

Security at work for 4 million people

We are mandated by Sweden's social partners to administer AFA Insurance's collectively agreed policies that provide financial support in the event of sickness, work injury, shortage of work, death, and parental leave.

The mandate includes administering insurance, managing assets, and preventing ill-health and injury by supporting research, development and the communication of knowledge. We shall carry out our mandate in such a way that we contribute to a long-term sustainable community from a social, economic and environmental viewpoint. Our insurance operations shall be characterised by long-term planning and sound ethics. Our operations do not generate a distributable surplus, and our contribution to society is to fulfil the mandate of the social partners in such a manner that we together can ensure a more secure working life.

AFA Insurance is the joint name 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 Council for Negotiation and Co-operation (PTK).

Consideration, benefits and simplicity

The collectively agreed policies provide employees with insurance over and above statutory cover and in certain cases stand in where public cover is not available. Through information and pro-active activities, we endeavour to ensure that all those who have the right to compensation shall also receive such.

Our insurance policies provide benefits for employers and employees within the private sector, municipalities, county councils and regions. The workplaces of about 90 percent of Sweden's employees have collective agreements, which means that more than 200,000 employers and more than four million people are covered by at least one of our insurance policies.

The terms and conditions are determined and agreed by the Swedish social partners. The spread of risk is excellent in view of the considerable size of the insured collective, which means that we can insure people without requiring a medical examination. The large volume of cases enables efficiency gains, which together with long-term sustainable asset management contribute to low premiums for our policy holders – the employers.

Unique database for a better working life

Given that the collectively agreed insurance policies cover almost the entire Swedish labour market, we are able to assemble unique knowledge of how ill-health and work injuries can best be prevented and forestalled. All claims over a period of more than 40 years have been stored in our database, which now contains more than 10 million cases. This is an important source of information that increases the quality of our preventive procedures and our support of research and development. In this way, the collectively agreed insurance policies enable a better working life for everyone concerned.

AFA Insurance – key figures for the year 2012:

- More than 4 million insured
- SEK 10 billion paid out as insurance compensation
- SEK 1 billion in premium revenues
- SEK 200 billion in managed assets
- SEK 150 million in research grants
- 520 employees
- 475,000 ongoing cases
- 276,000 new cases

MESSAGE FROM THE CEO

Positive financial developments

Developments within the financial markets were more favourable for most insurance companies in 2012 than previous years. Good equity returns, particularly in Sweden, in combination with relatively unchanged government bond interest rates and a stable property market, paved the way for improved funding ratios for many companies.

The total return on AFA Insurance's assets was 9.0 per cent (3.4), representing SEK 17.6 billion (6.8). It is particularly gratifying to note that a full 1.7 per cent, representing SEK 3.2 billion, originated from active asset management.

Continued settlement gains as a result of the amendments to the Swedish National Insurance Act as of 1 July 2008, along with an excellent funding ratio in AFA Sickness Insurance, contributed to the Board of Directors resolving in 2012 to reimburse employers within the private sector, municipalities and county councils a total of SEK 17.5 billion in sickness insurance premiums for the years 2007 and 2008. This means that premiums for sickness insurance have been zero for the entire period 2007–2012. Forecasts for future costs of compensation within sickness insurance continue to be low, which has led to premiums for 2013 also being set at zero.

Financial results

Despite the significant reimbursement of premiums during the year, the overall surplus before year-end appropriations and tax amounted to SEK 6.1 billion (1.6).

New regulations and changes to social insurance

From an international perspective, it is primarily the forthcoming regulations at EU level that will affect our operations. Considerable uncertainty continues to prevail regarding the content, application and timing of the entry into force of Solvency II and IFRS, which creates instability and additional costs as well as affecting the long-term planning required by our operations.

From a national perspective, it is primarily the parliamentary social insurance inquiry that could significantly affect our operations, since most of our insurance policies complement existing social insurance. We are following carefully developments within the ongoing inquiry, which has been extended for almost two years and will submit its final report on 31 January 2015. It is however possible

that more limited proposed changes could be presented while the inquiry is in progress, for example within the area of work injury, which could significantly affect our work injury insurance.

Website developed for more satisfied customers

We insure large collective organisations, and in 2012 we handled approximately 276,000 new claims. It is important for both customer satisfaction and efficiency that we simplify procedures while simultaneously improving quality and speeding up the handling of claims. Our new customer website, which was launched nearly a year ago, is already a considerable success.

After only one year, it is very gratifying to note that most of our customers use this e-service, which simplifies things for both employers and employees. It is easier to make and follow up claims, and the quality of the notification is assured, which in turn enables faster and more secure processing. At the same time, it is important to underline the significance of personal contact for customer satisfaction, particularly for more complicated claims.

Continued investment in measures to prevent injury and sickness

We continue to be active in our work to reduce and prevent work-related injuries and sickness absenteeism, which in the long term will lead to less human suffering and lower insurance costs. AFA Insurance provides SEK 150 million each year to support research, development and the spreading of knowledge within the areas of work environment and health.

In 2012, together with Prevent and the social partners, we arranged an event called "Gilla Jobbet" (Enjoy Work) in Stockholm. Close to 5,000 participants assembled to learn about new work-environment research and to discuss visions for a better work environment.

We regularly hold seminars to present and discuss the results of current research projects or other topics related to our insurance policies, and in 2012 we arranged 16 such seminars.

For many years, AFA Insurance has developed, together with various industries and sectors, Information Systems for the Work Environment – a web-based tool for registering and monitoring incidents and accidents at workplaces.

These systems contribute to increasing knowledge about work-environment risks and thereby the potential to avoid work injuries. The information is shared to a certain degree among companies within the same sector, which creates excellent opportunities to learn from each other. It is gratifying to note that interest in these systems is rising.

For an insurance company with policies like ours, preventive measures will always be extremely important – an approach that we share with the social partners. We will continue to work with research, the spreading of knowledge and tangible preventive measures – which together represent one of our contributions to a more sustainable society. Further information about our sustainability work is presented in our sustainability report.

Maj-Charlotte Wallin
PRESIDENT AND CEO

CLAIM TRENDS 2012

In 2012, AFA Insurance handled a total of 276,000 new claims for compensation, representing around 32,000 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 226,300 signed contracts (222,800) at the end of 2012. 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 increased to about 107,000 (96,000) in 2012.

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 215,500 at the end of the year (212,300).

The TFA and TFA-KL insurance policies cover approximately 3.7 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 61,000 in 2012, representing an increase of about 5,000 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)	2012	2011
AGB within Career Readjustment Insurance	93,200	93,100
AGB	115,600	114,200

LIFE INSURANCE

Claim trends

The number of registered cases within AGB severance allowance insurance was about 14,000 for the year, representing a decrease compared with 2011 when approximately 10,000 cases were registered. Handling times for AGB cases are, as previously, very short.

About 2,800 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)	2012	2011	2010	2009	2008
Premiums earned	-17,111	179	180	665	12,187
Investment income, net	17,070	6,776	17,068	24,140	-18,013
Claims incurred	6,680	-4,330	-611	-2,067	-5,050
Operating expenses	-501	-413	-399	-366	-327
Other technical expenses	-120	-150	-156	-108	-98
Profit/loss for the year before tax	6,018	2,062	16,082	22,264	-11,301
NET PROFIT/LOSS FOR THE YEAR	6,762	1,265	11,811	16,408	-7,574
FINANCIAL POSITION (SEK million)	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Investments, book value	194,687	202,697	206,120	199,130	180,271
Technical provisions	106,039	121,606	126,525	135,923	144,404
Net asset value	81,186	79,053	79,809	63,778	41,514
<i>of which deferred tax</i>	<i>11,751</i>	<i>16,344</i>	<i>18,365</i>	<i>14,145</i>	<i>8,289</i>
KEY RATIOS (%)	2012	2011	2010	2009	2008
Claims ratio	39.0	2,419.0	339.4	310.8	41.4
Expense ratio	-2.9	230.7	221.7	55.0	2.7
Combined ratio	36.1	2,649.7	561.1	365.8	44.1
Yield ¹⁾	4.4	4.5	3.7	3.6	4.2
Total return ²⁾	9.0	3.5	8.7	13.2	-8.8
Net asset value ratio	-474.5	44,163.7	44,338.3	9,590.7	340.6

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)	2012	2011	2010	2009	2008
Premiums earned	-17,276	16	15	115	11,538
Allocated investment return transferred from the non-technical account	1,174	1,736	581	478	4,908
Claims incurred	8,838	-989	2,303	-2,279	-4,928
Operating expenses	-259	-190	-181	-192	-179
Other technical expenses	-47	-92	-70	-36	-55
Technical profit/loss, insurance business	-7,570	481	2,648	-1,914	11,284
Net investment income plus unrealised changes in the value of investments	13,336	3,846	13,653	19,727	-18,822
Profit/loss before appropriations and tax	5,767	4,327	16,301	17,813	-7,538
NET PROFIT/LOSS FOR THE YEAR	14,994	-347	6,783	2,817	-5,974
FINANCIAL POSITION (SEK million)	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Investments, current value	162,136	170,953	174,842	166,210	150,117
Technical provisions	85,903	101,939	108,546	119,258	125,955
Net asset value	72,347	70,464	68,800	52,413	31,196
<i>of which deferred tax</i>	<i>2,445</i>	<i>2,284</i>	<i>5,055</i>	<i>2,550</i>	<i>693</i>
Capital base	72,347	70,464	68,800	52,413	31,196
Required solvency margin	2,578	3,059	3,255	3,576	3,765
Capital base, insurance group	81,059	79,170	80,344	64,376	41,844
Required solvency margin, insurance group	4,023	4,199	4,179	4,489	4,651
KEY RATIOS (%)	2012	2011	2010	2009	2008
Claims ratio	51.2	6,181.3	-15,353.3	1,981.7	42.7
Expense ratio	-1.5	1,187.5	1,206.7	167.0	1.6
Combined ratio	49.7	7,368.8	-14,146.7	2,148.7	44.3
Yield ¹⁾	4.3	4.4	3.6	3.5	4.3
Total return ²⁾	9.0	3.5	8.6	12.9	-8.3
Net asset value ratio	-418.8	440,400.0	458,666.7	45,576.5	270.4

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AFA WORK INJURY INSURANCE

INCOME STATEMENT (SEK million)	2012	2011	2010	2009	2008
Premiums earned	165	163	165	550	649
Allocated investment return transferred from the non-technical account	249	311	88	68	738
Claims incurred	-2,208	-3,374	-2,915	230	-23
Operating expenses	-283	-231	-222	-171	-157
Other technical expenses	-73	-58	-86	-73	-43
Technical profit/loss, insurance business	-2,150	-3,189	-2,970	604	1,164
Net investment income plus unrealised changes in the value of investments	2,132	441	2,540	4,113	-4,387
Profit/loss before appropriations and tax	-18	-2,748	-430	4,717	-3,223
NET PROFIT/LOSS FOR THE YEAR	-1,201	-1,607	973	3,478	-1,481
FINANCIAL POSITION (SEK million)	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Investments, current value	29,045	27,298	28,288	30,282	27,395
Technical provisions	20,136	19,667	17,979	16,665	18,449
Net asset value	10,257	8,278	11,059	11,489	10,249
<i>of which deferred tax</i>	156	93	710	363	58
Capital base	10,257	8,278	11,059	11,489	10,249
Required solvency margin	988	708	436	436	484
Capital base, insurance group	81,059	79,170	80,344	64,376	41,844
Required solvency margin, insurance group	4,023	4,199	4,179	4,489	4,651
KEY RATIOS (%)	2012	2011	2010	2009	2008
Claims ratio	1,338.2	2,069.9	1,766.7	-41.8	3.5
Expense ratio	171.5	141.7	134.5	31.1	24.2
Combined ratio	1,509.7	2,211.7	1,901.2	-10.7	27.7
Yield ¹⁾	4.7	4.8	4.0	4.0	4.0
Total return ²⁾	9.0	3.2	9.3	15.1	-11.1
Net asset value ratio	6,216.4	5,078.5	6,702.4	2,088.9	1,579.2

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FIVE-YEAR OVERVIEW

AFA LIFE INSURANCE

OVERVIEW OF TECHNICAL ACCOUNT (SEK million)	2012	2011	2010	2009	2008
Property & casualty insurance business					
Premiums earned	3.2	3.4	2.6	2.5	2.8
Claims incurred	-538.0	-254.3	-469.9	-1,122.2	-266.5
Operating expenses	-41.6	-36.8	-36.2	-36.9	-36.7
Allocated investment return transferred from the non-technical account	296.4	-104.8	369.1	862.6	-1,032.4
Technical profit/loss, property & casualty insurance business	-280.0	-392.5	-134.4	-294.0	-1,332.8
Life assurance business					
Premiums earned	502.7	423.9	523.0	81.4	507.1
Claims incurred	-429.6	-485.6	-514.4	-566.5	-560.6
Life assurance provisions	130.0	-34.6	148.9	339.9	-77.3
Operating expenses	-50.4	-45.0	-46.0	-46.1	-46.6
Other technical expenses	-13.3	-13.2	-12.8	-12.7	-12.8
Net investment income plus unrealised changes in the value of investments	255.6	85.7	212.7	467.3	-329.3
Technical profit/loss, life assurance business	395.0	-68.8	311.4	263.3	-519.5
OVERVIEW OF NON-TECHNICAL ACCOUNT					
Technical profit/loss, property & casualty insurance business	-280.0	-392.5	-134.4	-294.0	-1,332.8
Technical profit/loss, life assurance business	395.0	-68.8	311.4	263.3	-519.5
Profit/loss before appropriations and tax	115.0	-461.3	177.0	-30.7	-1,852.3
Appropriations	147.0	287.0	-	100.7	137.0
Profit/loss before tax	262.0	-174.3	177.0	70.0	-1,715.3
Tax on results of life assurance business	-76.8	24.2	-2.8	-67.3	140.6
NET PROFIT/LOSS FOR THE YEAR	185.2	-150.1	174.2	2.7	-1,574.7

AFA LIFE INSURANCE

FINANCIAL POSITION (SEK million)	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Property & casualty insurance business					
Investments, current value	2,490.9	2,794.5	3,197.3	3,363.3	3,384.7
Technical provisions	142.4	88.4	179.2	225.0	74.6
Net asset value	2,380.4	2,660.4	3,052.9	3,187.3	3,481.4
Capital base	2,380.4	2,660.4	3,052.9	3,187.3	3,481.4
Required solvency margin	107.2	75.4	153.9	137.3	49.8
Life assurance business					
Investments, current value	3,423.5	2,935.0	2,695.1	2,672.4	3,033.6
Technical provisions	2,013.2	2,178.6	2,116.4	2,245.6	2,574.4
Net asset value	1,318.4	984.2	1,072.8	798.4	581.0
<i>of which deferred tax</i>	41.5	25.5	69.6	103.7	82.5
Capital base	1,318.4	984.2	1,072.8	798.4	581.0
Required solvency margin	350.5	357.1	334.7	339.8	353.0
AFA Life Insurance total					
Investments, current value	5,914.4	5,651.0	5,892.4	6,035.7	6,418.3
Technical provisions	2,155.5	2,267.0	2,295.6	2,470.6	2,649.0
Net asset value	3,698.7	3,644.6	4,125.7	3,985.7	4,062.4
<i>of which deferred tax</i>	41.5	25.5	69.6	103.7	82.5
Capital base	3,328.3	3,644.6	4,125.7	3,985.7	4,062.4
Required solvency margin	457.7	432.5	488.5	477.1	402.8
Capital base, insurance group	81,059	79,170	80,344	64,376	41,844
Required solvency margin, insurance group	4,023	4,199	4,179	4,489	4,651

KEY RATIOS (%)	2012	2011	2010	2009	2008
Property & casualty insurance business					
Claims ratio	16,812.5	7,479.4	18,073.1	44,888.0	9,517.9
Expense ratio	1,300.0	1,082.4	1,392.3	1,476.0	1,310.7
Combined ratio	18,112.5	8,561.8	19,465.4	46,364.0	10,828.6
Yield ¹⁾	3.3	3.0	2.8	3.9	3.6
Total return ²⁾	11.8	-3.2	12.2	28.9	-21.6
Net asset value ratio	74,387.5	78,247.1	117,419.2	127,492.0	124,335.7
Life assurance business					
Management expense ratio	1.6	1.7	1.6	1.6	1.5
Yield ¹⁾	2.9	3.5	3.1	3.4	4.2
Total return ²⁾	8.5	2.9	8.5	15.9	-9.6
Net asset value ratio	262.3	232.2	205.1	980.8	114.6
AFA Life Insurance, total					
Yield ¹⁾	3.1	2.0	2.9	3.7	3.8
Total return ²⁾	10.0	-0.1	10.4	22.5	-16.6
Net asset value ratio	731.1	852.9	785.0	4,750.5	796.7

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.

TOTAL RETURN 2012 AND INVESTMENT ASSETS

The overall return for AFA Insurance amounted to 9.0 per cent in 2012. AFA Sickness Insurance (the Parent Company) attained a yield of 9.0 per cent, AFA Work Injury Insurance 9.0 per cent, and AFA Life Insurance 10 per cent.

Total return table for investments	Market values				Total return	
	2012		2011		2012	2011
	SEKm	%	SEKm	%	%	%
Fixed income – nominal	71,439	36	84,983	40	7.0	8.6
Fixed income – inflation-linked	27,579	14	28,546	14	2.0	13.4
Equities	67,067	34	67,942	32	14.8	–9.7
Property	20,254	10	17,979	9	6.9	10.9
Private Equity	12,010	6	10,405	5	9.0	11.5
Allocation – foreign exchange	0	0	0	0	0.0	0.0
Total investments	198,349	100	209,855	100	9.0	3.4

Contribution analysis 2012, %	Benchmark portfolio	Benchmark portfolio return	Portfolio return	Management contribution
Fixed income – nominal	36	3.7	7.0	1.2
Fixed income – inflation-linked	15	1.1	2.0	0.1
Equities	34	13.8	14.8	0.4
Property	5	6.9	6.9	-
Private Equity	10	9.0	9.0	-
Tactical allocation	-	-	0.0	0.0
Total investments	100	7.3	9.0	1.7

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.