

Secure cover at work for 4 million employees

AFA Insurance is a joint organization for three insurance companies – AFA Sickness Insurance, AFA Work Injury Insurance, and AFA Life Insurance – which are 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). We insure employees within the private sector as well as municipalities, county councils and regions. More than four million people are currently covered by at least one of our insurance policies.

Our mandate

We are mandated by the social partners to administer collectively agreed insurance that provides financial support in the event of sickness, work injury, shortage of work, parental leave, and death. The mandate includes administering insurance, managing assets, and preventing ill-health by supporting research and development.

Insurance policies that enable a more secure everyday life for many people

The collectively agreed insurance policies cover almost the entire Swedish labour market, thus making our activities quite unique. The spread of risk is excellent in view of the considerable size of the insured collective, which in turn means that we can insure everyone without requiring a medical examination. The large volume of cases and our administrative capacity mean that we can also achieve low costs, which leads to low premiums for our policy holders. Moreover, our actions do not generate a distributable profit and we work actively to ensure that all those who have the right to compensation shall also receive such.

Helping many people

The collectively agreed insurance policies enable us to assemble unique data concerning the causes and consequences of ill-health at work. All claims have been stored in our unique database that contains more than 10 million cases. This is an important source of information that provides underlying data for our support of research and development and our preventive work. In this way, the collectively agreed insurance policies enable a better working life for everyone concerned.

MESSAGE FROM THE CEO

THE PAST YEAR

During the year the financial markets were characterized by anxiety regarding the huge public debts within the euro zone and the United States, and how the banking system, the global economy and the euro would be affected. The financial consequences, with falling stock markets and interest rates, were extremely unfavourable for insurance companies with long-term commitments. The total return on our assets was 3.4 per cent (8.8), representing SEK 6.7 billion (17.8).

The effects of the amendments to the Swedish National Insurance Act that entered into force on 1 July 2008 resulted in continued settlement gains even this year. These settlement gains contributed to net costs for insurance compensation amounting to SEK 5.1 billion (1.5), which meant that we were able to lower the premium for sickness insurance to zero for the third consecutive year, and thereby reimburse SEK 2.9 billion to employers.

AFA Sickness Insurance had a high funding ratio of 169 per cent (163) at the end of 2011, and forecasts are for continued low compensation costs in the future. This has led to the premium for 2012 also being set at zero. Taken over a ten-year period, 54 per cent of AFA companies' costs have been financed with capital return, and 46 per cent with premium income. The cost of our asset management remains unchanged at 0.05 per cent of managed capital.

Financial results

The overall effect of low compensation costs, very low premium income, a lower return on capital than last year as well as operating costs at a continued low level resulted in a surplus of SEK 1.7 billion (16.4) before year-end appropriations and tax. AFA Insurance is operated without any requirement to distribute profits to the owners, and any surplus goes to policy holders and those insured. It is normally possible to spread the taxable surplus over different years, for example in order to adjust for upward and downward fluctuations in the financial markets. Despite reduced premiums and improvements in the terms and conditions for those insured, realized settlement gains have led to insufficient provisions, which in turn means that SEK 2.6 billion will be paid in income tax for the financial year 2011.

Satisfied customers

Our customer satisfaction survey showed that we had a Satisfied Customer Index of 73, which we consider a good result. This simultaneously provides us with underlying data for our continued process of improving service and increasing benefits for our customers. An important part of this effort is our customer website that is principally an e-service for claim notifications. We started the service fully in October, and it is now most pleasing to see that after a relatively short time close to 20 per cent of notifications regarding sick leave and work injury are submitted digitally to AFA Insurance. The goal is for half of our cases to be notified via the customer website by the end of 2012. For those who have suffered an accident, the customer website signifies shorter handling times and the possibility for each person to follow their own case. For employers, the service means simplified administration and greater potential to monitor each case.

New website and innovator of the year

We also launched a new website during the year that contributes to improved service for our customers by providing access to a special customer section, as well as general information about our insurance policies. AFA Insurance's proactive customer service in social media where we monitor those injured at work, on long-term sick leave and on parental leave in order to ensure that all those who have the right to compensation also receive such, received two awards during the year: Innovator of the Year in the insurance sector, and the international award Quality Innovation of the Year.

SURROUNDING WORLD

Changes within regulations that concern the entire insurance sector will without doubt affect our operations. We are following very carefully the development of Solvency II and the occupational pension directive, and currently cannot see any major problems in fulfilling the requirements that the implementation of these regulations will place on us. However, uncertainty still prevails around both the content and application and the point in time that they will enter into force. For activities with long-term insurance commitments, this uncertainty implies risks that are not entirely insignificant.

Future social insurance plans

In view of that our insurance plans on the whole act as a complement to national insurance cover, our activities could be significantly affected by any major changes to the latter. The parliamentary social insurance committee of inquiry will present its proposals in May 2013. The committee of inquiry presented several reports during the year. AFA Insurance has held a number of well-attended seminars related to current issues within the labour market and social insurance area, and we will continue to carefully monitor developments. Work injury insurance has been discussed by various interested parties. AFA Insurance arranged a seminar during the annual "Almedal Week" regarding work injury insurance of the future, where the parties and the chairman of the inquiry, Gunnar Axén, talked about various potential future solutions. AFA Insurance is also represented on the Work Injury Commission.

THE FUTURE

Our insurance policies provide security to more than four million people employed in the Swedish labour market. This places considerable responsibility in providing the collectively agreed insurance policies so that the related benefits really do reach both employees and employers. A broad spread of risk and economies of scale also enable low premiums in a long-term perspective. We receive approximately 250,000 new claims each year, which gives us considerable potential for rationalization and specialization while simultaneously providing us with data so as to raise our service level and improve our accessibility.

Insurance is often experienced as being difficult to understand, and we therefore strive to be Sweden's most comprehensible insurance company. This implies that we take great pains in formulating letters, websites and other types of communication about our insurance policies so that they become as easy to understand as possible. This contributes to our goal that all those who have the right to insurance compensation shall also receive such.

We have also started, together mainly with the Swedish Social Insurance Agency and Fora, an important process to provide better information and service to our customers regarding the relationship between collective insurance agreements and social insurance, and to whom they should address the various questions they may have.

Another possibility that collectively agreed insurance policies give the social partners, via AFA Insurance, is to finance research within work environment and health. We invest SEK 150 million each year in the form of research grants to various projects and programs. One particular challenge is to spread information about research projects so that they lead to concrete improvements in working life. On 24–25 October 2012, AFA Insurance and Prevent will jointly arrange on behalf of the social partners a conference with displays and seminars entitled "Enjoy Work – the meeting place of working life" in order to spread knowledge, provide inspiration, and contribute to increasing interest in work environment issues.

For the second year, we are publishing a sustainability report that places focus on the contribution made to public welfare by AFA Insurance when we fulfil our mission.

To close, I would like to sincerely thank all of our competent and committed employees who have done such a fantastic job during 2011. Our driving force is our mission, where we have the opportunity to make a difference for many people.

Maj-Charlotte Wallin
PRESIDENT AND CEO

CLAIM TRENDS 2011

In 2011, AFA Insurance received a total of 244,000 claims for compensation, representing around 11,000 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 222,800 signed contracts (216,700) at the end of 2011.

There are approximately 1.5 million people insured within the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation, and about 1.2 million insured within municipalities and county councils.

Claim trends

The number of new claims within group sickness insurance fell by about 94,500 in 2011.

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 212,300 at the end of the year (212,100).

The TFA and TFA-KL insurance policies cover approximately 3.5 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 54,000 in 2011, representing an increase of about 5,500 cases compared with the year before. There were basically no case-queues at the end of the year, and all notified cases are currently being dealt with.

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)	2011	2010
AGB within Career Readjustment Insurance	93,100	96,700
AGB	114,200	111,000

LIFE INSURANCE

Claim trends

The number of registered cases within AGB severance allowance insurance was about 10,000 for the year, representing a decrease compared with 2010 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 100 family cover cases were received during the year. A slight decline can be observed in the number of TGL and family cover claims.

AFA SICKNESS INSURANCE (GROUP)

INCOME STATEMENT (SEK million)	2011	2010	2009	2008	2007
Premiums earned	179	180	665	12,187	9,646
Investment income, net	6,776	17,068	24,140	18,013	6,288
Claims incurred	-4,330	-611	-2,067	-5,050	-16,855
Operating expenses	-413	-399	-366	-327	-233
Other technical expenses	-150	-156	-108	-98	-217
Profit/loss for the year before tax	2,062	16,082	22,264	-11,301	-1,371
NET PROFIT/LOSS FOR THE YEAR	1,265	11,811	16,408	-7,574	-1,005
FINANCIAL POSITION (SEK million)					
Investments, book value	202,697	206,120	199,130	180,271	200,031
Technical provisions	121,606	126,525	135,923	144,404	150,455
Net asset value	79,054	79,809	63,778	41,514	52,909
<i>of which deferred tax</i>	16,344	18,365	14,145	8,289	12,045
KEY RATIOS (%)					
Claims ratio	2,419.0	339.4	310.8	41.4	174.7
Expense ratio	230.7	221.7	55.0	2.7	2.4
Combined ratio	2,649.7	561.1	365.8	44.1	177.2
Yield ¹⁾	4.5	3.7	3.6	4.2	3.9
Total return ²⁾	3.5	8.7	13.2	-8.8	3.2
Net asset value ratio	44,164.2	44,338.3	9,590.7	340.6	549.0

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)	2011	2010	2009	2008	2007
Premiums earned	16	15	115	11,538	8,996
Allocated investment return transferred from the non-technical account	1,736	581	478	4,908	4,445
Claims incurred	-989	2,303	-2,279	-4,928	-15,897
Operating expenses	-190	-181	-192	-179	-151
Other technical expenses	-92	-70	-36	-55	-139
Technical profit/loss, insurance business	481	2,648	-1,914	11,284	-2,746
Net investment income plus unrealized changes in the value of investments	3,846	13,653	19,727	-18,822	468
Profit/loss before appropriations and tax	4,327	16,301	17,813	-7,538	-2,278
NET PROFIT/LOSS FOR THE YEAR	-347	6,783	2,817	-5,974	-3,992

FINANCIAL POSITION (SEK million)

Investments, current value	170,953	174,842	166,210	150,117	165,305
Technical provisions	101,939	108,546	119,258	125,955	130,355
Net asset value	70,464	68,732	52,431	31,196	38,707
<i>of which deferred tax</i>	<i>2,284</i>	<i>4,987</i>	<i>2,569</i>	<i>693</i>	<i>3,080</i>
Capital base	70,464	68,732	52,431	31,196	38,707
Required solvency margin	2,063	2,196	2,413	3,765	3,881
Capital base, insurance group	79,170	79,753	64,360	41,844	52,522
Required solvency margin, insurance group	3,203	3,007	3,168	4,651	4,816

KEY RATIOS (%)

Claims ratio	6,181.3	-15,353.3	1,981.7	42.7	176.7
Expense ratio	1,187.5	1,206.7	167.0	1.6	1.7
Combined ratio	7,368.8	-14,146.7	2,148.7	44.3	178.4
Yield ¹⁾	4.4	3.6	3.5	4.3	4.0
Total return ²⁾	3.5	8.6	12.9	-8.3	3.3
Net asset value ratio	440,406.3	458,213.3	45,592.2	270.4	430.3

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)	2011	2010	2009	2008	2007
Premiums earned	163	165	550	649	650
Allocated investment return transferred from the non-technical account	311	88	68	738	711
Claims incurred	-3,374	-2,915	230	-23	-867
Operating expenses	-231	-222	-171	-157	-89
Other technical expenses	-58	-86	-73	-43	-79
Technical profit/loss, insurance business	-3,189	-2,970	604	1,164	326
Net investment income plus unrealized changes in the value of investments	441	2,540	4,113	-4,387	179
Profit/loss before appropriations and tax	-2,748	-430	4,717	-3,223	505
NET PROFIT/LOSS FOR THE YEAR	-1,607	973	3,478	-1,481	-1,686

FINANCIAL POSITION (SEK million)

Investments, current value	27,298	28,288	30,282	27,395	32,039
Technical provisions	19,667	17,979	16,665	18,449	20,100
Net asset value	8,275	11,024	11,454	10,249	13,411
<i>of which deferred tax</i>	92	675	328	58	594
Capital base	8,275	11,024	11,454	10,249	13,411
Required solvency margin	708	322	277	484	526
Capital base, insurance group	79,170	79,753	64,360	41,861	52,522
Required solvency margin, insurance group	3,203	3,007	3,168	4,651	4,816

KEY RATIOS (%)

Claims ratio	2,069.9	1,766.7	-41.8	3.5	133.4
Expense ratio	141.7	134.5	31.1	24.2	13.7
Combined ratio	2,211.7	1,901.2	-10.7	27.7	147.1
Yield ¹⁾	4.8	4.0	4.0	4.0	3.7
Total return ²⁾	3.2	9.3	15.1	-11.1	2.7
Net asset value ratio	5,076.7	6,681.2	2,082.5	1,579.2	2,063.2

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 LIFE INSURANCE

OVERVIEW OF TECHNICAL ACCOUNT (SEK million)	2011	2010	2009	2008	2007
Property & casualty insurance business					
Premiums earned	3.4	2.6	2.5	2.8	2.2
Claims incurred	-254.3	-469.9	-1,122.2	-266.5	-251.4
Operating expenses	-36.8	-36.2	-36.9	-36.7	-32.5
Allocated investment return transferred from the non-technical account	-104.8	369.1	862.6	-1,032.4	49.2
Technical profit/loss, property & casualty insurance business	-392.5	-134.4	-294.0	-1,332.8	-232.5
Life assurance business					
Premiums earned	423.9	523.0	81.4	507.1	476.3
Claims incurred	-485.6	-514.4	-566.5	-560.6	-536.1
Life assurance provisions	-34.6	148.9	339.9	-77.3	68.9
Operating expenses	-45.0	-46.0	-46.1	-46.6	-41.0
Other technical expenses	-13.2	-12.8	-12.7	-12.8	-12.3
Net investment income plus unrealized changes in the value of investments	85.7	212.7	467.3	-329.3	104.2
Technical profit/loss, life assurance business	-68.8	311.4	263.3	-519.5	60.0
OVERVIEW OF NON-TECHNICAL ACCOUNT					
Technical profit/loss, property & casualty insurance business	-392.5	-134.4	-294.0	-1,332.8	-232.5
Technical profit/loss, life assurance business	-68.8	311.4	263.3	-519.5	60.0
Profit/loss before appropriations and tax	-461.3	177.0	-30.7	-1,852.3	-172.5
Appropriations	287.0	-	100.7	137.0	-90.4
Profit/loss before tax	-174.3	177.0	70.0	-1,715.3	-262.9
Tax on results of life assurance business	24.2	-2.8	-67.3	140.6	-20.3
NET PROFIT/LOSS FOR THE YEAR	-150.1	174.2	2.7	-1,574.7	-283.2

AFA LIFE INSURANCE

FINANCIAL POSITION (SEK million)	2011	2010	2009	2008	2007
Property & casualty insurance business					
Investments, current value	2,794.5	3,197.3	3,363.3	3,384.7	4,852.7
Technical provisions	88.4	179.2	225.0	74.6	104.7
Net asset value	2,660.4	3,052.9	3,187.3	3,481.4	4,814.1
Capital base	2,660.4	3,052.9	3,187.3	3,481.4	4,814.1
Required solvency margin	75.8	153.0	137.3	49.8	70.1
Life assurance business					
Investments, current value	2,935.0	2,695.1	2,672.4	3,033.6	3,346.1
Technical provisions	2,178.6	2,116.4	2,245.6	2,574.4	2,464.9
Net asset value	966.1	1,035.7	725.0	581.0	983.0
<i>of which deferred tax</i>	7.4	32.4	30.3	82.5	105.5
Capital base	966.1	1,035.7	725.0	581.0	983.0
Required solvency margin	357.1	334.7	339.8	353.0	338.6
AFA Life Insurance total					
Investments, current value	5,651.0	5,892.4	6,035.7	6,418.3	8,198.8
Technical provisions	2,267.0	2,295.6	2,470.6	2,649.0	2,569.6
Net asset value	3,626.5	4,088.6	3,912.3	4,062.4	5,797.1
<i>of which deferred tax</i>	7.4	32.4	30.3	82.5	105.5
Capital base	3,626.5	4,088.6	3,912.3	4,062.4	5,797.1
Required solvency margin	432.9	487.7	477.1	402.8	408.7
Capital base, insurance group	79,170	79,753	64,360	41,844	52,522
Required solvency margin, insurance group	3,203	3,007	3,168	4,651	4,816

KEY RATIOS (%)

Property & casualty insurance business					
Claims ratio	7,479.4	18,073.1	44,888.0	9,517.9	11,413.6
Expense ratio	1,082.4	1,392.3	1,476.0	1,310.7	1,477.3
Combined ratio	8,561.8	19,465.4	46,364.0	10,828.6	12,890.9
Yield ¹⁾	3.0	2.8	3.9	3.6	2.5
Total return ²⁾	-3.2	12.2	28.9	-21.6	0.9
Net asset value ratio	78,247.1	117,419.2	127,492.0	124,335.7	233,509.1
Life assurance business					
Management expense ratio	1.7	1.6	1.6	1.5	1.2
Yield ¹⁾	3.5	3.1	3.4	4.2	3.7
Total return ²⁾	2.9	8.5	15.9	-9.6	3.4
Net asset value ratio	227.9	198.0	890.7	114.6	181.5
AFA Life Insurance, total					
Yield ¹⁾	2.0	2.9	3.7	3.8	2.9
Total return ²⁾	-0.1	10.4	22.5	-16.6	1.9
Net asset value ratio	850.1	777.9	4,663.1	796.7	1,263.1

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.

CAPITAL YIELD 2011 AND INVESTMENT ASSETS

The overall return for AFA Insurance amounted to 3.4 per cent in 2011. AFA Sickness Insurance (the Parent Company) attained a yield of 3.5 per cent, AFA Work Injury Insurance 3.2 per cent, and AFA Life Insurance –0.1 per cent.

Total yield table for investments	Market values				Total yield	
	2011		2010		2011	2010
	SEKm	%	SEKm	%	%	%
Fixed income – nominal	84,983	40	89,283	41	8.6	3.4
Fixed income – inflation-linked	28,546	14	25,444	11	13.4	4.3
Equities	67,942	32	77,156	36	–9.7	17.4
Property	17,979	9	15,681	7	10.9	11.9
Private equity	10,405	5	9,203	4	11.5	6.4
Allocation – foreign exchange	0	0	30	0	0.0	0.0
Total investments	209,855	100	216,797	100	3.4	8.8

Contribution analysis 2010	Benchmark portfolio	Yield benchmark portfolio	Yield of portfolio	Management contribution
	%	%	%	%
Fixed income – nominal	43	8.8	8.6	–0.1
Fixed income – inflation-linked	13	15.5	13.4	–0.2
Equities	31	–9.1	–9.7	–0.2
Property	5	10.9	10.9	-
Private equity	8	11.5	11.5	-
Tactical allocation	-	-	–0.5	–0.5
Total investments	100	4.4	3.4	–1.0

The unlisted asset classes (Property and Private Equity) are not evaluated for such a short period of time as one year. The yield of the benchmark portfolio has therefore been set at the same level as the yield 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 yield requirement of 10 per cent in the long-term series.