classify shares and participations, bonds and interest-bearing securities, and other financial investment assets including loans with collateral in fixed property in this category. The company selected this classification since the financial instruments are measured based on their fair value and this provides a better match to the life-assurance reserves discounted by the current market rate.
   b) assets and liabilities that are held for trading, which are derivatives among both assets and liabilities.
2. Held-to-maturity investments, measured at amortised cost. The company has no financial instruments in this category.
3. Loans and receivables, measured at amortised cost. This category includes other receivables, loans, cash and bank balances, accrued interest and rental income.
4. Available-for-sale financial assets, measured at fair value. The company has no financial instruments in this category.
5. Financial liabilities measured at amortised cost. Interest-bearing and non-interest-bearing financial liabilities that are not derivatives are included in this category.

Investment assets

Purchases and sales of investment assets are recognised in the balance sheet on the trade date. Non-cash-settled transactions on the balance-sheet date are recognised as receivables or liabilities to counterparties under Other receivables and liabilities.

Realised gains and losses comprise the difference between cost and the sales price. Realised gains and losses are recognised in Investment income, revenue and expenses. Unrealised gains and losses are the difference between cost and fair value. Previously unrealised changes in value are reversed in conjunction with sales. Unrealised gains and losses are recognised as unrealised gains and losses in profit and loss.

Investment property/Land and buildings

The Group's land and buildings were classified as investment property, meaning properties held to generate rental income and/or an increase in value. The properties are measured at fair value individually by an external appraiser. The valuations were conducted by using both location prices and the properties' cash flows. Since valuation is based on fair value, property is not depreciated.

Financial assets:

Shares and participations

Shares are measured at fair value. The current buying-rate is applied to the valuation of financial investment assets and transaction costs are expensed directly on the acquisition date.

Shares and participations in Group companies, associated companies and joint ventures are measured at the lower of cost and fair value.

If an associated company is a partnership, the share of profit has been added to the Parent Company's earnings. Otherwise, the cost method was applied in the Parent Company's accounts.

Interest-bearing securities

Bonds and other interest-bearing securities are also measured at fair value according to the most recently listed buying-rate. When no such rate is available, a present value calculation is performed with respect to the market interest rates of comparable securities on the balance-sheet date. Capital gains/losses on bonds and other interest-bearing securities are calculated as the difference between sales value and amortised cost. In the calculation of amortised cost, the difference between cost and exercise price are allocated in profit and loss over the remaining term. The change in amortised cost is recognised net under Interest income. Unrealised changes comprise the difference between fair value and amortised cost.

Derivatives

All derivatives are measured at fair value in profit and loss.

Loans

Loans that comprise investment assets are measured at fair value.

Financial instruments not listed on an active market

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

Unlisted equities primarily comprise private equity funds, meaning units in funds that purchase, develop and sell unlisted companies. Valuation data is obtained from the various funds and valuation complies with the guidelines of the European Private Equity and Venture Capital Association. Measurement is based on the most recent information from fund managers, which normal involves quarterly measurement, one quarter in arrears.

Impairment

Financial instruments that are not measured at fair value are reviewed on each balance-sheet date to determine whether assets exist whose recoverable amount is less than the carrying amount. If it is deemed that the decrease in value is significant or protracted, an impairment loss is recognised. Impairment losses are expensed in profit and loss.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as prepaid acquisition costs in the balance sheet. 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.

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.

Liabilities

Technical provisions

Technical provisions comprise and life-assurance reserve and provision for claims outstanding.

Life-assurance reserve

The life-assurance reverse 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 cancellations 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 insurance 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. Assumptions regarding operating expenses and cancellations 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 carefully defined.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provision 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.

The provision for established claims corresponds to the discounted, 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 discount rate is determined based on current market interest rates in accordance with satisfactory practice.

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. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the yield curve used for life-assurance reserves. Similarly, a real yield curve was applied to index-linked disability annuities. This now applies to all disability annuities regardless of whether they are classed as occupational pensions.

Provisions for which the life-assurance policyholder bears the risk

This item comprises financial liabilities whereby the liability has a direct link to the value of a financial asset for which the Group does not have any risk in the change in value of the fair value of the asset.

A conditional bonus is recognised as a bonus for which the policyholder bears a financial or insurance risk that affects the amount of the bonus. The amount of conditional bonus is determined by the conditions of the insurance contracts. The provision is measured at the value of the assets linked to the contracts. For the conditional bonus for the Insured Pension and New World products is recognised in profit and loss and the balance sheet.

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 the number of employees who may accept the offer can be reliably estimated.

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations or similar institutions. 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.

Defined-contribution pension plans

Plans whereby the company's commitments are limited to the contributions that the company has undertaken to pay are classified as defined-contribution pension plans. 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.

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 defined-benefit pension plan. According to IAS 19, this pension plan entails that a company, as a rule, is to report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. The company does not have sufficient information to recognise the plans in accordance with IAS 19 and, accordingly, recognises these plans in accordance with the Swedish Financial Reporting Board's statement UFR 6.

Defined-benefit pension plans

Group

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 at 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 or 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 pension plans are recognised as staff costs in operating profit.

Parent Company

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.

Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The statement was recognised in accordance with the indirect method.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

2 RISKS AND RISK MANAGEMENT

Focus and aims of 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 in accordance with 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. Risk-taking is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5% (0.5).

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 exposure

The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital adequacy requirements by a healthy margin. Higher market interest rates that reduced technical provisions, adjustments in the investment portfolio and the effect of customers changing the conditions of their insurance to New Trad strengthened the company's key figures during the year. The solvency ratio for Länsförsäkringar Liv totalled 118% (113). The solvency rate was 4.3 (3.1). The ratio between the capital adequacy requirement and the capital buffer according to the Swedish Financial Supervisory Authority's traffic-light model was 237% (242).

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 life-assurance risks and market risks.
- 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 has reinsured its risk of paying life assurance and morbidity risks and taken out catastrophe reinsurance to limit its risks.
- Among market risks, equities risk, credit risk (spread risk) and interest-rate risk, and market risks are the risks that entail the highest capital requirements. Falling share prices comprise the greatest of these risks. Credit risk (spread risk) derive primarily from holdings in Swedish covered mortgage 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.

Risk management organisation

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 analysis 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 companies' risk management and risk control based on internal rules in various 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, insurance guidelines, risk assessment policy, instructions for reserve levels, reinsurance policy, solvency policy and investment guidelines.

Until the fourth quarter of 2013, the Länsförsäkringar AB Group had a Group-wide Finance Committee at Board level in which representatives from Länsförsäkringar Liv participated. The Finance Committee was a forum for financial business environment and macroeconomic analyses. During 2013, the Committee prepared and coordinated issues concerning asset management that were presented to the Board for decision. The Finance Committee also monitored achievements and compliance with determined targets, investment orientations and delegation instructions in 2013. During the fourth quarter, a Risk and Capital Committee was introduced for each company and took over the duties of the Finance Committee. The Risk and Capital Committee is to support the Board's work by examining and assessing risk-taking and capital requirements. The purpose of this change is to apply a stringent work method to the specific risks of each company since the risks and investment portfolios in the life-assurance and non-life insurance operations are deemed to require such different management and decisions that these risks are best managed by each individual company.

There is an Investment Committee at management level in Länsförsäkringar Liv which is 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, macroeconomic analyses and specified frameworks. Representatives for Länsförsäkringar Liv's corporate management, the Asset Management Unit and the risk control function participate in the Committee.

Ongoing management and follow-ups of individual risks are performed in the business operations. Each department at Länsförsäkringar Liv is responsible for identifying, measuring, monitoring, handling and reporting risks in their specific areas. This also applies to outsourced operations.

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 situation 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 are in compliance with regulatory requirements. 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.

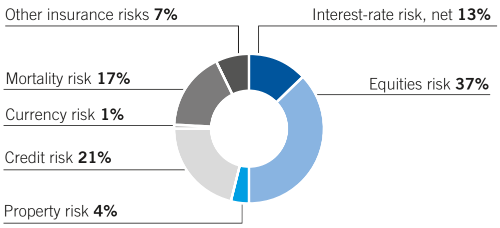
The *Audit Committee* monitors the quality of the financial reporting including the effectiveness of the internal control over the financial reporting. Operational risks and the corporate-governance system including the systems for internal governance and control are also monitored.

Risk modelling

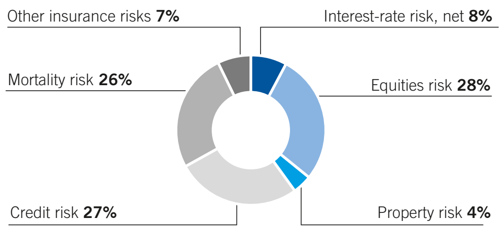
Länsförsäkringar Liv utilises a variety of analysis tools and simulation models in its risk management activities. An analysis of the supporting data for the Financial Supervisory Authority's traffic-light model is used for ongoing risk monitoring. With the framework of the preparations for Solvency II, work is underway on developing a partial internal model for measuring risk and calculating Solvency Capital Requirement.

The diagram below shows the specification of risk by main risk type in Länsförsäkringar Liv as at December 31, 2013 and December 31, 2012 in accordance with the traffic-light model. Diversification effects have been distributed proportionally.

Figure 1. **Risk profile for Länsförsäkringar Liv 2013**



Risk profile for Länsförsäkringar Liv 2012



Monitoring and governance of risk-taking and solvency

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 decisions on how the company's capital is to be managed. The preparations of proposals on investment orientations include an analysis of the impact on the company's key figures.

Länsförsäkringar Liv's solvency and debt coverage ratio exceed the statutory levels and the traffic-light model has given the company a green light.

Solvency II – future risk-based regulatory requirements

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, at the end of 2009. These changed Solvency II rules are extensive and affect a number of areas of the insurance companies' operations. For example, the new rules place more rigorous demands on governance and risk control. The rules also stipulate that the requirements for minimum buffer capital must be better adjusted to the individual insurance company's actual level of risk. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks rather than applying more generally as is the case under the standard formula. An internal model is to be approved by the Swedish Financial Supervisory Authority before it is used for reporting to the Authority. Länsförsäkringar Liv has applied to the Financial Supervisory Authority for a preparatory review of the partial internal model for calculating the Solvency Capital Requirement. 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 that those in the standard formula.

The timeframe for the introduction of Solvency II has been successively postponed. In the spring of 2013, the European Insurance and Occupational Pensions Authority (EIOPA) concluded its analysis of certain measures to reduce the effects of short-term market valuations in the valuation of long-term insurance commitments under the Solvency II regulations (Long-Term Guarantee Assessment, LTGA). More than 500 European insurance companies participated in the analysis, including Länsförsäkringar Liv. Based on the EIOPA's LTGA report, institutions in the EU succeeded in reaching an agreement in November 2013. Under this agreement, the Solvency II regulations in their entirety are to apply from January 1, 2016. However, from as early as January 1, 2014, companies encompassed by the Solvency II rules are to begin applying the preparatory guidelines issued by EIOPA. The guidelines comprise the following areas: 1) system of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

The Länsförsäkringar AB Group has made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar AB and its subsidiaries essentially meets the requirements of the EIOPA's guidelines as per January 1, 2014. This work 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.

Classification of risks

The following section describes Länsförsäkringar Liv's overall risks and their governance and management. The diagram below shows the classification of risk that is applied within Länsförsäkringar Liv.

Life-assurance risk

Life-assurance risks are the risks that arise in conjunction with undertaking to insure the life and health of individual people. Life-assurance risks can be divided into a number of sub-groups.

Longevity risk, mortality risk, risk of disability and morbidity

Longevity risk is the risk of losses occurring as a result of the insured living longer than assumed.

Mortality risk is the risk of losses occurring as a result of mortality among the insured being higher than assumed. The risk of disability and morbidity is the risk of losses occurring as a result of the insured's disability and morbidity being greater than assumed.

Expenses risk

In addition to the purely insurance risks, there are also such risks as expenses risk, which is the risk of losses occurring as a result of the estimated costs for conducting the company's operations not covering the company's actual costs. Länsförsäkringar Liv continuously monitors the status of operating expense assumptions in relation to actual costs at product level and at an overall level.

Cancellation risk

Cancellation risk the risk of losses occurring as a result of a change in the premium payments, repurchases or transfers deviating from that which has been assumed. This risk impacts expenses risk since higher cancellations lead to lower income and accordingly fewer opportunities for covering the company's actual operating expenses.

Catastrophe risk

Catastrophe risk (referred to below as CAT risk) refers to the risk of losses occurring as a result of natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Life-assurance risk management

The technical provisions correspond to the company's guaranteed commitments and are calculated per insurance contract after assumptions are made for mortality, interest rates, morbidity, the probability of recovery, operating expenses, cancellations 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 dominant.

Life-assurance risks 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 and health status of the insured. Medical examinations may also take place in certain cases. Information provided in claims adjustment processes is regularly checked.

Life-assurance risks are also limited through reinsurance. Länsförsäkringar Liv has reinsured its longevity and morbidity risks.

The table below shows the sensitivity to reasonably probable changes in several key actuarial assumptions.

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

Business risk
Strategic risk
Earnings risk
Reputation risk

Liquidity risk including financing risk

Concentration risk
In insurance operations

Table 1. Sensitivity analysis, life-assurance risk

Assumption before reinsurance	Change in assumption, %	Change in provision, SEK M 2013	2012
Mortality (incl. longevity risk)	–20%/+20%	+1,868/ –1,535	+2,600/ –2,110
Morbidity	+50%	+258	+285
Expense ratio	+10%	+340	+500
Discount rate (gross technical provision)	–1.0%	+11,390	+15,950

Market risk

Market risk is the risk of losses occurring as a result of changes, in level or volatility, of interest rates, financial asset prices and exchange rates. In the management of the 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. In order 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. 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 fulfilment of such legal restrictions as indebtedness and solvency rules and the Swedish Financial Supervisory Authority's traffic-light model. Länsförsäkringar Liv's Board makes decisions on allocation mandates and current risk limits for each management form and for the company as a whole. In this way, the Board takes a position on the level of risk applying to investment operations and the degree of freedom allowed to the operational management organisation in its efforts to improve earnings by changing risk utilisation.

The risk analysis department within asset management is responsible for monitoring of investment risks in line with the investment guidelines to ensure that the portfolio is within the desired and approved market risk levels. The market values of financial assets and liabilities are affected by changes in interest rates, exchange rates and share prices, as well as changes in their individual volatilities. Derivative instruments are increasingly utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. Table 2 below presents the sensitivity inherent in market risks.

Table 2. Sensitivity analysis, market risks

Sensitivity analysis		Impact on profit before tax, SEK M 2013	2012
Interest-rate risk	1% lower interest rate	–6,148	–4,000
Equities risk[1)]	10% lower share prices	–1,615	–1,433
Property risk	10% lower market value	–143	–144
Credit spread risk	1% increase in credit spread	–3,258	–4,328

[1)] Includes 10% lower prices on hedge funds.

Interest-rate risk

For the insurance company, interest-rate risk is normally the predominant market risk. Interest-rate risk is the risk of losses occurring as a result of changes in the level or volatility of market interest rates. 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. A fall in interest rates is normally unfavourable for Länsförsäkringar Liv since the company's liabilities will then increase more than its assets. 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. The insurance undertakings are presented in the table on the maturity structure of assets and liabilities that appears at the end of this note. The desired interest-rate risk is described and decided for an interval of net interest-rate sensitivity, meaning the difference the interest-rate sensitivity between liabilities and assets. In addition, there are limits in the sensitivity to only Swedish interest rates falling, for only interest rates on German government-backed paper and interest-rate swaps denominated in EUR increasing and for interest rates with long terms falling more than rates with shorter terms. Derivative instruments, such as interest-bearing swap contracts and swap options, are used to manage interest-rate risk and reduce the interest-rate sensitivity of the balance sheet. Exposure to market interest rate changes is presented in table 3 below as fixed-interest periods for fixed-interest assets and liabilities.

Equities risk

Equities risk is the risk of losses occurring as a result of changes in the level or volatility of share prices or prices of alternative investments. Equities risk are reduced by diversifying investments between different industries and geographic areas. As stated in the company's balance sheet, equities exposure in the company is low. The exposure that exists is attributable to the equity funds found in the New World portfolio. In addition, equities risk is also found to a certain extent in hedge fund holdings. On December 31, 2013, the percentage of equities in the balance sheet amounted to 10% (8) of the investment assets.

Property risk

Property risk is the risk of losses occurring as a result of 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.

Credit-spread risk

Credit-spread risk is the risk of losses occurring as a result of changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. 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 5 below shows that most of the interest-bearing investments have an AAA rating.

Table 3. **Fixed-interest periods for fixed-income investment assets less financial liabilities (including derivatives), SEK M**

Dec 31, 2013 Amounts in SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount
Assets									
Bonds and other interest-bearing securities	957	5,152	5,324	2,969	19,555	10,904	35,389	10,434	90,685
Cash and cash equivalents	3,689	–	–	–	–	–	–	–	3,689
Other assets	1,215	–	–	–	–	1,745	–	3,018	5,979
Total assets	**5,862**	**5,152**	**5324**	**2,969**	**19,555**	**12,649**	**35,389**	**13,452**	**100,352**
Liabilities									
Technical liabilities	–	–	–	–	–	–	–	97,583	97,583
Other liabilities	758	–	–	–	–	–	–	2,627	3,385
Total liabilities and equity	**758**	–	–	–	–	–	–	**100,190**	**100,968**
Difference assets and liabilities	**5,104**	**5,152**	**5,324**	**2,969**	**19,555**	**12,649**	**35,389**	**–86,738**	**–616**

Dec 31, 2012 Amounts in SEK M	Not more than 1 month	More than 1 month but not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 3 years	More than 3 years but not more than 5 years	More than 5 years	Without interest	Total carrying amount
Assets									
Bonds and other interest-bearing securities	935	5,738	5,401	1,236	23,267	12,601	44,773	6,239	100,189
Cash and cash equivalents	7,153	–	–	–	–	–	–	–	7,153
Other assets	1,685	–	–	–	–	–	–	8,820	10,506
Total assets	**9,773**	**5,738**	**5,401**	**1,236**	**23,267**	**12,601**	**44,773**	**15,059**	**117,848**
Liabilities									
Technical liabilities	–	–	–	–	–	–	–	109,506	109,506
Other liabilities	2,582	–	–	–	–	–	–	7,036	9,618
Total liabilities and equity	**2,582**	–	–	–	–	–	–	**116,542**	**119,126**
Difference assets and liabilities	**7,191**	**5,738**	**5,401**	**1,236**	**23,267**	**12,601**	**44,773**	**–101,433**	**–1,278**

The information also includes Interest-bearing securities issued by Group companies.

Currency risk

Currency risk is the risk of losses occurring as a result of changes in the level or volatility of 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 Decisions on the size of currency exposure are made in light of prevailing market conditions. In 2013, Länsförsäkringar Liv's overall objective was not to have any currency exposure.

The total net currency exposure on December 31, 2013 amounted to 1.5% (0.6) of total investment assets. Exposure by currency is shown in table 6.

Table 4. **Impact on earnings of a 10% change in the exchange rate with SEK**

	Impact on earnings before tax	
Currency	**2013**	**2012**
EUR	8	–28
GBP	17	–1
JPY	5	0
KRW	7	6
USD	93	96

Counterparty risk

Counterparty risk pertains to the risk of losses occurring as a result of counterparties being unable to fulfil their undertakings and that any collateral provided not covering the receivable. Länsförsäkringar Liv's exposure to counterparty risk primarily arises through the use of financial derivatives. Counterparty risks in financial derivatives are managed through internal regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure. Table 6 shows the maximum credit risk exposure without consideration of credit enhancement corresponds to the carrying amount of the assets on the balance-sheet date. The carrying amount is estimated to correspond to the maximum credit exposure, without consideration of credit enhancement corresponding to the carrying amount of the assets on the balance-sheet date.

Table 5. Credit quality of fully functioning financial assets

SEK M	2013	2012
Loans to credit institutions		
A	3,649	3,968
Total	3,649	3,968
Bonds and other interest-bearing securities		
AAA – Swedish Government	9,306	16,599
AAA – Government securities other than those issued by the Swedish Government	55	83
AAA – other	58,075	64,804
AA	5,171	3,277
A	7,184	7,805
BBB	6,165	5,652
BB	2,266	1,045
B	1,746	512
CCC	220	13
CC	2	0
No rating available	2,193	2,539
Total	92,385	102,331

The table includes accrued interest.

There is also counterparty risk in the exposure to the reinsurer Sweden Re. Sweden Re has an A rating from Standard & Poor's and the outstanding receivables on December 31, 2013 totalled SEK 466 M (475).

Operational risk

Operational risk is defined as the risk of losses occurring as a result of inappropriate or unsuccessful 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 both at company level and in the operating activities. A joint method and reporting format are used in these analyses. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter. The Risk Control function facilitates analyses and aggregates results to Länsförsäkringar Liv's management group and Board. Risk Control also monitors and reports the implementation of the action plans during the year.

Shared system support for the entire Länsförsäkringar Group is used for incident management. Furthermore, a business continuity plan is adopted annually by executive management.

Business-critical processes and their associated risks have been analysed and documented to strengthen the internal control. In conjunction with this, the most important controls, known as key controls, were also documented. Reporting on the outcome of implemented key controls is part of identifying improvements in the quality and efficiency of Länsförsäkringar Liv's processes and enhancing the management of critical risks. Reporting also creates an overview of the aggregated control environment.

Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions. Business risk is the risk of losses occurring as a result of business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases. Business risks are managed at 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.

Concentration 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 is primarily counterbalanced by decisions determining the maximum exposure per counterparty in financial derivatives, the diversification of investment assets, limits for exposure per reinsurer and discretionary reinsurance of the insured for very large individual risks.

In investment assets

Concentration risk is deemed to be small for the company in relation to market risks based on the diversification provided in the company's investment orientations. 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. The largest counterparties on both December 31, 2013 and December 31, 2012 were Nordea including Nordea Hypotek, Handelsbanken including Stadshypotek, SEB and Swedbank Hypotek.

In insurance operations

Länsförsäkringar Liv 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.

Table 6. Länsförsäkringar Liv's net exposure in foreign currency

	2013						2012					
	Assets	Effect of derivatives	Net assets after taking into account effect of derivatives	Liabilities	Net amount	Equivalent in SEK M	Assets	Effect of derivatives	Net assets after taking into account effect of derivatives	Liabilities	Net amount	Equivalent in SEK M
EUR	14,564	–14,555	9	0	9	79	16,347	–16,380	–32	0	–32	–275
GBP	221	–206	16	0	16	167	215	–216	–1	0	–1	–12
JPY	13,065	–12,180	885	0	885	54	0	0	0	0	0	0
KRW	92,516	–80,700	11,816	0	11,816	72	9,105	0	9,105	0	9,105	55
USD	3,236	–3,091	145	0	145	934	2,291	–2,143	148	0	148	963
Other currencies	–	–	–	–	–	337	–	–	–	–	–	12
Total exposure	–	–	–	–	–	**1,643**	–	–	–	–	–	**731**

Accordingly, Länsförsäkringar Liv's insurance risks are highly diversified. Länsförsäkringar Liv has taken out catastrophe reinsurance to further limit its risks. The insurance policy has been taken out so that the provisions regarding maximum retention in the insurance guidelines can be met by a healthy margin.

Liquidity risk including financing risk

Liquidity risk is the risk of losses occurring as a result of 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. 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. The CSA agreements that Länsförsäkringar Liv has with derivative counterparties require that collateral is 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 Group. For derivatives with positive values for the company, collateral is received which can reduce this risk. Table 7 below presents the discounted net cash outflows for technical provisions by year. Table 8 below shows the maturity structure of financial assets and liabilities.

Table 7. Discounted net cash outflows for technical provisions

	Percentage of cash flow, %	
Duration, years	**2013**	**2012**
0–5	28.1	22.8
5–10	21.6	20.4
10–15	16.8	17.3
15–20	13.0	14.3
20–30	13.8	16.4
30–	6.6	8.7

Table 8. Maturity structure of Länsförsäkringar Liv's financial assets and liabilities, the table presents undiscounted nominal values

Dec 31, 2013 SEK 000s	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal value	Carrying amount
Assets								
Bonds and other interest-bearing securities	395	1,265	7,932	38,128	53,917	10,640	112,278	84,955
Internal receivables	679	66	2,254	2,906	532	–	6,436	6,043
Cash and cash equivalents	3,648	–	–	–	–	–	3,648	3,648
Other assets	1,215	300	48	1,904	–	5	3,473	3,266
Total assets	**5,938**	**1,630**	**10,234**	**42,938**	**54,449**	**10,645**	**125,835**	**97,913**
Liabilities								
Technical liabilities	–	–	–	–	–	–97,563	–97,563	–97,563
Other liabilities	–758	–16	–	–	–	–16	–790	–790
Total liabilities	**–758**	**–16**	**–**	**–**	**–**	**–97,579**	**–98,353**	**–98,353**
Difference assets and liabilities	**5,180**	**1,614**	**10,234**	**42,938**	**54,449**	**–86,934**	**27,482**	**–440**
Interest-rate derivatives, nominal flows	**–**	**–264**	**927**	**175**	**991**	**–**	**1,828**	**78**

Dec 31, 2012 SEK 000s	On demand	< 3 months	> 3 months < 1 year	> 1 year < 5 years	> 5 years	Without maturity	Total nominal value	Carrying amount
Assets								
Bonds and other interest-bearing securities	–	1,530	7,852	31,332	42,029	2,485	85,229	93,644
Internal receivables	–	31	926	4,906	705	–	6,568	6,666
Cash and cash equivalents	7,153	–	–	–	–	–	7,153	7,153
Other assets	5,653	–	–	–	–	12	5,666	5,666
Total assets	**12,805**	**1,561**	**8,778**	**36,238**	**4,273**	**2,497**	**104,615**	**113,128**
Liabilities								
Internal liabilities	–	–	–	–	–	–	–	–
Technical liabilities	–	–	–	–	–	–109,506	–109,506	–109,506
Other liabilities	–2,584	–	–	–	–	–36	–2,620	–2,620
Total liabilities	**–2,584**	**–**	**–**	**–**	**–**	**–109,543**	**–112,127**	**–112,127**
Difference assets and liabilities	**10,221**	**1,561**	**8,778**	**36,238**	**4,273**	**–107,046**	**–7,512**	**1,001**
Interest-rate derivatives, nominal flows	–	–924	1,090	722	1,731	–	2,620	1,196

Bonds and other interest-bearing securities include amounts in the balance sheet classified as assets for conditional bonuses.

3 PREMIUM INCOME

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations				
Direct life assurance	3,090	4,007	3,090	4,007
Direct accident and health insurance	608	663	608	663
Total	**3,698**	**4,670**	**3,698**	**4,670**
Gross premium income for direct life assurance is distributed in the following categories				
Premiums for individual life assurance	2,862	3,765	2,862	3,765
Group insurance premiums	228	242	228	242
Total	**3,090**	**4,007**	**3,090**	**4,007**
Periodic premiums	2,413	3,058	2,413	3,058
Single premiums	677	949	677	949
Total	**3,090**	**4,007**	**3,090**	**4,007**
Premiums for contracts that do not carry bonus rights	218	204	218	204
Premiums for contracts that carry bonus rights	2,872	3,803	2,872	3,803
Premiums for which the policyholder bears the risk	–	–	–	–
Total	**3,090**	**4,007**	**3,090**	**4,007**

All premiums pertain to insurance in Sweden.

4 INVESTMENT INCOME, REVENUE

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Rental income	**115**	**131**	**0**	**22**
Dividends received outside the Group	464	2,587	464	2,587
Dividends received from Group companies	–	73	26	36
Dividends received from associated companies	19	18	19	18
Total dividends	**483**	**2,678**	**509**	**2,641**
Interest income				
Bonds and other interest-bearing securities	2,264	2,548	2,256	2,549
Interest income from Group companies	186	202	187	254
Other interest income	684	1,148	681	1,141
Total interest income	**3,134**	**3,898**	**3,124**	**3,944**
Reversed impairment				
Exchange-rate gains, net	**62**	**998**	**62**	**998**
Capital gains, net				
Land and buildings	0	360	0	514
Shares and participations	326	2,732	326	2,598
Bonds and other interest-bearing securities	38	2,732	38	2,732
Other investment assets	**13**	**–**	**13**	**–**
Total capital gains	**378**	**5,824**	**378**	**5,844**
Investment income, revenue	**4,172**	**13,529**	**4,073**	**13,449**

5 UNREALISED GAINS ON INVESTMENT ASSETS

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Land and buildings	0	–	0	–
Interest-bearing securities issued by and loans to Group companies	–	110	–	110
Bonds and other interest-bearing securities	996	155	996	155
Shares and participations	–	0	–	0
Derivatives	–	740	–	740
Other	–	35	–	35
Total	**996**	**1,040**	**996**	**1,040**

6 CLAIMS PAID BEFORE CEDED REINSURANCE

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Claims payment	–4,402	–4,338	–4,402	–4,338
Cancellations and repurchases	–3,469	–3,331	–3,469	–3,331
Claims adjustment costs	–14	–13	–14	–13
Total	**–7,885**	**–7,682**	**–7,885**	**–7,682**

7 OPERATING EXPENSES

	Group		Parent Company	
SEK M	**2013**	**2012**	**2013**	**2012**
Operating expenses in life-assurance operations distributed according to functions				
Acquisition	3	–34	3	–34
Change in the prepaid acquisition costs item Administration expenses	–106	–121	–106	–121
Administrative expenses	–405	–454	–418	–448
Commission and profit shares in ceded reinsurance	161	197	161	197
Total	**–347**	**–412**	**–359**	**–406**
of which, purchasing from the Länsförsäkringar AB Group	–406	–413	–406	–413
Total amount of direct insurance provisions	**–124**	**–159**	**–124**	**–159**
Total amount of research and development expenses that have been expensed	**–81**	**–109**	**–81**	**–109**

The item Acquisition below consists of Acquisition and Change in the prepaid acquisition costs items below. 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	
SEK M	**2013**	**2012**	**2013**	**2012**
Acquisition	–103	–155	–103	–155
Claims adjustment	–14	–14	–14	–14
Administration	–243	–243	–243	–237
Financial management	–88	–74	–88	–74
Property management	–10	–18	0	–1
Total	**–458**	**–504**	**–448**	**–481**

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 10 under asset management expenses, and costs for property management are recognised as direct costs for properties in note 15.

Group	Parent Company

7 OPERATING EXPENSES, cont.

SEK M	2013	2012	2013	2012
Total costs are distributed as follows				
Staff costs, etc.	–85	–95	–85	–95
Costs for premises, etc.	–1	–11	–1	–1
Amortisation/depreciation, etc.	–129	–168	–129	–168
Other	–243	–230	–233	–218
Total	**–458**	**–504**	**–448**	**–481**

8 AUDIT EXPENSES

	Group		Parent Company	
SEK M	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
KPMG AB				
Audit assignment	2	2	2	2
Audit operations in addition to the audit assignment	0	2	0	2
Tax consulting	0	–	0	–
Total	**2**	**4**	**2**	**4**

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.

9 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group and Parent Company

Average number of employees	2013	2012
Sweden		
Men	23	26
Women	53	56
Total number of employees	**76**	**82**
Salaries, other remuneration and social security expenses, SEK M		
Salaries and remuneration	38	38
of which, variable remuneration	–	–
Social security expenses	26	36
of which, pension costs	12	18
Total	**64**	**74**
Board of Directors and senior executives, 13 (16)		
Salaries and remuneration	11	9
of which, salary to President	3	3
of which, variable remuneration to President	–	–
of which, fixed salary to other senior executives	6	5
of which, variable salary to other senior executives	–	–
Social security expenses	8	7
of which, pension costs	4	3
Total	**19**	**16**
Total salaries, remuneration and social security expenses, SEK M		
Salaries and remuneration	49	47
of which, variable remuneration	–	–
Social security expenses	34	43
of which, pension costs	15	22
Total	**83**	**90**

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.

Remuneration and other benefits for senior executives

Parent Company 2013, SEK 000s	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution	Defined-benefit
Jörgen Svensson, President	3,457	–	1	1,677	5,135	50	–
Karl-Olof Hammarkvist, Chairman of the Board	267	–	–	–	267	–	–
Gunnar Wetterberg, Deputy Chairman of the Board	197	–	–	–	197	–	–
Ulrica Jansson Messing, Board member	285	–	–	–	285	–	–
Anders Grånäs, Board member	201	–	–	–	201	–	–
Henrik Perlmutter, Board member	104	–	–	–	104	–	–
Karin Starrin, Board member	104	–	–	–	104	–	–
Marie-Louise Zetterström, Board member	104	–	–	–	104	–	–
Birgitta Carlander, Board member	283	–	–	–	283	–	–
Lennart Atteryd, Board member	144	–	–	–	144	–	–
Sten Lundqvist, former Board member	143	–	–	–	143	–	–
Gunvor Engström, former Board member	74	–	–	–	74	–	–
Other senior executives (4 people)	5,148	–	374	2,177	7,699	41	–
Total 2013	**10,511**	–	**375**	**3,854**	**14,740**	**91**	–

Remuneration and other benefits for senior executives

Parent Company 2012, SEK 000s	Basic salary/ Board fee	Variable remuneration	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution	Defined-benefit
Jörgen Svensson, President	3,384	–	1	1,652	5,037	48	–
Karl-Olof Hammarkvist, Chairman of the Board	264	–	–	–	264	–	–
Gunnar Wetterberg, Deputy Chairman of the Board	220	–	–	–	220	–	–
Sten Lundqvist, Board member	202	–	–	–	202	–	–
Ulrica Jansson Messing, Board member	202	–	–	–	202	–	–
Gunvor Engström, Board member	176	–	–	–	176	–	–
Lennart Atteryd, Board member	203	–	–	–	203	–	–
Leif Naurin, Board member	103	–	–	–	103	–	–
Karin Åkesson, former Board member	59	–	–	–	59	–	–
Other senior executives (4 people)	4,218	–	39	1,832	6,089	35	–
Total 2012	**9,031**	**–**	**40**	**3,484**	**12,555**	**83**	–

Pensions
The retirement age for the President is 60. The pension between the age of 60 and 65 is a defined-contribution plan. The pension premium is to amount to 31% of 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 Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year.

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 monthly salaries 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 is paid according to the general policy above. 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).

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	
Percentage of women	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Board members	20	9	45	36
Other senior executives	40	14	40	57

10 INVESTMENT INCOME, EXPENSES

SEK M	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Operating expenses, land and buildings	**–51**	**–45**	**–7**	**–8**
Asset management expenses	**–122**	**–229**	**–122**	**–152**
Interest expense				
Bonds and other interest-bearing securities	–24	–75	–24	–35
Property loans	–0	52	–0	–0
Other interest expense	–84	–268	–79	–271
Total interest expense	**–108**	**–291**	**–103**	**–306**
Impairment				
Other investment assets	–60	–29	–60	–
Shares and participations	–68	–	–	–
Total impairment	**–128**	**–**	**–60**	**–**
Exchange-rate losses, net	**–**	**–1,545**	**–**	**–1,545**
Capital losses, net				
Shares and participations	–	–0	–	–
Bonds and other interest-bearing securities	–107	–	–107	–
Other investment assets	–926	–0	–926	–
Total capital losses	**–1,033**	**–0**	**–1,033**	**–**
Investment income, expenses	**–1,442**	**–2,139**	**–1,326**	**–2,011**

11 UNREALISED LOSSES ON INVESTMENT ASSETS

SEK M	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Land and buildings	–	–420	–	–420
Bonds and other interest-bearing securities	–3,922	–	–3,922	–
Shares and participations	–	–4,398	–	–4,398
Derivatives	–1,575	–	–1,575	–
Other assets	–111	–	–111	–
Total	**–5,608**	**–4,818**	**–5,608**	**–4,818**

12 TAXES

SEK M	Group 2013	Group 2012	Parent Company 2013	Parent Company 2012
Current tax expense				
Yield tax on pension funds	–	–	–280	–457
Tax	–57	–93	–58	–93
Adjustment of tax pertaining to prior years	–	–	–	–3
Deferred tax				
Deferred tax pertaining to temporary differences	16	–22	–	–
Total recognised tax expense	**–40**	**–115**	**–338**	**–553**
Deferred tax liabilities pertaining to the following:				
Untaxed reserves	117	134	–	–
Total	**117**	**134**	**–**	**–**
Deferred tax assets pertain to the following:				
Investment property/Land and buildings	0	0	–	–
Total	**0**	**0**	–	**–**

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 2013	Group 2012	Parent Company 2013	Parent Company 2012
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	1.52%	2.57%	1.52%	2.57%
Average government funding rate for taxation, endowment insurance	1.49%	1.65%	1.49%	1.65%
Tax rate for calculating income tax	22%	26.3%	22%	26.3%
Tax rate for calculating deferred tax	22%	22%	22%	22%

13 PROPERTY AND EQUIPMENT

SEK M	Group		Parent Company	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Cost				
Opening cost, January 1	1	–	1	–
Acquisitions during the year	0	1	0	1
Closing cost, December 31	**1**	**1**	**1**	**1**
Depreciation				
Opening accumulated depreciation, January 1	– 0	–	– 0	–
Accumulated depreciation for divestments/scrapping	– 0	–	– 0	–
Depreciation for the year	– 0	– 0	– 0	– 0
Closing accumulated depreciation, December, 31	**– 0**	**– 0**	**– 0**	**–0**
Carrying amount, December 31	**1**	**1**	**1**	**1**

14 OTHER INTANGIBLE ASSETS

SEK M	Group		Parent Company	
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Cost				
Opening balance	225	225	–	–
Closing balance	**225**	**225**	–	**–**
Accumulated amortisation				
Opening balance	–140	–128	–	–
Amortisation for the year	–	–12	–	–
Closing balance	**–140**	**–140**	–	**–**
Accumulated impairment				
Opening balance	–85	–85	–	–
Closing balance	**–85**	**–85**	–	**–**
Carrying amount	–	–	–	**–**

a) Software	Group		Parent Company	
Cost	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Opening balance	169	169	–	–
Closing balance	**169**	**169**	–	**–**
Accumulated amortisation				
Opening balance	–140	–128	–	–
Amortisation for the year	–	–12	–	–
Closing balance	**–140**	**–140**	–	**–**
Accumulated impairment				
Opening balance	–29	–29	–	–
Closing balance	**–29**	**–29**	**–**	**–**
Carrying amount	**–**	**–**	**–**	**–**

15 INVESTMENT PROPERTY/LAND AND BUILDINGS

Holdings

Group, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value	Change in value
Investment property, value on December 31, 2013	1,263	1,427	23.3%	5.2%	**–348**	**–24.4%**
Investment property, value on December 31, 2012	1,256	1,435	17.2%	5.0%	–349	–24.0%

Change in value for the period

	Cost		Fair value	
Group, SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	1,256	5,408	1,435	5,867
Additional investments in existing assets	7	17	7	17
Sales	–	–4,169	–	–4,446
Profit/loss from adjustments of fair value	–	–	–15	–3
Exchange-rate differences	–	–	–	–
Closing balance	**1,263**	**1,256**	**1,427**	**1,435**

	Cost		Fair value	
Parent Company, SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	–	1,061	–	1,480
Additional investments in existing assets	–	0	–	0
Sales	–	–1,061	–	–1,480
Closing balance	**–**	**–**	**–**	**–**

Summary of values for the Group

SEK M	Tax assessment value	Fair value	Cost
Parent Company	–	–	–
Subsidiaries	722	1,427	1,263
Total for the Group	**722**	**1,427**	**1,263**

Similar to prior years, the Group's properties were valued externally by independent valuation companies. The valuations were conducted by using both location prices and the properties' cash flows. Due to the exceptional economic climate prevailing during the year, the financial markets or market for property transactions did not function normally, resulting in few transactions and location prices not being available to a normal extent, instead, greater emphasis has been attached to the cash-flow method.

Impact on profit for the period	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Rental income	115	243	0	23
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees).	–51	–85	–7	–6

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 2013	Profit 2013	Carrying amount
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100	0	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100	195	21	272
KB Hålstenen 2	916618-1330	Stockholm	100	100	25	6	198
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100	20	6	58
Fastighets AB Storsundet	556740-2390	Stockholm	1,000	100	211	3	50
Total December 31, 2013					**451**	**36**	**579**
Total December 31, 2012					**415**	**190**	**552**

All shares and participations are unlisted.

16 SHARES AND PARTICIPATIONS IN GROUP COMPANIES, cont.

	Parent Company	
Cost, SEK M	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	369	523
Added and deducted assets	–	–154
Closing balance	**369**	**369**
Accumulated changes in value		
Opening balance	183	242
Change in value for the year	27	–59
Closing balance	**210**	**183**
Total carrying amount	**579**	**552**
Fair value	**972**	**924**

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

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Listed bonds issued by Länsförsäkringar Hypotek	4,394	4,330	4,394	4,330
Listed bonds issued by Länsförsäkringar Bank	490	684	490	684
Promissory notes from Swedish Group companies	–	–	960	962
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	529	524	529	524
Loans to Group companies (Länsförsäkringar AB Group)	630	1,007	630	1,007
Total fair value	**6,043**	**6,545**	**7,003**	**7,507**
Cost				
Opening balance	6,375	4,650	7,335	8,405
Purchases, sales and transfers for the year	–8	1,725	–424	–1,070
Cost	**6,367**	**6,375**	**6,911**	**7,335**

18 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity 2013	Profit 2013	Group's carrying amount	Parent Company's carrying amount
FAB S-Holt i Kista	556678-4715	Stockholm	499	49.9	0	0	0	0
Kista Qvadrat KB	916511-5057	Stockholm	499	49.9	86	36	252	251
Total December 31, 2013					**86**	**36**	**252**	**251**
Total December 31, 2012					**67**	**18**	**333**	**292**

All shares and participations are unlisted.

Total amount for associated companies	**Income**	**Earnings**	**Assets**	**Liabilities**	**Equity**	**Fair value**
Group and Parent Company, December 31, 2013	66	36	193	21	86	252
Group and Parent Company, December 31, 2012	32	18	69	2	67	333

	Group		Parent Company	
Cost, SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	333	338	292	300
Added and deducted assets	–81	–5	–41	–8
Closing balance	**252**	**333**	**251**	**292**

19 SHARES AND PARTICIPATIONS

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Listed shares and participations	6,215	5,801	6,215	5,801
Unlisted shares and participations	4,061	4,251	4,061	4,251
Total	**10,276**	**10,052**	**10,276**	**10,052**
Cost	9,422	9,775	9,422	9,775

20 BONDS AND OTHER INTEREST-BEARING SECURITIES

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Issued by				
Swedish government	9,424	16,382	9,424	16,382
Swedish mortgage institutions	33,929	37,270	33,929	37,270
Other Swedish issuers	15,881	16,273	15,881	16,273
Foreign states	4,099	4,472	4,099	4,472
Other foreign issuers	20,797	18,696	20,797	18,696
Total	**84,130**	**93,093**	**84,130**	**93,093**
Amortised cost	85,292	90,249	85,292	90,249
Market status				
Securities listed	83,506	92,466	83,506	92,466
Securities unlisted	624	627	624	627
Total	**84,130**	**93,093**	**84,130**	**93,093**
Total surplus	2,671	6,066	2,671	6,066
Total deficit	–2,075	–62	–2,075	–62
Total	**596**	**6,004**	**596**	**6,004**

21 DERIVATIVES

Group and Parent Company

	Fair values		Nominal amount	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Derivative instruments with positive values or valued at zero				
Equity	–	81	–	102
Currency	671	606	29,099	24,574
Interest	2,175	8,043	–5,383	113,374
Total	**2,846**	**8,730**	**23,716**	**138,050**
Cost	–	102		
Derivatives with negative values				
Equity	–	32	–	26
Currency	27	48	–2,242	2,424
Interest	2,575	6,885	1,136	103,752
Other	9	35	–	337
Total	**2,611**	**7,000**	**–1,106**	**106,539**
Cost	–	26		

22 ASSETS FOR CONDITIONAL BONUS

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	4,564	4,003	4,564	4,003
Change in value according to the income statement	1,414	561	1,414	561
Closing balance	**5,978**	**4,564**	**5,978**	**4,564**

23 OTHER RECEIVABLES

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Receivables from the Länsförsäkringar Group	500	280	500	280
Other receivables	1,503	2,090	1,357	1,938
Total	**2,003**	**2,370**	**1,857**	**2,218**

24 PREPAID ACQUISITION COSTS

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Insurance contracts				
Opening balance	442	564	442	564
Capitalised costs during the year	23	46	23	46
Depreciation according to plan for the year	–129	–168	–129	–168
Closing balance	**336**	**442**	**336**	**442**

25 SHARE CAPITAL

Parent Company	**Dec 31, 2013**	**Dec 31, 2012**
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.

26 LIFE-ASSURANCE RESERVES

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Opening balance	102,638	104,572	102,638	104,572
Payments	2,862	3,765	2,862	3,765
Dividends	–7,379	–7,205	–7,379	–7,205
Costs withdrawn	–316	–423	–316	–423
Investment income contributed to life-assurance reserves	893	1,219	893	1,219
Change in reserves due to amended interest-rate assumptions	–5,817	577	–5,817	577
Mortality results	–49	–60	–49	–60
Tax expense withdrawal, life-assurance reserve	–161	–	–161	–
Yield tax	0	–182	0	–182
Change due to basic change to New Trad	–1,373	–	–1,373	–
Other changes	–1,915	375	–1,915	375
Closing balance	**89,383**	**102,638**	**89,383**	**102,638**

27 PROVISION FOR CLAIMS OUTSTANDING

Group **SEK M**	**Established claims**	**Non-established claims**	**Provision for claims and disability annuities**	**Total Dec 31, 2013**	**Total Dec 31, 2012**
Opening balance	65	203	2,036	2,304	2,340
Other changes	–2	–3	–98	–103	–36
Closing balance	**63**	**200**	**1,938**	**2,202**	**2,304**
Parent Company					
SEK M					
Opening balance	65	203	2,036	2,304	2,340
Other changes	–2	–3	–98	–103	–36
Closing balance	**63**	**200**	**1,938**	**2,202**	**2,304**

28 PENSIONS

Group	Dec 31, 2013	Dec 31, 2012
Provision for pensions being paid	16	23
Provision for early retirement in accordance with pension agreement	7	7
	23	**30**

Defined-benefit pension plans

The Group has a number of defined-benefit pension plans. The largest of these plans is 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 approximately 65% of the pensionable salary at age 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 40% will utilise the option for early retirement.

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 pensions. 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.

	Dec 31, 2013	Dec 31, 2012
Present value of wholly or partly funded commitments	–	–
Fair value of plan assets	–	–
Present value of unfunded commitments	16	23
Present value of net commitments	**16**	**23**
Provision, special employer's contribution	5	6
Net amount recognised pertaining to defined-benefit plans in the balance sheet	16	23
Provision, special employer's contribution	**5**	**6**
The net amount is recognised in the following items in the balance sheet:		
Provisions for pensions and similar commitments	21	30
Provisions for pensions and similar commitments	**21**	**30**
Change in net liability recognised in the balance sheet		
Opening liability, January 1	24	27
Pension costs for the year according to specification below	7	3
Settlement	–1	–5
Closing net debt, December 31 according to the balance sheet	**30**	**24**
Changes in total present value for defined-benefit plans		
Commitments for defined-benefit plans, January 1	23	29
Interest expense	0	0
Reduction of the commitment due to settlement	–3	–2
Paid remuneration	–2	–3
Actuarial gains (–) and losses (+)	3	–1
Total commitments for defined-benefit plans, December 31	**21**	**23**
Change in the value of plan assets		
Fair value of plan assets, January 1	–	1
Fair value of plan assets, December 31	**–**	**–**
Composition of plan assets		
Cash and bank balances	–	–
Total	–	**–**
Costs recognised in profit and loss		
Interest expense	0	0
Effects of reductions and settlements	3	1
Other	5	1
Total net expenses in profit and loss	**8**	**3**
Costs are recognised in the following lines in profit and loss		
Staff costs	7	3
Other comprehensive income	1	–
Significant calculation assumptions at December 31		
Discount rate	2.4%	2.3%
Expected return on plan assets	–	–
Expected rate of salary increase	2.5%	2.5%
Percentage expected to retire voluntarily at age 62	40%	40%

28 PENSIONS, cont.

Historic information	2013	2012
Present value of defined-benefit commitments	16	26
Fair value of plan assets	0	0
Surplus/Deficit in the plan	16	25
Experience-based adjustment pertaining to defined-benefit commitments	0	1

Defined-contribution pension plans

These 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) is a multi-employer, defined-benefit pension plan. According to IAS 19, this pension plan entails that a company, as a rule, 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 currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. 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.

Expenses for defined-contribution plans

SEK M	2013	2012
Expenses for defined-contribution plans	11	13

Parent Company

Defined-benefit pension plans

Länsförsäkringar Liv has a number of defined-benefit pension plans. The largest of these plans is 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 approximately 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 pensions.

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).

SEK M	Dec 31, 2013	Dec 31, 2012
Pension commitments		
Other provisions	7	7
Provisions for pensions	18	19
Total	**25**	**27**
Of the pension commitments, only the following amount is encompassed by the Pension Obligations Vesting Act	18	19
The year's change in capital value of own obligations for which there are no separated assets:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	26	25
Cost excluding interest expense charged to earnings	3	5
Interest expense	0	0
Pensions paid	–4	–4
Capital value at December 31	**25**	**26**
The year's change in capital value of own commitments which are wholly or partly covered by separated assets:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	–	2
Cost excluding interest expense charged to earnings	–	0
Interest expense	–	0
Pensions paid	–	0
Reduction of the commitment due to settlement	–	–2
Capital value at December 31	**–**	**–**
The year's change in the total capital value of the company's own commitments:		
Opening capital value on January 1 in accordance with Swedish principles for calculation of pension commitments	26	27
Cost excluding interest expense charged to earnings	3	5
Interest expense	0	0
Pensions paid	–4	–4
Reduction of the commitment due to settlement	–	–2
Capital value at December 31	**25**	**26**
Fair value of separated assets		
Fair value at January 1	–	1
Return on separated assets	–	0
Payments to and from pension foundations	–	–1
Surplus on separated assets	–	0
(Fair value of separated assets to the extent that the value does not affect the company's accounts)	–	0
Fair value at December 31	**–**	**–**
Amount recognised under contingent liabilities	**–**	**–**
Net pension commitments at December 31	**25**	**26**

28 PENSIONS, cont.

SEK M	Dec 31, 2013	Dec 31, 2012
Costs regarding pensions:		
The company's own pensions		
Cost excluding interest expense	3	5
Interest expense	0	0
Return on separated assets	–	0
Cost of the company's own pensions	**3**	**5**
Costs covered by surplus in separated assets	–	–
Recognised net cost attributable to pensions	**3**	**5**
Fair value of separated assets:		
Equity instruments	–	–
Other assets	–	–
Liabilities	–	–
Total	–	**–**
Assumptions pertaining to defined-benefit commitments:		
Discount rate		0.4–1.1%
Expected return on plan assets	–	–
Expected rate of salary increase	0%	0%
Percentage expected to retire voluntarily at age 62	40%	40%

Defined-contribution pension plans

These 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) is a multi-employer, defined-benefit pension plan. According to IAS 19, this pension plan entails that a company, as a rule, 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 currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 30 of IAS 19. 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.

Expenses for defined-contribution plans

SEK M	2013	2012
Expenses for defined-contribution plans	11	13

29 OTHER LIABILITIES

	Group		Parent Company	
SEK M	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Liabilities to Group companies	–	–	520	342
Liabilities to Länsförsäkringar AB Group	500	389	500	389
Other liabilities	1,233	3,153	1,093	3,147
Total	**1,733**	**3,542**	**2,113**	**3,878**

30 MEMORANDUM ITEMS

SEK M	Group Dec 31, 2013	Group Dec 31, 2012	Parent Company Dec 31, 2013	Parent Company Dec 31, 2012
For own liabilities, pledged assets				
Carrying amount for financial assets provided as collateral for technical provisions:				
Bonds	92,295	104,417	92,295	104,417
Shares and participations	10,635	9,551	10,635	9,551
Property-related assets	2,801	2,870	2,801	2,870
Other assets	6,968	4,621	6,968	4,621
Total	**112,699**	**121,459**	**112,699**	**121,459**

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	112,699	121,459	112,699	121,459
Other pledged assets	4	6	4	6
Total	**4**	**6**	**4**	**6**

In the event of insolvency, the policyholders have a priority right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act.

SEK M	Group Dec 31, 2013	Group Dec 31, 2012	Parent Company Dec 31, 2013	Parent Company Dec 31, 2012
Contingent liabilities				
Early retirement at age 62 in accordance with pension agreement, 80%	11	11	11	11
Pension commitment exceeding the wealth of the pension foundation	0	0	0	0
Total	**11**	**11**	**11**	**11**
Commitments				
Remaining amount to invest in investment assets	495	796	495	796

31 INFORMATION ABOUT OFFSETTING

Information per type of instrument. Financial assets and liabilities covered by a legally binding agreement regarding netting or a similar agreement but that are not offset in the balance sheet.

SEK M Dec 31, 2013	Amounts recognised in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets					
Derivatives	2,846	–2,382	–	–464	0
Liabilities					
Derivatives	2,611	–2,611	–	–	–
Total	**235**	**229**	**–**	**–464**	**0**

SEK M Dec 31, 2012	Amounts recognised in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Paid (+)/Received (–) collateral – securities	Paid (+)/Received (–) cash – collateral	Net amount
Assets					
Derivatives	8,808	–7,000	–	–826	982
Liabilities					
Derivatives	7,000	–7,000	–	–	–
Total	**1,808**	**0**	–	**–826**	**982**

32 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY

Group, Dec 31, 2013

Assets	Loans and receivables	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Property and equipment				1	1	
Investment property				1,427	1,427	1,427
Interest-bearing securities issued by Group companies		6,043			6,043	6,043
Shares and participations in associated companies				252	252	
Shares and participations		10,276			10,276	10,276
Bonds and other interest-bearing securities		84,130			84,130	84,130
Loans with collateral in fixed property		1,745			1,745	1,745
Derivatives			2,846		2,846	2,846
Other financial investment assets		56			56	56
Investment assets for which the life-assurance policyholder bears the risk		5,978			5,978	5,978
Reinsurers' portion of technical provisions				605	605	
Other receivables	2,003				2,003	2,003
Current tax asset				60	60	
Cash and cash equivalents	3,648				3,648	3,648
Prepaid expenses and accrued income	748			336	1,084	748
Total assets	**6,399**	**108,228**	**2,846**	**2,681**	**120,155**	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Technical provisions				91,585	91,585	
Provisions for life assurance for which the policyholder bears the investment risk				5,978	5,978	
Other provisions				146	146	
Deposits from reinsurers				605	605	
Derivatives			2,611		2,611	2,611
Other liabilities				1,733	1,733	
Accrued income and prepaid expenses				378	378	
Total liabilities			**2,611**	**100,425**	**103,036**	

32 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Group, Dec 31, 2012

Assets	Loans and receivables	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Property and equipment				1	1	
Investment property				1,435	1,435	1,435
Interest-bearing securities issued by Group companies		6,545			6,545	6,545
Shares and participations in associated companies				333	333	
Shares and participations		10,052			10,052	10,052
Bonds and other interest-bearing securities		93,093			93,093	93,093
Loans with collateral in fixed property		1,771			1,771	1,771
Derivatives			8,730		8,730	8,730
Other financial investment assets		4,564			4,564	4,564
Investment assets for which the life-assurance policyholder bears the risk				609	609	
Reinsurers' portion of technical provisions	2,124			246	2,370	2,124
Current tax asset				29	29	
Cash and cash equivalents	3,968				3,968	3,968
Prepaid expenses and accrued income	138	1,015		425	1,578	1,153
Total assets	**6,230**	**117,040**	**8,730**	**3,078**	**135,078**	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Technical provisions				104,942	104,942	
Provisions for life assurance for which the policyholder bears the investment risk				4,564	4,564	
Other provisions				176	176	
Deposits from reinsurers				609	609	
Derivatives			7,000		7,000	7,000
Other liabilities	2,620			922	3,542	2,620
Accrued income and prepaid expenses				418	418	
Total liabilities	**2,620**		**7,000**	**111,631**	**121,251**	

32 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Parent Company, Dec 31, 2013

Assets	Loans and receivables	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Property and equipment				1	1	
Shares and participations in Group companies				579	579	
Interest-bearing securities issued by Group companies and loans to Group companies		7,003			7,003	7,003
Shares and participations in associated companies				251	251	
Shares and participations		10,276			10,276	10,276
Bonds and other interest-bearing securities		84,130			84,130	84,130
Loans with collateral in fixed property		1,745			1,745	1,745
Derivatives			2,846		2,846	2,846
Other financial investment assets		56			56	56
Investment assets for which the life-assurance policyholder bears the risk		5,978			5,978	5,978
Reinsurers' portion of technical provisions				605	605	
Other receivables	1,857				1,857	1,857
Current tax asset				60	60	
Cash and cash equivalents	3,648				3,648	3,648
Prepaid expenses and accrued income	748			336	1,084	748
Total assets	**6,253**	**109,188**	**2,846**	**1,832**	**120,119**	

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Technical provisions				91,585	91,585	
Provisions for life assurance for which the policyholder bears the investment risk				5,978	5,978	
Other provisions				37	37	
Deposits from reinsurers				605	605	
Derivatives			2,611		2,611	2,611
Other liabilities				2,113	2,113	
Accrued income and prepaid expenses				358	358	
Total liabilities			**2,611**	**100,676**	**103,287**	

Parent Company, Dec 31, 2012

Assets	Loans and receivables	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Non-financial assets	Total carrying amount	Fair value
Property and equipment				1	1	
Shares and participations in Group companies				552	552	
Interest-bearing securities issued by Group companies and loans to Group companies		7,507			7,507	7,507
Shares and participations in associated companies		–		292	292	
Shares and participations		10,052			10,052	10,052
Bonds and other interest-bearing securities		93,093			93,093	93,093
Loans with collateral in fixed property		1,771			1,771	1,771
Derivatives			8,730		8,730	8,730
Investment assets for which the life-assurance policyholder bears the risk		4,564			4,564	4,564
Reinsurers' portion of technical provisions				609	609	
Other receivables	1,972			246	2,218	1,972
Cash and cash equivalents	3,997				3,997	3,997
Prepaid expenses and accrued income	138	1,015		425	1,578	1,153
Total assets	**6,107**	**118,002**	**8,730**	**2,125**	**134,964**	

32 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Liabilities	Other financial liabilities	Financial liabilities measured at fair value in profit and loss: Financial liabilities measured according to fair value option	Held for trading	Non-financial assets	Total carrying amount	Fair value
Technical provisions				104,942	104,942	
Provisions for life assurance for which the policyholder bears the investment risk				4,564	4,564	
Other provisions				39	39	
Deposits from reinsurers Due to credit institutions				609	609	
Derivatives						
Other liabilities			7,000		7,000	7,000
Accrued income and prepaid expenses	2,649			1,229	3,878	2,649
Total liabilities				378	378	
Summa skulder	**2,649**		**7,000**	**111,761**	**121,410**	

Fair value valuation techniques.
Financial instruments measured at fair value in net profit for the year.
Level 1: According to prices listed in an active market for the same instrument.
Level 2: Based on direct or indirect observable market data not included in Level 1.
Level 3: Based on inputs not observable in the market.

Group

Assets	Level 1 Dec 31, 2013	Level 2 Dec 31, 2013	Level 3 Dec 31, 2013	Total Dec 31, 2013
Investment property	–	–	1,427	1,427
Interest-bearing securities issued by Group companies and loans to Group companies	6,043	–	–	6,043
Shares and participations	6,215	5	4,056	10,276
Bonds and other interest-bearing securities	82,876	630	624	84,130
Assets for which the policyholder bears the risk	5,978	–	–	5,978
Derivatives	15	2,831	–	2,846
Other investment assets	56	1,745	–	1,801
Liabilities				
Derivatives	1	2,610	–	2,611

Assets	Level 1 Dec 31, 2012	Level 2 Dec 31, 2012	Level 3 Dec 31, 2012	Total Dec 31, 2012
Interest-bearing securities issued by Group companies and loans to Group companies	6,545	–	–	6,545
Shares and participations	5,801	5	4,246	10,052
Bonds and other interest-bearing securities	88,727	3,739	627	93,093
Derivatives	20	8,710	–	8,730
Assets for which the policyholder bears the risk	4,486	78	–	4,564
Liabilities				
Derivatives	27	6,973	–	7,000

There were no significant transfers between Level 1 and Level 2 during 2013 or during 2012. There were no transfers from Level 3 in 2013 or 2012.

In Level 3, larger individual unlisted investments are measured by an independent external party. Small holdings are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other reasons can be found. For holdings in private equity funds, measurement data is received quarterly from each fund; the measurement follows guidelines from the European Private Equity & Venture Capital Association. The measurement data is certified every year by each fund's external auditors.

For further information about how the fair value was determined for financial instruments measured at fair value in the balance sheet, and about valuation techniques and inputs, see note 1 Accounting policies.

Gains and losses are recognised in profit and loss under Investment income, net.

The fair value of other receivables, cash and cash equivalents, prepaid expenses and accrued income, other liabilities and accrued expenses and deferred income comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities. Shares and participations in Group and associated companies are not listed on an active market. The fair value of the holdings has been estimated by using the cost adjusted by earnings.

	Shares and participations	Bonds and other interest-bearing securities	Investment property	Total
Opening balance, January 1, 2013	4,247	627	1,435	6,309
Recognised in net profit for the year	62	–4	–8	50
Cost, acquisitions	–	–	–	0
Sales proceeds, sales	–253	–	–	–253
Closing balance, December 31, 2013	4,056	624	1,427	6,106

32 ASSETS AND LIABILITIES PER MEASUREMENT CATEGORY, cont.

Parent Company

Assets	Level 1 Dec 31, 2013	Level 2 Dec 31, 2013	Level 3 Dec 31, 2013	Total Dec 31, 2013
Interest-bearing securities issued by Group companies and loans to Group companies	7,003	–	–	7,003
Shares and participations	6,215	5	4,056	10,276
Bonds and other interest-bearing securities	82,876	630	624	84,130
Assets for which the policyholder bears the risk	5,978	–	–	5,978
Derivatives	15	2,831	–	2,846
Other investment assets	56	1,745	–	1,801
Liabilities				
Derivatives	1	2,610	–	2,611

Assets	Level 1 Dec 31, 2013	Level 2 Dec 31, 2013	Level 3 Dec 31, 2013	Total Dec 31, 2013
Interest-bearing securities issued by Group companies and loans to Group companies	7,507	–	–	7,507
Shares and participations	5,801	5	4,246	10,052
Bonds and other interest-bearing securities	88,727	3,739	627	93,093
Assets for which the policyholder bears the risk	4,486	78	–	4,654
Derivatives	20	8,710	–	8,730
Other investment assets	–	1,771	–	1,771
Prepaid expenses and accrued income	**–**	**–**	**–**	**–**
Liabilities				
Derivatives	27	6,973	–	7,000

	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, January 1, 2013	4,247	627	4,874
Recognised in net profit for the year	62	–4	59
Cost, acquisitions	–	–	0
Sales proceeds, sales	–253	–	–253
Closing balance, December 31, 2013	4,056	624	4,678

33 NET INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	Group		Parent Company	
SEK M	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2012**
Profit/loss by measurement category				
Derivative assets intended for risk management, non-hedge accounting	–1,585	1,442	–1,585	1,442
Other financial assets measured at fair value in profit and loss	56	6,135	56	6,135
Other financial liabilities	–3	–1	–3	–1
Loans and receivables	–18	73	–18	73
Items not distributed by category				
Exchange-rate gains	–	0	–	0
Dividends to Group and associated companies	45	54	45	54
Impairment of shares and participations	–60	–	–60	–
Asset management expenses	–122	–341	–122	–264
Non-financial items included in investment income, net	–7	297	–7	268
Total investment income, net	**–1,694**	**7,659**	**–1,694**	**7,707**

34 RECOVERY DATES

SEK M	Group 2013 Not more than 1 year	Group 2013 More than 1 year	Group 2012 Not more than 1 year	Group 2012 More than 1 year	Parent Company 2013 Not more than 1 year	Parent Company 2013 More than 1 year	Parent Company 2012 Not more than 1 year	Parent Company 2012 More than 1 year
Assets								
Property and equipment	–	1	–	1	–	1	–	1
Investment property/Land and buildings	–	1,427	–	1,435	–	–	–	–
Shares and participations in Group companies	–	–	–	–	–	579	–	552
Interest-bearing securities issued by Group companies and loans to Group companies	972	5,071	2,119	4,426	972	6,031	4,860	2,647
Shares and participations in associated companies	–	252	–	333	–	251	–	292
Shares and participations	–	10,276	–	10,052	–	10,276	–	10,052
Bonds and other interest-bearing securities	9,877	74,253	11,669	80,801	9,877	74,253	11,669	80,801
Loans with collateral in fixed property	–	1,745	–	1,771	–	1,745	–	1,771
Derivatives	286	2,560	690	8,040	286	2,560	690	8,040
Other financial investment assets	–	56	–	627	–	56	–	627
Assets for conditional bonus	89	5,889	248	4,316	89	5,889	248	4,316
Provision for claims outstanding	73	532	132	477	73	532	132	477
Other receivables	2,003	–	2,370	–	1,857	–	2,218	–
Deferred tax assets	–	0	–	0	–	–	–	–
Current tax asset	60	–	29	–	60	–	29	–
Cash and cash equivalents	3,648	–	3,968	–	3,648	–	3,968	–
Accrued interest and rental income	748	–	1,136	–	748	–	1,136	–
Prepaid acquisition costs	104	232	125	317	104	232	125	317
Other prepaid expenses and accrued income	0	–	0	–	0	–	0	–
	17,860	**102,293**	**22,486**	**112,595**	**17,714**	**102,404**	**25,075**	**109,893**
Liabilities								
Life-assurance reserve	5,675	83,708	5,632	97,006	5,675	83,708	5,632	97,006
Provision for claims outstanding	380	1,822	377	1,927	380	1,822	377	1,927
Conditional bonus	89	5,889	248	4,316	89	5,889	248	4,316
Provisions for pensions and similar commitments	–	21	–	41	–	38	–	38
Deferred tax liabilities	–	117	13	121	–	–	–	–
Other provisions	8	–	1	–	7	–	1	–
Deposits from reinsurers	73	532	75	534	73	532	75	534
Derivatives	17	2,594	103	6,897	17	2,594	103	6,897
Other liabilities	1,733	–	3,488	54	2,113	–	3,824	54
Other accrued expenses and deferred income	378	–	418	–	358	–	378	–
	8,353	**94,683**	**10,355**	**110,896**	**8,712**	**94,575**	**10,638**	**110,772**

35 SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS

	Group		Parent Company	
SEK M	2013	2012	2013	2012
Interest payments, inward	3,864	4,450	3,860	4,447
Interest payments, outgoing	93	148	81	148
Dividends received	480	4,598	5,259	4,595

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

Of the cash and cash equivalents, there are restrictions in the disposal rights of bank accounts pledged as contingency reserve for interest and equity futures	–	–	–	–
Specification of non-cash items:				
Changes in technical provisions	13,359	1,934	13,359	1,993
Change in value and results of investment assets	–5,874	3,627	–4,769	3,089
Value changes in investment assets for which the policyholder bears the risk	–1,278	–515	–1,417	–515
Capital gains/losses, divestment of subsidiaries	–	17	–	65
Other	–4,550	–2,468	167	–221
Total	**1,657**	**2,595**	**7,340**	**–4,410**

36 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC.

Organisation

Länsförsäkringar Liv Försäkringsaktiebolag 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.

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, risk control, compliance, security, staff, communication and 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 9 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 IT systems and other services is currently distributed in groups of basic services (for example, IT services), Group overhead (for example, compliance), mandatory services (for example, HR) and in 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 mandatory 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 is an assignment agreement that regulates the assignments that Länsförsäkringar Liv has undertaken on behalf of Länsförsäkringar AB or another related party. The assignment agreement also states 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 2013. The transactions are recognised according to size.

1) Divestment of property-owning companies with pertaining properties located in Solna and Sundbyberg to Humlegården Holding I–III

In 2012, six property-owning companies were divested to Humlegården Holding I–III AB. The total payment amounted to SEK 2.6 billion, of which the purchase consideration accounted for SEK 1.5 billion and the payment of loans for SEK 1.1 billion.

2) Divestment of Private Equity fund units

In 2012, Länsförsäkringar Liv divested units in Private Equity funds. The units were divested at market price, produced by a broad auction process in which the combination of external purchasers that offered the highest sales value for Länsförsäkringar Liv's fund units was selected. For a number of these divested funds, the related party Länsförsäkringar PE Holding AB (publ) acquired up to 20% of the holding for the same price and terms as the selected external purchasers. The transaction between Länsförsäkringar Liv and Länsförsäkringar PE Holding AB ((publ) amounted to SEK 356 M.

Länsförsäkringar PE Holding AB (publ) is owned by nine regional insurance companies (Dalarna, Bergslagen, Gothenburg, Bohuslän, Halland, Gotland, Göinge-Kristianstad, Kronoberg, Uppsala and Södermanland)

3) IT services and products from Länsförsäkringar AB

Länsförsäkringar AB provides IT services and products according to a framework agreement from 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 12 months' period of notice.

4) 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 December 31, 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 President's staff/function responsible, how these costs are distributed between the business units, etc.

5) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 4,393 M.

6) Regional insurance companies' distribution remuneration
The regional insurance companies manage and administer Länsförsäkringar Liv's insurance products. Länsförsäkringar Liv pays remuneration for these services according to agreement. In 2013, remuneration for new sales and additional occupational insurance was paid to the regional insurance companies. Throughout 2013, premium-based remuneration was also paid, as well as remuneration for portfolio management based on premiums paid and in some cases as individual remuneration. A three-year cancellation term applies for commission for sales conducted prior to the discontinuation of new sales under traditional management. Due to the discontinuation of underwriting new sales of traditional management and the cancellation of capital-based remuneration on December 31, 2011, remuneration agreements were amended.

7) Service offerings to Länsförsäkringar Fondliv
Länsförsäkringar Fondliv purchased services from Länsförsäkringar Liv in 2013. The service offerings are regulated through agreements. The agreement was terminated on December 31, 2013 and a new agreement applies from 2014. The operations will then be placed under Länsförsäkringar Fondliv AB and Länsförsäkringar Liv AB will purchase services from Länsförsäkringar Fondliv AB. The pricing is based on the cost price policy based on a price list that is established annually.

8) Asset management in Länsförsäkringar AB and with external managers
Länsförsäkringar AB manages Länsförsäkringar Liv's 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 12 months' period of notice.

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

10) 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.

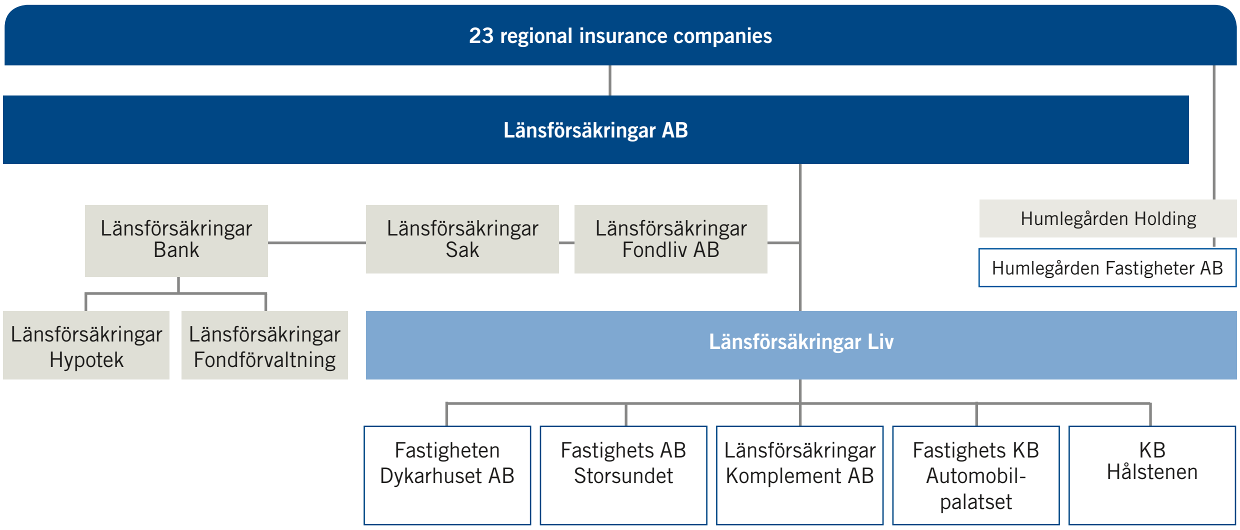
11) Bonds and subordinated debts in Länsförsäkringar Bank AB
Länsförsäkringar's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 685 M, as well as listed subordinated debts in Länsförsäkringar Bank AB with a fair value of SEK 524 M.

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

13) Loans to companies within the Länsförsäkringar AB Group
To manage short-term liquidity flows, there was a promissory note between Länsförsäkringar Liv and Länsförsäkringar Fondliv amounting to SEK 250 M in 2012. The interest rate for the loan corresponded to STIBOR plus 1.25 to be paid quarterly. The loan was repaid in 2013. There are also 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.

14) Reinsurance agreements with the regional insurance companies
On January 1, 2007, Länsförsäkringar Liv signed excess loss reinsurance with 22 of the 24 regional insurance companies pertaining to life contingency. The excess loss reinsurance model is based on the risk transaction to be reinsured within the Länsförsäkringar Alliance being distributed based on participations. The participations are distributed based on the regional insurance companies' share of premium income in Länsförsäkringar Liv. The agreement applies for one calendar year at a time, with six months' period of notice. This year, 22 of 23 regional insurance companies participate in the excess loss reinsurance model. The amount of SEK 19 M (25) stated in the table below for related-party transactions is net of the reinsurance business.

15) 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. A non-recurring compensation payment was also made in 2013 for loss of future income due to the sale of properties in 2012 and compensation for additional expenses associated with these sales.



The image is not a complete organisational diagram. The white boxes show subsidiaries and associated companies, grey boxes show other Group companies and the dark-blue boxes show the owners.

36 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC. cont.

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

Länsförsäkringar Liv's transactions with related parties

		2013		2012		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
Sale of property companies	Humlegården Holding I–III AB	–	–	1,450	–	1
Divestment of units in funds	Länsförsäkringar PE Holding AB	–	–	356	–	2
IT products and services	Länsförsäkringar AB	–	247	–	216	3
Service and development, of which	Länsförsäkringar AB	–	159	–	197	4
– Individual service		–	–	–	111	
– Mandatory services		–	8	–	11	
– Basic service		–	149	–	73	
– Group overhead		–	2	–	2	
Interest rate	Länsförsäkringar Hypotek AB	147	–	166	–	5
Distribution remuneration, 2013 including remuneration capital	23 regional insurance companies	–	124	–	159	6
Service offerings	Länsförsäkringar Fondliv AB	42	5	113	–	7
Asset Management	Länsförsäkringar AB	–	70	–	74	8
Management remuneration	Länsförsäkringar Fondförvaltning AB	78	–	72	–	9
Occupational pension premiums for employees within the Länsförsäkringar Alliance	Länsförsäkringsgruppen	53	–	62	–	10
Interest rate	Länsförsäkringar Bank AB	43	–	46	–	11
Interest rate	Humlegården Holding I–III	64	–	26	–	12
Interest rate	Länsförsäkringar Fondliv AB	2	–	9	–	13
Reinsurance agreements	23 regional insurance companies	–	19	–	25	14
Property management	Humlegården Fastigheter AB	–	0	–	1	15
		429	**783**	**2,300**	**672**	

Transactions between Länsförsäkringar Liv and its subsidiaries

		2013		2012		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
Interest rate	Länsförsäkringar Liv AB's subsidiaries	3	–	51	–	
		3	–	**51**	–	

Related-party receivables and liabilities – Group

	Dec 31, 2013		Dec 31, 2012	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Länsförsäkringar Hypotek AB	4,505	–	4,330	–
Länsförsäkringar Bank AB	1,033	–	1,209	–
Länsförsäkringar AB	634	10	15	198
Länsförsäkringar Fondliv AB	430	473	261	190
Länsförsäkringar Fondförvaltning AB	8	–	6	–
Länsförsäkringar Grupplivförsäkringsaktiebolag	–	–	–	–
Länsförsäkringsbolag	–	6	–	6
Länsförsäkringar Sak AB	–	2	0	1
Humlegården Holding I–III AB	1,736	–	1,736	–
	8,346	**491**	**7,557**	**395**

Related-party receivables and liabilities – Parent Company

	Dec 31, 2013		Dec 31, 2012	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Fastighets AB Storsundet	–	70	–	74
Fastighets KB Automobilpalatset	523	148	523	108
Fastigheten Dykarhuset AB	267	76	267	79
KB Hålstenen 2	171	88	171	81
	961	**382**	**961**	**342**

The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2014.

Stockholm, April 22, 2014

Karl-Olof Hammarkvist
Chairman

Gunnar Wetterberg
Board member

Birgitta Carlander
Board member

Sten Dunér
Board member

Anders Grånäs
Board member

Ulrica Messing
Board member

Henrik Perlmutter
Board member

Karin Starrin
Board member

Marie-Louise Zetterström
Board member

Christer Ekehov
Employee Representative

Lena Sundqvist
Employee Representative

Jörgen Svensson
President

My audit report was submitted on April 22, 2014.

Mårten Asplund
Authorised Public Accountant

Audit report

To the Annual General Meeting of Länsförsäkringar Liv Försäkringsaktiebolag (publ)
Corp. Reg. No. 516401-6627

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and consolidated financial statements of Länsförsäkringar Liv for 2013. The annual accounts and the consolidated financial statements of the company are included in the printed version of this document on pages 4–50.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for the fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Annual Accounts Act for Insurance Companies, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, 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 President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our 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 the Parent Company as of December 31, 2013 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act for Insurance Companies. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the Group's financial position at December 31, 2013 and its financial performance and cash flows for the year in accordance with the International Financial Reporting Standards adopted by the EU, and in accordance with the Annual Accounts Act for Insurance Companies. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

We therefore recommend that the General Meeting adopts the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated financial statements, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Länsförsäkringar Liv for the year 2013.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Swedish Insurance Business Act.

Auditor's responsibility

Our 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 our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Insurance Business Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We recommend to the General Meeting that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, April 22, 2014

Mårten Asplund
Authorised Public Accountant

Corporate Governance Report

Introduction

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 in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

Länsförsäkringar Liv complies with the Swedish Corporate Governance Code (referred to below as the Code) in the applicable parts, with consideration of the fact that the company 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.

This Corporate Governance Report is unaudited.

Corporate governance

Länsförsäkringar Liv comprises the Traditional Life Assurance unit within the Länsförsäkringar AB Group. Länsförsäkringar AB has a corporate-governance system, which is based on Länsförsäkringar AB's task from the owners. The Liv Assurance business unit also has a corporate-governance system that ensures satisfactory control and management in the business unit.

The corporate-governance system encompasses a number of components, such as organisational structure, decision-making procedures, division of authorities and responsibilities, risk-management systems and internal-control systems. The risk-management system ensures that operations in the business unit are continuously able to identify, manage and report risks. Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second is the Compliance and Risk Control functions and the third comprises the Internal Audit function. The second line of defence is independent in relation to the first line and the third line is independent in relation to the first and second lines. Other components in the corporate-governance system include the structure for internal rules and regulations, suitability requirements pertaining to employees and Board members and subcontracting policies. The distribution of work in the Länsförsäkringar AB Group is a key tool for achieving economies of scale in terms of both finances 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.

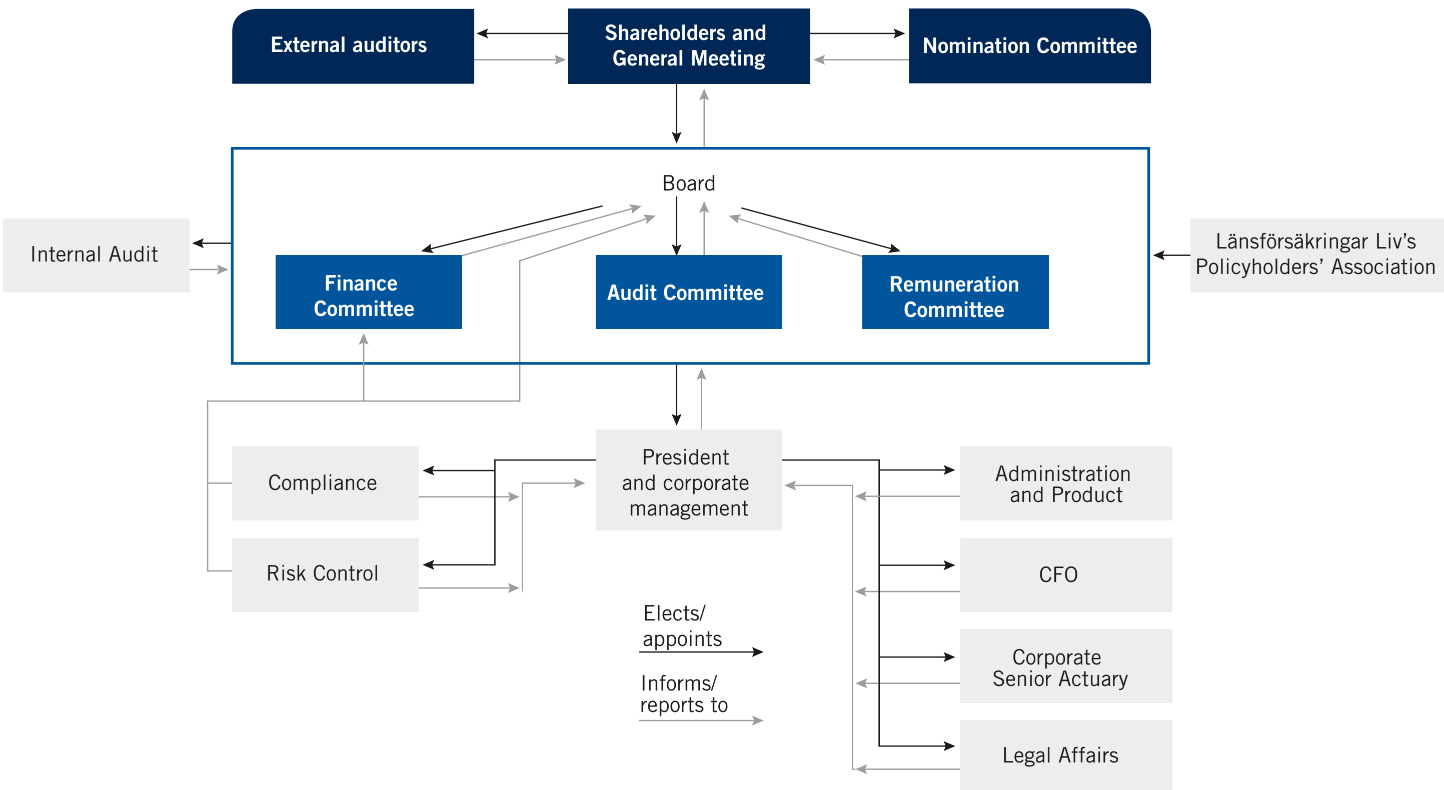
Outsourcing operations to external parties is also a key tool for achieving economies of scale in terms of both finances and expertise. Operations are outsourced to external parties in both Länsförsäkringar AB and in the subsidiaries.

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 structure is provided in the figure below.

The company's operational organisation above applies from January 1, 2014. The company has outsourced important parts of its operations to the Parent Company Länsförsäkringar AB and fellow subsidiary 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.

Länsförsäkringar Liv's governance structure



Outsourcing is described in the figure below. The unit responsible for ordering, monitoring and control of outsourced activities is the unit in the company that is responsible for the function to which the outsourced activities pertain. Specialised expertise and resources are allocated in each responsible function to ensure a sufficient level of ordering, monitoring and control.

Shareholders and General Meeting

The shareholder exercises its voting rights at the General Meeting, which is the highest decision-making body. A general meeting is normally held once per 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 pertaining to: the Annual Report, the election of members of the Board and auditors, 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 to Board members presented at the Annual General Meeting is specified for the Chairman and other Board members, and includes remuneration for committee work.

Nomination Committee

Nomination process

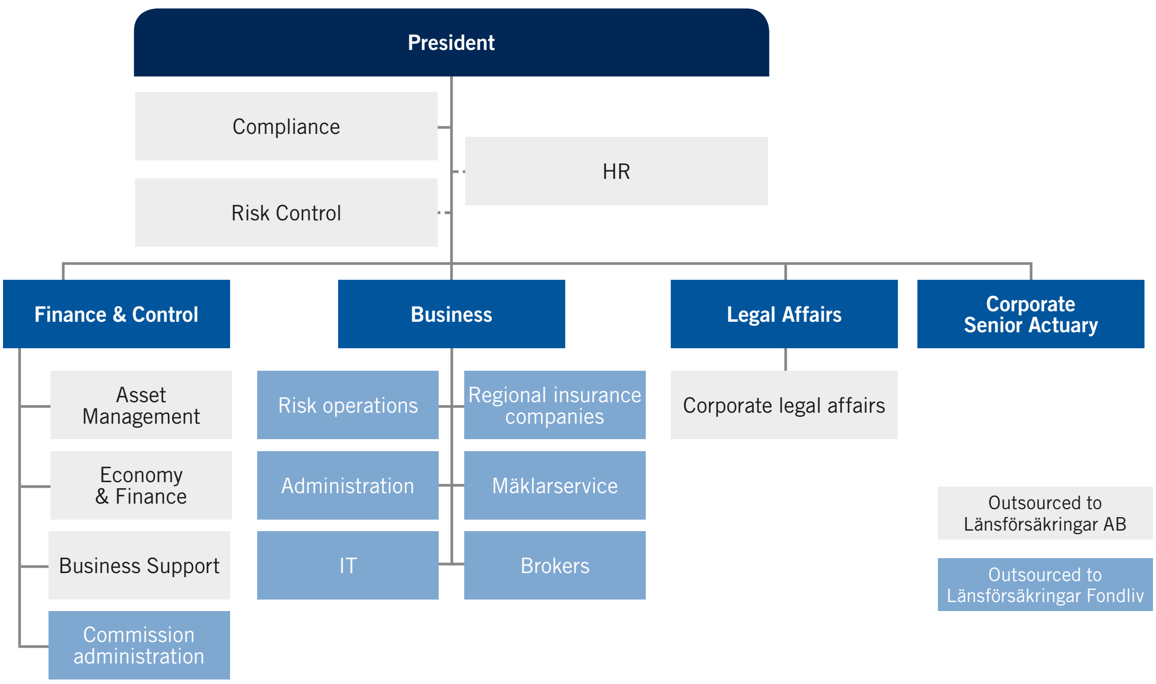
The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the CEO of Länsförsäkringar AB, proposals regarding the Board of Directors and auditors of Länsförsäkringar Liv and other subsidiaries, and fees to these Directors and auditors. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB. The Nomination Committee is responsible for ensuring that a suitability assessment of proposed Board members is performed. The Nomination Committee applies its own adopted processes and procedures for the suitability assessments of proposed Board members and documents the assessments that have been performed.

The Nomination Committee prior to 2014 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 2013 Annual General Meeting.

Prior to the Annual General Meeting, the Nomination Committee has:
- studied the Board's evaluation of its own work,
- studied the Board Chairman's, and certain Board member's views on 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 2014 Annual General Meeting, the Nomination Committee will:
- make a decision regarding the independence of candidates,
- nominate Board members and a Board Chairman,
- conduct suitability assessments of Board members in accordance with established processes and procedures, and
- propose fees to 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. At the 2012 Annual General Meeting, Mårten Asplund, KPMG AB, was appointed auditor and Anders Linér, KPMG AB, deputy auditor for the period up to the 2015 Annual General Meeting.

Länsförsäkringar Liv's Policyholders' Association

Länsförsäkringar Liv's Policyholders' Association was formed with the purpose of promoting policyholders' interests. 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. Since highly significant conflicts of interest between the life-assurance and the non-life insurance collective may arise, the association is to appoint an independent review in consultation with Länsförsäkringar AB.

Board of Directors

Composition of Board of Directors

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 and deputies appointed by the trade-union organisations are also members of the Board. The company has no time limit for the length of time for which a member may sit on the Board. The company has no age limit for the Board members. Two of the members are to be 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 is not a member of the Board.

The Board currently comprises 11 members and two deputies Seven 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. Six of the members are independent. The Board members are listed on page 59 of the company's Annual Report.

Board responsibilities and delegation of duties

The Board is responsible for the organisation and administration of the company and for handling and making all decisions concerning 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 risk management and internal control.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board and its Chairman, the allocation of duties within the Board of Directors, the minimum number of Board meetings, procedures for business and financial reporting as well as procedures for Board meetings, notices of meetings, presentation of material, 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 is also to regularly address and evaluate the company's risk development and risk management. During the year, the Board regularly reviews the company's earnings and sales trends, financial position and risk trends in relation to the business plan and forecasts. The Board receives regular reports from Compliance, Risk Control 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, is provided with the opportunity to participate in meetings and receives satisfactory information and documentation for decision-making, and applies 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 and clarified the allocation of responsibilities between the various units and executives in the company. The directive is to provide guidance and support for Länsförsäkringar Liv's daily operations.

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 Finance Committee, an Audit Committee and a Remuneration Committee. In October 2013, the Board of Directors decided to establish a Risk and Capital Committee and at the same time discontinue the Finance Committee (see also under the sections on Finance Committee and Risk and Capital Committee below). The duties of the Committees are determined by the Board in its formal work plan or in separate directives. 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 2013, the Board devoted particular attention to, and took several training courses in, the new capital adequacy rules for insurance companies, Solvency II.

The number of Board meetings and members' attendance at these meetings are presented in the table below.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work based on an electronic survey completed by the Board members. The results are compiled, reported to and discussed by the Board.

Finance Committee

The Finance Committee is designed to be a forum for financial analyses of the business environment and macroeconomics, and for preparing matters concerning asset management to be presented to the Board for decision. It is also the duty of the Finance Committee to monitor compliance with established objectives, investment orientation, chains of command, etc. At the first scheduled Board meeting following the 2013 Annual General

Meeting, Karl-Olof Hammarkvist and Gunnar Wetterberg were appointed to represent Länsförsäkringar Liv in the Finance Committee. The President is co-opted to the Committee.

In October 2013, the Board of Directors of Länsförsäkringar Liv decided to establish a Risk and Capital Committee and at the same time discontinue the Finance 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 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.
– Follow-up of risk trends and potential deviations from risk limits.

The Risk and Capital Committee was established on the basis of a Board decisions in October 2013. The Board appointed Karl-Olof Hammarkvist, Birgitta Carlander, Sten Dunér and Gunnar Wetterberg members of the Committee. The Committee is expected to begin its work in 2014.

Audit Committee

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

- Monitoring the company's financial reporting.
- In terms of the financial reporting, monitor the efficiency of the company's internal control, internal audit and risk management.
- Remain informed of the audit of the Annual Report and consolidated financial statements.
- Examine and monitor auditors' impartiality and independence and, in this respect, devote particular attention to any services other than auditing services that the auditor provides to the company.
- Assist in the preparation of proposals to the Annual General Meetings regarding motions on election of auditors.

In addition, the Audit Committee is responsible for preparing the Board's work on monitoring the efficiency of the company's:

- corporate-governance system, which includes internal governance and control.
- internal control of the operational risks.

At the first scheduled Board meeting after the 2013 Annual General Meeting, Ulrica Messing (chairman), Sten Dunér and Sten Lundqvist were appointed members of the Audit Committee. The company's auditor usually attends Audit Committee meetings.

Remuneration Committee

The Remuneration Committee is to prepare issues concerning remuneration and other terms of employment for the President and the policies for remuneration and other terms of employment for corporate management. At the first scheduled Board meeting after the 2013 Annual General Meeting, Karl-Olof Hammarkvist (chairperson), Gunnar Wetterberg and Sten Dunér were appointed members of the Remuneration Committee.

Meetings and attendance

The table below shows the number of meetings held in each body since the 2013 Annual General Meeting until January 2014, and the attendance by each Board member:

	Independent member	Board	Finance Committee	Audit Committee	Remuneration Committee
Totalt number of meetings		6	1	3	1
Birgitta Carlander	x	5	–	–	–
Lars Dahl (deputy)		4	–	–	–
Sten Dunér		5	–	3	1
Christer Ekehov		5	–	–	–
Bitte Franzén Molander (deputy)		5	–	–	–
Anders Grånäs		6	–	2	–
Karl-Olof Hammarkvist	x	6	1	–	1
Ulrica Messing	x	6	–	3	–
Henrik Perlmutter	x	6	–	–	–
Karin Starrin		6	–	–	–
Lena Sundqvist		4	–	–	–
Gunnar Wetterberg	x	6	1	–	1
Marie-Louise Zetterström	x	5	–	–	–

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 three control functions: Risk Control, Compliance and Internal Audit. Corporate management comprises the President and the heads of the departments. Management discusses and decides on matters pertaining to the business unit. The influence of trade-union organisations at Group level is also ensured through a separate co-determination group.

Control functions

Internal Audit

The Board appointed an internal audit function independent from the operating activities, with the primary task of ensuring that the scope and direction of the operations agree with the guidelines issued by the Board and that the operations are being conducted towards the targets established by the Board. The internal audit function is also to examine and evaluate the organisation of the company, its procedures, governance and control of the operations. The Board has adopted a separate instruction for the internal audit function.

The results of the review of the internal audit are reported in summary to the Board and in more detail to the Audit Committee.

Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function is to identify and provide information about such issues as risks that may arise due to non-compliance with regulations, assist in the formulation of internal rules, monitor regulatory compliance and ensure that the operations are informed about new and amended regulations. Compliance risks and actions taken are to be regularly reported to the President and the Board. Compliance also has a function for counteracting money laundering.

Risk Control

Risk Control is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibilities of conducting operations with effective risk control. Risk Control reports regularly to the President and the Board.

Deviations from the Code

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

Notice

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.

Mandate period

The mandate period for Board members is, as a general rule, two years. Deviation from the provision of the Code stipulating a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member at any time, irrespective of mandate period. A mandate period that is longer than one year contributes to ensuring continuity and establishing competence within the Board.

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for governance and control of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control. The risk-management system is to ensure that, for example, risks can be continuously identified, managed and reported. Internal control is a process designed to provide reasonable assurance that the objectives of the operations are achieved in terms of appropriate and effective business operations, reliable financial reporting and information about the operations and compliance with applicable internal and external regulations. The internal-control system encompasses all parts of the organisation and is an integral part of each operation within the Group. A key part of the internal control is the control of outsourced operations (see also the section on Corporate governance above).

Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second is the Compliance and Risk Control functions and the third the Internal Audit function. The second and third lines of defence are independent in relation to the first line.

The purpose of the internal control of the financial reporting is to manage risks in the processes pertaining to the preparation of the financial reporting and to achieve a high level of reliability in such reporting.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision-making procedures and allocation of authorities and responsibilities among the various bodies that the Board of Directors and the President have established. The control environment also includes the values and corporate culture that the Board, President and management communicate and work from to create effective and efficient operations.

The task of the Audit Committee is to assume responsibility for preparing the Board s work with quality assurance of the financial reporting and to monitor the efficiency of the internal governance and control. The Committee is also to prepare the direction, scope and coordination of the work of the Internal Audit and study the observations and recommendations from the external auditors.

The internal control and risk management process is based on the control environment and involves four main activities: risk assessment, control activities, information and communication, and monitoring.

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. The company is governed using joint processes, in which risk management is built into every process and various methods are used to measure and limit risks and to ensure that identified risks are managed in accordance with established governance documents.

Based on the risk analysis, processes and control activities associated with key risks are mapped to identify material errors in the financial reporting.

Control activities

Risks in the financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and by evaluating ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly.

Efforts are ongoing to eliminate and reduce identified significant risks affecting the internal control of financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communications

Internal governance documents are subject to review and reassessment at least once a year. Governance documents are published on the company's intranet. Every manager must ensure that the regulations are communicated to subordinate staff.

Monitoring

Activities to ensure compliance with external and internal regulations take place in each part of the operations. The Internal Audit function was established to support the Board in following up and ensuring that the scope and direction of the operations comply with the guidelines issued by the Board and that the operations are conducted in accordance with the targets established by the Board. Based on its reviews, the Internal Audit function is to form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board of Directors. In addition, each manager is to ensure compliance with governance documents in their area of responsibility and that procedures for self-assessments are in place.

The Compliance function's task is to identify, assess, monitor and report compliance risks, meaning the risk that non-compliance could tarnish the reputation of the company or result in financial losses or sanctions in accordance with legislation or regulations. The Compliance function reports to the President and the Board of Directors.

Board’s report on internal control over financial reporting

The Board of Directors is ultimately responsible for the reliability of the financial reporting. Internal control over financial reporting (ICFR) is part of the Group’s governance process. ICFR is defined as a process carried out by the Board, management and operations. The process is designed to provide reasonable assurance of the reliability of the financial reporting and ensure that the financial statements comply with applicable laws and ordinances and generally accepted accounting principles. The process ensures the Group’s ability to identify, measure, monitor and manage risks. The internal control process encompasses all parts of the organisation, including outsourced activities, and is to be an integral part of each of the Group’s operations. A project is ongoing to strengthen the internal governance and control of financial reporting. The method is based on the established COSO model (Internal Control – Integrated Framework, by the Committee of Sponsoring Organizations of the Treadway Commission) and its five framework components: control environment, risk assessment, control activities, information and communication, and monitoring. The diagram below illustrates the Group’s ICFR structure.

2. Validate the design of expected controls

Processes and controls are to be reviewed annually to validate that the design eliminates identified risks for errors in financial reporting.

3. Plan activities for monitoring and audits

A plan for monitoring controls in the coming year is produced on the basis of risk analyses and expected verifications. The plan will clarify the person responsible for monitoring each control, the type of monitoring to be carried out and how the results are to be reported. The plan also includes reviews of the framework and selected procedures by internal and external auditors.

1. Implement risk assessments and define scope

Risk assessments are performed annually to determine the scope and limitation of 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.

4. Monitor and evaluate controls

Monitoring and reviewing ICFR controls is performed continuously and is to be part of the day-to-day operations. This work also includes evaluating and assessing the controls and their effectiveness. Monitoring also aims to identify weaknesses in the ICFR process, so that compensating controls can be introduced and improvements can be made.

5. Report ICFR residual risk

The results of monitoring activities are consolidated and analysed to assess the residual risk in the financial reporting. Unexpired risk is reported to the Group’s CFO and Audit Committee.

In 2013, efforts to implement the ICFR framework were conducted in project form. All elements of the framework were implemented during the year, with the exception of monitoring internal and external control systems. The operations commenced reporting in 2013, and residual risk reporting was evaluated by the Group’s CFO and Audit Committee. As of 2014, the report will be submitted quarterly to the Audit Committee and both internal and external auditors, who will examine the framework and selected processes.

Board of Directors and auditors

KARL-OLOF HAMMARKVIST

Born: 1945. Title: Associate professor, President. 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. **Background:** Member of management of Skandia International, Skandia and Nordbanken/Nordea, Vice-Chancellor President of the Stockholm School of Economics.

GUNNAR WETTERBERG

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

BIRGITTA CARLANDER

Born: 1952. Title: 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:** Deputy Chairman of Agorväst AB, Skaraborg County nursing home, Skaraborgsgrisen ek. för. **Background:** Chairman of Lantmännens Research Foundation, Cerealiastiftelsen, VL-stiftelsen, Board appointments in ODAL, Lantmännens, SW, Cerealias and LM Group.

STEN DUNÉR

Born: 1951. Elected 2009. Title: President of Länsförsäkringar AB **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Insurance Sweden, Swedish Insurance Employers' Association (FAO) and Fastighets AB Balder. **Background:** CFO and other senior positions at Länsförsäkringar AB.

ANDERS GRÅNÄS

Born: 1966. Title: President of Dalarnas Försäkringsbolag Elected 2013. **Education:** Master of Science in Engineering (Engineering physics), Uppsala, MBA Stanford. **Other Board appointments:** Chairman of LF PE Holding AB. **Background:** Venture Capital investeringar, Investor AB, Industrifonden and ATP (Danmark).

ULRICA MESSING

Born: 1968. Title: President. Elected 2007. **Education:** Social Sciences upper-secondary school programme. **Other Board appointments:** Chairman of Astrid Lindgren's World, Vice Chairman of Wallenstam AB, Board member of Bergvik Skog, ACR and Porthouse Interior AB. **Background:** Member of Parliament 1991–2007, Cabinet minister 1996–2006.

HENRIK PERLMUTTER

Born: 1950 Title: 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. **Background:** Chairman of Ponsus Pharma AB, Länsförsäkringar Liv's Policyholders' Association, Board member of Biolin Scientific AB.

Employee representatives

KARIN STARRIN

Born: 1947 Title: 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, Arlanda Infrastructure AB, Acting President of Hallands Akademi, Board member of Swedish Gambling Authority. **Background:** Head of government agency, County Governor, member of parliament, Chairman of Municipal Executive Board.

MARIE-LOUISE ZETTERSTRÖM

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

CHRISTER EKEHOV

Born: 1953. Title: Life-assurance lawyer. Elected 1995. **Education:** Bachelor of Arts in Legal Science and Master of Science in Business and Economics. **Other Board appointments:** Board member, employee representative for Länsförsäkringar Fondliv Försäkringsaktiebolag and SACO Association (Swedish Confederation of Professional Associations) at Länsförsäkringar AB, deputy Board member of Länsförsäkringar AB.

LENA SUNDQVIST

Born: 1953. Title: Insurance clerk. Elected 2013. **Education:** Internal life-assurance training courses. **Other Board appointments:** Member of Swedish Union of Insurance Employees' (FTF) Board. **Background:** Risk assessor, systems administrator.

Auditors

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

Deputy:
Anders Linér
Authorised Public Accountant, KPMG
Auditor in the company since 2012.

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.

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

Roger Lidberg
Born 1960.
Business Manager.
Employed since 1995.
Previous experience: Regional manager of Länsförsäkringar Stockholm, regional manager of Wasa försäkring, District Sales Manager at Skandia.
Board appointments: Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and VI SI System AB.

Helen Hallåker
Born 1960.
Head of Legal Affairs.
Employed since 2010.
Previous experience: Law Clerk at the Financial Supervisory Authority, life assurance legal adviser at Handelsbanken Liv, company lawyer at AMF Pension, rules and regulations consultant at KPMG.

Elizabeth Äng
Born 1963.
Corporate Senior Actuary.
Employed since 2012.
Previous experience: CFO at Swedbank Försäkring, Corporate Senior Actuary and Risk Control Manager at Skandia.

Definitions

Capital base
Parent Company: Total equity plus untaxed reserves according to the balance sheet, and surplus values on assets.

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, management 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
Parent Company: 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 management costs are not included in the calculation of the total return.

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