

AFA Insurance – an overview

More than 4 million people are insured with AFA Insurance. Our insurance policies are a natural part of collective bargaining agreements and the Swedish social security system. More than 200,000 employers have personnel covered by at least one of our insurance policies. Just in the year 2013 alone, we received 312,000 new insurance claims. In total, we handled more than 800,000 claims and paid SEK 9.6 billion in compensation.

We administer assets amounting to approximately SEK 190 billion, and invest the capital so as to generate a good and secure return. Responsible asset management ensures future compensation payments, while simultaneously enabling low and stable premiums in the long term.

Our mandate also includes preventive action within work and health environments. We contribute with preventive measures, spread information and support the exchange of knowledge and experiences. Our occupational health and safety information system, known as the IA system, is used by more than 300 companies within 16 sectors, and supports the systematic improvement of their working environment. AFA Insurance also contributes significant funds to R&D, with grants totalling SEK 150 million each year within work and health environments.

We employ 590 people who endeavour to ensure that our customers perceive us as thoughtful and considerate, and easy to work with. Customer surveys performed in 2013, where we asked both insured persons and their employers, gave us high grades.

AFA Insurance is an insurance company with the objective of contributing to a more secure working life and a long-term sustainable community.

AFA Insurance is owned by the Confederation of Swedish Enterprise (Svenskt Näringsliv), the Swedish Trade Union Confederation (LO), and the Swedish Council for Negotiation and Co-operation (PTK). Together, we create a more secure working life.

AFA Insurance – key data	2013	2012
Premium revenues	SEK 946 m	SEK 1,008 m
Invested assets	SEK 190.5 bn	SEK 198.3 bn
Total return	8.9%	9.0%
Total return	SEK 16.5 bn	SEK 17.6 bn
Paid insurance Compensation	SEK 9.6 bn	SEK 9.5 bn
Cost of preventive Measures + Research	SEK 290 m	SEK 243 m
Number of employees	590	520
Number of insurance claims	805,000	751,000
New insurance claims	312,000	279,000

MESSAGE FROM THE CEO

Continued positive financial development

Financial trends in 2013 with high dividends and rising market interest rates were favourable for AFA Insurance.

The return on AFA Insurance's assets under management was 8.9 percent (9.0), representing SEK 16.5 billion (17.6), of which SEK 1.5 billion came from active management. It is very gratifying to note that this is the twelfth of the so far sixteen years that AFA Insurance has existed that active asset management has exceeded its benchmark.

AFA Sickness Insurance had an excellent funding ratio at the end of 2013, despite reimbursements to municipalities and county councils of SEK 10.2 billion regarding premiums for the years 2005 and 2006. The solid funding ratio is a result of historical settlement gains, good returns, and in 2013 a higher interest-rate level that allowed for a larger discount of the insurance technical provisions, thus reducing costs.

Forecasts regarding future compensation costs within sickness insurance continue to be low, which has resulted in premiums being set at zero also for the year 2014.

The overall result before year-end appropriations and tax amounted to SEK 3.6 billion (6.1).

Solvency II

The EU resolved during the year that the Solvency II Directive shall enter into force on 1 January 2016. At the same time, EIOPA – the European Insurance and Occupational Pensions Authority – determined that the preliminary Solvency II guidelines shall enter into force on 1 January 2014.

The transition to the new solvency regulations implies extensive change procedures for AFA Insurance, and will be a highly prioritised area during the years to come.

Rising volume of claims

AFA Insurance has a large number of collectively insured persons, and in 2013 we handled 312,000 new insurance claims, representing an increase of almost 12 percent compared with the previous year. The reasons include greater awareness of our insurance policies, the possibility to submit claim applications digitally, a rise in sick-listing and changes to the terms and conditions of work-injury insurance.

The rise in volume of claims is the primary reason for

the increase in the number of employees from 520 at the beginning of 2013 to 590 at the end of the year.

New insurance

During the year, the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Swedish Trade Union Confederation (LO) agreed upon a new collective insurance regarding supplementary parental benefits. This new insurance cover entered into force on 1 January 2014.

The insurance policy provides compensation to those on parental leave for a maximum of 180 calendar days until the child reaches the age of 1½ years.

Continued digital developments

It is very gratifying to note that approximately half of our customers use our e-service for submitting claims, which both simplifies and speeds up the handling of claim applications. We see considerable potential in the further development of these services, and will continue our investment in the forthcoming years.

In order to support injury prevention at workplaces, AFA Insurance provides a web-based system for the systematic improvement of the working environment, known as the IA system. Accidents, near-accidents and incidents are registered in the IA system locally at the workplace. Development of the system takes place in collaboration with user-companies and social partners within each sector, and we have noted growing interest from companies, municipalities and sectors to join IA.

Sustainability

AFA Insurance's activities affect many people in Sweden, and our insurance policies are an important part of the Swedish social security system – which implies particular responsibility for us. AFA Insurance does not seek to generate a profit, and our ambition is that everyone who has the right to receive compensation shall do so.

We also contribute to society through injury-prevention procedures and support to research and development with the objective of improving the work environment, reducing ill-health and contributing to a reduction of work injuries and sickness absenteeism. We also place considerable importance on acting responsibly within our asset management both as shareholder and property owner.

In the autumn, we held an Employee Day with the theme of sustainable development in order to inform about and inspire sustainable activities. In this year's sustainability report, our aim is to provide a picture of what the Company has achieved during the year in order to contribute to a more sustainable society.

To close, I would like to thank everyone for the five years during which I have had the privilege of being CEO of AFA Insurance. It has been extremely positive and instructive to have worked together with so many competent and committed employees and to have been part of the Company's continued development.

Maj-Charlotte Wallin
PRESIDENT AND CEO, AFA INSURANCE
(UP TO 31 DECEMBER 2013)

I took up my duties as chief executive officer of AFA Insurance in the beginning of March 2014, and am looking forward very much to leading the process of providing greater security to many people at Swedish workplaces in the most effective way through collectively agreed insurance policies. A company always has challenges no matter how well it performs, and AFA Insurance is no exception. New external regulations must be implemented, and we must handle the rise in claims volumes both in new and existing products in the best possible way.

My starting point is that there must be a will to improve everyday life. Something that works well can work even better, and that can only be possible with committed and responsible employees, as we have today.

Anders Moberg
PRESIDENT AND CEO, AFA INSURANCE

CLAIM TRENDS 2013

In 2013, AFA Insurance handled a total of 312,000 new claims for compensation, representing around 33,000 more claims than the year before.

AFA SICKNESS INSURANCE

Policy holders and those insured

The number of insurance contracts for AFA Sickness Insurance within the AGS and AGS-KL group sickness insurance increased during the year, and amounted to 229,700 signed contracts (226,300) at the end of 2013.

There are approximately 1.5 million people insured within the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation, and about 1.1 million insured within municipalities and county councils.

Claim trends

The number of new claims within group sickness insurance increased to about 117,000 (107,000) in 2013.

AFA WORK INJURY INSURANCE

Policy holders and those insured

The number of employers who took out TFA work injury insurance increased marginally during the year, and the number of signed contracts amounted to 218,600 at the end of the year (215,500).

The TFA and TFA-KL insurance policies cover approximately 3.6 million employees in the Swedish labour market and about 0.2 million self-employed people.

Claim trends

The number of new claims within work injury insurance was approximately 71,000 in 2013, representing an increase of about 10,000 cases compared with the year before.

AFA LIFE INSURANCE

Policy holders and those insured

The number of insurance contracts within AFA Life Insurance at the end of the year was:

Severance Allowance Insurance (AGB)	2013	2012
AGB within Career Readjustment Insurance	91,600	93,200
AGB	117,600	115,600

LIFE INSURANCE

Claim trends

The number of registered cases within AGB severance allowance insurance was about 17,000 for the year, representing an increase compared with 2012 when approximately 14,000 cases were registered. Handling times for AGB cases are, as previously, very short.

About 2,900 TGL group life insurance cases and a little more than 120 family cover cases were received during the year. A slight increase can be observed in the number of TGL and family cover claims.

AFA SICKNESS INSURANCE (GROUP)

INCOME STATEMENT (SEK million)	2013	2012	2011	2010	2009
Premiums earned	-10,942	-17,111	179	180	665
Investment income, net	15,801	17,070	6,776	17,068	24,140
Claims incurred	-919	6,678	-4,330	-611	-2,067
Operating expenses	-432	-502	-413	-399	-366
Other technical expenses	-201	-120	-150	-156	-108
Profit/loss for the year before tax	3,307	6,015	2,062	16,082	22,264
NET PROFIT/LOSS FOR THE YEAR	2,711	6,748	1,265	11,811	16,408
FINANCIAL POSITION (SEK million)	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Investments, book value	180,544	194,687	202,697	206,120	199,130
Technical provisions	98,015	106,039	121,606	126,525	135,923
Net asset value	84,710	81,126	78,969	79,809	63,778
<i>of which deferred tax</i>	12,626	11,753	16,344	18,365	14,145
KEY RATIOS (%)	2013	2012	2011	2010	2009
Claims ratio	-8.4	39.0	2419.0	339.4	310.8
Expense ratio	-3.9	-2.9	230.7	221.7	55.0
Combined ratio	-12.3	36.1	2649.7	561.1	365.8
Yield ¹⁾	4.6	4.4	4.5	3.7	3.6
Total return ²⁾	9.0	9.0	3.5	8.7	13.2
Net asset value ratio	-774.2	-474.1	44 164.2	44 338.3	9 590.7

¹⁾ Yield is calculated as the portion of yield in relation to total return as per the same principle as in the total return table.

²⁾ Total return is reported as per the method in the total return table, which is also the measure used internally.

FIVE-YEAR OVERVIEW

AFA SICKNESS INSURANCE (PARENT COMPANY)

INCOME STATEMENT (SEK million)	2013	2012	2011	2010	2009
Premiums earned	-11,107	-17,276	16	15	115
Allocated investment return transferred from the non-technical account	767	1,174	1,736	581	478
Claims incurred	-219	8,838	-989	2,303	-2,279
Operating expenses	-196	-259	-190	-181	-192
Other technical expenses	-108	-47	-92	-70	-36
Technical profit/loss, insurance business	-10,863	-7,570	481	2,648	-1,914
Net investment income plus unrealised changes in the value of investments	12,364	13,336	3,846	13,653	19,727
Profit/loss before appropriations and tax	1,501	5,766	4,327	16,301	17,813
NET PROFIT/LOSS FOR THE YEAR	-223	14,994	-347	6,783	2,817
FINANCIAL POSITION (SEK million)	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Investments, current value	146,612	162,136	170,953	174,842	166,210
Technical provisions	78,967	85,903	101,939	108,546	119,258
Net asset value	73,849	72,347	70,464	68,732	52,431
<i>of which deferred tax</i>	<i>2,485</i>	<i>2,445</i>	<i>2,284</i>	<i>4,987</i>	<i>2,569</i>
Capital base	73,849	72,347	70,464	68,732	52,431
Required solvency margin	2,370	2,578	3,059	3,255	3,576
Capital base, insurance group	83,799	81,059	79,170	80,344	64,376
Required solvency margin, insurance group	3,766	4,023	4,199	4,179	4,489
KEY RATIOS (%)	2013	2012	2011	2010	2009
Claims ratio	-2.0	51.2	6,181.3	-15,353.3	1,981.7
Expense ratio	-1.8	-1.5	1,187.5	1,206.7	167.0
Combined ratio	-3.7	49.7	7,368.8	-14,146.7	2,148.7
Yield ¹⁾	4.5	4.3	4.4	3.6	3.5
Total return ²⁾	9.0	9.0	3.5	8.6	12.9
Net asset value ratio	-664.9	-418.8	440,400.0	458,666.7	45,576.5

¹⁾ Yield is calculated as the portion of yield in relation to total return as per the same principle as in the total return table.

²⁾ Total return is reported as per the method in the total return table, which is also the measure used internally.

AFA WORK INJURY INSURANCE

INCOME STATEMENT (SEK million)	2013	2012	2011	2010	2009
Premiums earned	165	165	163	165	550
Allocated investment return transferred from the non-technical account	182	249	311	88	68
Claims incurred	-716	-2,208	-3,374	-2,915	230
Operating expenses	-240	-283	-231	-222	-171
Other technical expenses	-93	-73	-58	-86	-73
Technical profit/loss, insurance business	-702	-2,150	-3,189	-2,970	604
Net investment income plus unrealised changes in the value of investments	1,936	2,132	441	2,540	4,113
Profit/loss before appropriations and tax	1,234	-18	-2,748	-430	4,717

NET PROFIT/LOSS FOR THE YEAR	121	-1,201	-1,607	973	3,478
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FINANCIAL POSITION (SEK million)	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Investments, current value	29,586	29,045	27,298	28,288	30,282
Technical provisions	19,048	20,136	19,667	17,979	16,665
Net asset value	11,491	10,257	8,278	11,059	11,489
<i>of which deferred tax</i>	201	156	93	710	363
Capital base	11,491	10,257	8,278	11,059	11,489
Required solvency margin	934	988	708	436	436
Capital base, insurance group	83,799	81,059	79,170	80,344	64,376
Required solvency margin, insurance group	3,766	4,023	4,199	4,179	4,489

KEY RATIOS (%)	2013	2012	2011	2010	2009
Claims ratio	433.9	1,338.2	2,069.9	1,766.7	-41.8
Expense ratio	145.5	171.5	141.7	134.5	31.1
Combined ratio	579.4	1,509.7	2,211.7	1,901.2	-10.7
Yield ¹⁾	4.7	4.7	4.8	4.0	4.0
Total return ²⁾	7.7	9.0	3.2	9.3	15.1
Net asset value ratio	6964.8	6,216.4	5,078.5	6,702.4	2,088.9

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FIVE-YEAR OVERVIEW

AFA LIFE INSURANCE

OVERVIEW OF TECHNICAL ACCOUNT (SEK million)	2013	2012	2011	2010	2009
Property & casualty insurance business					
Premiums earned	463.9	3.2	3.4	2.6	2.5
Other technical incomes	7.2	-	-	-	-
Claims incurred	-595.9	-538.0	-254.3	-469.9	-1,122.2
Operating expenses	-39.5	-41.6	-36.8	36.2	-36.9
Allocated investment return transferred from the non-technical account	331.0	296.4	-104.8	369.1	862.6
Technical profit/loss, property & casualty insurance business	166.7	-280.0	-392.5	-134.4	-294.0
Life assurance business					
Premiums earned	215.2	502.7	423.9	523.0	81.4
Claims incurred	-453.2	-429.6	-485.6	-514.4	-566.5
Life assurance provisions	159.7	130.0	-34.6	148.9	339.9
Operating expenses	-48.3	-50.4	-45.0	-46.0	-46.1
Other technical expenses	-13.3	-13.3	-13.2	-12.8	-12.7
Net investment income plus unrealised changes in the value of investments	224.1	255.6	85.7	212.7	467.3
Technical profit/loss, life assurance business	84.2	395.0	-68.8	311.4	263.3
OVERVIEW OF NON-TECHNICAL ACCOUNT					
Technical profit/loss, property & casualty insurance business	166.7	-280.0	-392.5	-134.4	-294.0
Technical profit/loss, life assurance business	84.2	395.0	-68.8	311.4	263.3
Profit/loss before appropriations and tax	250.9	115.0	-461.3	177.0	-30.7
Appropriations	-5.2	147.0	287.0	-	100.7
Profit/loss before tax	245.7	262.0	-174.3	177.0	70.0
Tax on results of life assurance business	-19.4	-76.8	24.2	-2.8	-67.3
NET PROFIT/LOSS FOR THE YEAR	226.3	185.2	-150.1	174.2	2.7

AFA LIFE INSURANCE

FINANCIAL POSITION (SEK million)	2013	2012	2011	2010	2009
Property & casualty insurance business					
Investments, current value	2,507.8	2,490.9	2,794.5	3,197.3	3,363.3
Technical provisions	152.9	142.4	88.4	179.2	225.0
Net asset value	2,547.1	2,380.4	2,660.4	3,052.9	3,187.3
Capital base	2,547.1	2,380.4	2,660.4	3,052.9	3,187.3
Required solvency margin	117.7	107.2	75.4	153.9	137.3
Life assurance business					
Investments, current value	3,168.2	3,423.5	2,935.0	2,695.1	2,672.4
Technical provisions	1,846.8	2,013.2	2,178.6	2,116.4	2,245.6
Net asset value	1,398.7	1,318.4	984.2	1,072.8	798.4
<i>of which deferred tax</i>	<i>57.0</i>	<i>41.5</i>	<i>25.5</i>	<i>69.6</i>	<i>103.7</i>
Capital base	1,398.7	1,318.4	984.2	1,072.8	798.4
Required solvency margin	343.9	350.5	357.1	334.7	339.8
AFA Life Insurance total					
Investments, current value	5,676.0	5,914.4	5,651.0	5,892.4	6,035.7
Technical provisions	1,999.6	2,155.5	2,267.0	2,295.6	2,470.6
Net asset value	3,945.8	3,698.7	3,644.6	4,125.7	3,985.7
<i>of which deferred tax</i>	<i>57.0</i>	<i>41.5</i>	<i>25.5</i>	<i>69.6</i>	<i>103.7</i>
Capital base	3,945.8	3,698.7	3,644.6	4,125.7	3,985.7
Required solvency margin	461.6	457.7	432.5	488.5	477.1
Capital base, insurance group	83,799.0	81,059	79,170	80,344	64,376
Required solvency margin, insurance group	3,766	4,023	4,199	4,179	4,489

KEY RATIOS (%)	2013	2012	2011	2010	2009
Property & casualty insurance business					
Claims ratio	128.5	16,812.5	7,479.4	18,073.1	44,888.0
Expense ratio	8.5	1,300.0	1,082.4	1,392.3	1,476.0
Combined ratio	137.0	18,112.5	8,561.8	19,465.4	46,364.0
Yield ¹⁾	2.9	3.3	3.0	2.8	3.9
Total return ²⁾	14.6	11.8	-3.2	12.2	28.9
Net asset value ratio	549.1	74,387.5	78,247.1	117,419.2	127,492.0
Life assurance business					
Management expense ratio	1.6	1.6	1.7	1.6	1.6
Yield ¹⁾	2.4	2.9	3.5	3.1	3.4
Total return ²⁾	7.2	8.5	2.9	8.5	15.9
Net asset value ratio	650.0	262.3	232.2	205.1	980.8
AFA Life Insurance, total					
Yield ¹⁾	2.6	3.1	2.0	2.9	3.7
Total return ²⁾	10.3	10.0	-0.1	10.4	22.5
Net asset value ratio	581.0	731.1	852.9	785.0	4,750.5

¹⁾ Yield is calculated as the portion of yield in relation to total return as per the same principle as in the total return table.

²⁾ Total return is reported as per the method in the total return table, which is also the measure used internally.

TOTAL RETURN 2013 AND INVESTMENT ASSETS

The overall return for AFA Insurance amounted to 8.9 per cent in 2013. AFA Sickness Insurance (the Parent Company) attained a yield of 9.1 per cent, AFA Work Injury Insurance 7.7 per cent, and AFA Life Insurance 10.3 per cent.

Total return table for investments	Market values				Total return	
	2013		2012		2013	2012
	SEKm	%	SEKm	%	%	%
Fixed income – nominal	67,776	36	71,439	36	1.2	7.0
Fixed income – inflation-linked	25,878	14	27,579	14	-6.1	2.0
Equities	62,483	33	67,067	34	23.6	14.8
Property	21,852	11	20,254	10	6.7	6.9
Private Equity	12,478	6	12,010	6	15.4	9.0
Allocation – foreign exchange	3	0	-	-	0.0	0.0
Total investments	190,470	100	198,349	100	8.9	9.0

Contribution analysis 2013, %	Benchmark portfolio	Benchmark portfolio return	Portfolio return	Management contribution
Fixed income – nominal	35	0.1	1.2	0.4
Fixed income – inflation-linked	15	-7.1	-6.1	0.2
Equities	33	23.6	23.6	0.0
Property	11	6.7	6.7	-
Private Equity	6	15.4	15.4	-
Tactical asset allocation	-	-	0.2	0.2
Total investments	100	8.1	8.9	0.8

The unlisted asset classes (Property and Private Equity) are not evaluated for such a short period of time as one year. The return of the benchmark portfolio has therefore been set at the same level as the return attained for these asset classes. For the long-term series, the Swedish Property Index (SFI) is used as benchmark for the asset class Property. The asset class Private equity has an absolute annual return requirement of 10 per cent in the long-term series.