

AFA Insurance – an overview

The overall objective of AFA Insurance is to contribute to a more secure working life and a long-term sustainable community. Our insurance policies are a natural part of collective bargaining agreements and the Swedish social security system. More than 4 million people are covered by at least one of our insurance policies.

We received approximately 365,000 new insurance claims in 2014. In total, we handled more than 860,000 cases and paid SEK 9.7 billion in compensation to those insured. We administer assets amounting to approximately SEK 198 billion, and diligently invest the capital in order to generate a return that can secure future compensation payments and enable long-term low and stable premiums for our policy holders.

The mandate from our owners also includes important preventive action to improve the work environment of Swedish workplaces so that as few employees as possible need to suffer from work-related injuries and sickness absence. It is for this reason that we invest in research, development and the spreading of knowledge and information within the work and health environment. One example is our web-based information systems, known as IA systems, that are used by approximately 400 companies in 18 sectors within their systematic work-environment procedures. With annual research grants of close to SEK 150 million, we are Sweden's largest private R&D financier within the work-environment area.

It is important for us that our customers feel that we are easy to work with. We actively ensure that all those who have the right to compensation also receive it with the help of our customer tracking service, which monitors social media and contacts those injured at work and persons who are long-term sick-listed or on parental leave, so as to inform them of their insurance cover. Our customer surveys performed during the year gave us high marks from both those insured and the employer organisations.

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). AFA Insurance is managed in order to safeguard the interests of the policy holders and of those insured, and does not distribute any profit to the owners.

AFA Insurance – key data	2014	2013
Invested assets	SEK 198.1bn	SEK 190.5bn
Total return	13.9%	8.9%
Total return	SEK 25.0bn	SEK 16.5bn
Paid insurance Compensation	SEK 9.7bn	SEK 9.6bn
Cost of preventive Measures + Research	SEK 350m	SEK 290m
Number of insurance claims	860,000	805,000
New insurance claims	365,000	312,000

MESSAGE FROM THE CEO

The year 2014 was very eventful for AFA Insurance with several highlights that included a new insurance, continued strong digital developments and excellent financial results.

A record financial year

The year's financial results exceeded everyone's expectations. Falling interest rates, positive stock markets and strong developments within the property sector contributed to a return of 13.9 per cent on AFA Insurance's invested assets, representing SEK 25 billion.

The very solid funding ratio of AFA Sickness Insurance resulted in the board of directors resolving to reimburse insurance premiums regarding Group Sickness Insurance for the years 2005-2006 to employers within the private sector, amounting to approximately SEK 6.9 billion. Including last year's retroactive premium reimbursements to employers within municipalities and county councils, the total reimbursements amount to almost SEK 18 billion for the years 2005-2006. The sickness-insurance premium has thereby been zero since 2005 and will continue to be so in 2015. In total, AFA Insurance has reimbursed approximately SEK 36 billion for the years 2005-2008.

Surplus

The overall surplus before year-end appropriations and tax amounted to SEK 6.3 billion.

New insurance and continued digital developments

On 1 January, we introduced a new insurance known as Parental Allowance Supplement (FPT) in accordance with an agreement between the Confederation of Swedish Enterprise (Svenskt Näringsliv) and the Swedish Trade Union Confederation (LO). The insurance provides a ten-percent supplement to the parental allowance during a maximum of 180 calendar days up until the child reaches the age of 1½ years. For the part of the annual salary that exceeds 10 Swedish base amounts, such compensation is limited to 90 percent. Another benefit is that an automatic pension provision is made during parental leave. Our follow-up of the Parental Allowance Supplement indicates that the insurance has been well-received.

In 2014, we paid compensation totalling SEK 37 million per day to our customers. The number of new insurance claims continued to increase in 2014. In total, we handled

over 365,000 new insurance cases, which is just approximately 17 percent more than the previous year. This increase is primarily due to the new Parental Allowance Supplement insurance, but also to a rising number of sick-listings within the Group Sickness Insurance (AGS) and a greater number of cases within Work Injury Insurance (TFA).

The use of our e-services continues to rise, which is very gratifying. A growing number of our insured submit their claims via the Internet since the e-services shorten the timeline from registered case to the payment of compensation. Employers have also discovered the benefits of handling insurance cases digitally. In order to attract further attention to our e-services, we arranged a competition in 2014 called "The Most Digitalised in Sweden" where municipalities and county councils were encouraged to use the customer website to a greater extent when handling collective insurance. The winners were the Gävleborg Region and the Municipality of Surahammar.

During the year, we launched a site at www.ersattningskollen.se in collaboration with the Swedish Social Insurance Agency and Insurance Sweden. This web service offers an assembled picture of the various forms of compensation that can be paid upon sickness, accident or work injury. The service was designated by the Digital Communication Awards 2014 as being the best micro-site in Europe, for which we are very proud.

The work-environment event known as Gilla Jobbet – a successful project launched in 2012 where the participants can discuss work-environment issues and learn about interesting research within the work-environment area – was held at Stockholmsmässan together with Prevent, Sunt Arbetsliv, trade unions and employer organisations within the private sector as well as municipalities and county councils. More than 4,600 people took part in the event that offered around 100 different items on the agenda.

R&D

An important part of our activities is to reduce work-related injuries and long-term sickness absence within the labour market. We therefore invest SEK 150 million each year in research and development, as well as spreading knowledge within the private sector, municipalities and county councils. This investment means that we are

Sweden's largest financier within work-environment research. We presented several sub-reports during the year, including Serious work injuries – contact with machinery, tools and hoists, 2008-2012 and Sick-listing upon cancer diagnoses. We also organised 19 seminars with various themes in 2014, of which several were held by researchers who had received grants from AFA Insurance.

Sustainability

Our sustainability procedures permeate every part of AFA Insurance's activities and every employee's workday. The Sustainability Report that is currently being prepared is evidence of our work. The Sustainability Report has been included in the Annual Report since 2010, when it was presented for the first time. We are removing it from the Annual Report this year, making it a separate publication. We believe that the separation of the Sustainability Report will enable it to become more available to all of our customers and other interested parties.

To close, I would like to thank all of our dedicated and skilful employees for their excellent work during 2014. My first year as CEO at AFA Insurance has come to an end and I can look back at a fantastically interesting, instructive and not least enjoyable initial period. I have had the privilege of experiencing the solid competence and pride that prevails among the employees of AFA Insurance, as well as their willingness to help our insured and spread knowledge of the collective insurance policies – which in turn provides security for 4 million people and increases awareness of the strength of the collective agreements within the Swedish labour market.

Anders Moberg
PRESIDENT AND CEO, AFA INSURANCE

CLAIM TRENDS 2014

In 2014, AFA Insurance handled a total of 365,000 new claims for compensation, representing around 53,000 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 decreased during the year, and amounted to 227,200 signed contracts (229,700) at the end of 2014.

There are approximately 1.6 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 117,600 (117,000) in 2014.

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 218,400 at the end of the year (218,000).

The TFA and TFA-KL insurance policies cover approximately 4.2 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 76,000 in 2014, representing an increase of about 5,000 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)	2014	2013
AGB within Career Readjustment Insurance	90,600	91,600
AGB	119,000	117,600

LIFE INSURANCE

Claim trends

The number of registered cases within AGB severance allowance insurance was about 13,500 for the year, representing an decrease compared with 2013 when approximately 17,000 cases were registered.

About 2,500 TGL group life insurance cases and a little more than 100 family cover cases were received during the year. A slight decrease can be observed in the number of TGL and family cover claims.

AFA SICKNESS INSURANCE (GROUP)

INCOME STATEMENT (SEK million)	2014	2013	2012	2011	2010
Premiums earned	-6,551	-10,942	-17,111	179	180
Investment income, net	24,302	15,801	17,070	6,776	17,068
Income/loss from investments in joint ventures	53	-24	-76	-	-
Claims incurred	-11,108	-919	6,678	-4,330	-611
Operating expenses	-585	-432	-502	-413	-399
Other technical expenses	-114	-201	-120	-150	-156
Profit/loss for the year before tax	5,925	3,307	6,015	2,062	16,082
NET PROFIT/LOSS FOR THE YEAR	4,326	2,711	6,748	1,265	11,811
FINANCIAL POSITION (SEK million)	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011	Dec 31 2010
Investments, book value	188,557	180,544	194,687	202,697	206,120
Technical provisions	99,885	98,015	106,039	121,606	126,525
Net asset value	90,350	84,710	81,126	78,969	79,809
<i>of which deferred tax</i>	<i>13,940</i>	<i>12,626</i>	<i>11,753</i>	<i>16,344</i>	<i>18,365</i>
KEY RATIOS (%)	2014	2013	2012	2011	2010
Claims ratio	-171.0	-8.4	39.0	2,419.0	339.4
Expense ratio	-9.1	-3.9	-2.9	230.7	221.7
Combined ratio	-180.1	-12.3	36.1	2,649.7	561.1
Yield ¹⁾	5.0	4.6	4.4	4.5	3.7
Total return ²⁾	13.9	9.0	9.0	3.5	8.7
Net asset value ratio	-1,379.2	-774.2	-474.1	44,164.2	44,338.3

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.

FIVE-YEAR OVERVIEW

AFA SICKNESS INSURANCE (PARENT COMPANY)

INCOME STATEMENT (SEK million)	2014	2013	2012	2011	2010
Premiums earned	-6,721	-11,107	-17,276	16	15
Allocated investment return transferred from the non-technical account	334	767	1,174	1,736	581
Claims incurred	-8,571	-219	8,838	-989	2,303
Operating expenses	-270	-196	-259	-190	-181
Other technical expenses	-50	-108	-47	-92	-70
Technical profit/loss, insurance business	-15,278	-10,863	-7,570	481	2,648
Net investment income plus unrealised changes in the value of investments	19,595	12,364	13,336	3,846	13,653
Profit/loss before appropriations and tax	4,317	1,501	5,766	4,327	16,301
NET PROFIT/LOSS FOR THE YEAR	10,203	-223	14,994	-347	6,783
FINANCIAL POSITION (SEK million)	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011	Dec 31 2010
Investments, current value	155,781	146,612	162,136	170,953	174,842
Technical provisions	80,155	78,967	85,903	101,939	108,546
Net asset value	78,167	73,849	72,347	70,464	68,732
<i>of which deferred tax</i>	4,516	2,485	2,445	2,284	4,987
Capital base	78,167	73,849	72,347	70,464	68,732
Required solvency margin	2,370	2,370	2,578	3,059	3,255
Capital base, insurance group	89,223	83,799	81,059	79,170	80,344
Required solvency margin, insurance group	3,784	3,766	4,023	4,199	4,179
KEY RATIOS (%)	2014	2013	2012	2011	2010
Claims ratio	-127.5	-2.0	51.2	6,181.3	-15,353.3
Expense ratio	-4.0	-1.8	-1.5	1,187.5	1,206.7
Combined ratio	-131.5	-3.7	49.7	7,368.8	-14,146.7
Yield ¹⁾	5.0	4.5	4.3	4.4	3.6
Total return ²⁾	14.1	9.0	9.0	3.5	8.6
Net asset value ratio	-1,163.0	-664.9	-418.8	440,400.0	458,666.7

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AFA WORK INJURY INSURANCE

INCOME STATEMENT (SEK million)	2014	2013	2012	2011	2010
Premiums earned	170	165	165	163	165
Allocated investment return transferred from the non-technical account	81	182	249	311	88
Claims incurred	-2,622	-716	-2,208	-3,374	-2,915
Operating expenses	-313	-240	-283	-231	-222
Other technical expenses	-64	-93	-73	-58	-86
Technical profit/loss, insurance business	-2,748	-702	-2,150	-3,189	-2,970
Net investment income plus unrealised changes in the value of investments	3,835	1,936	2,132	441	2,540
Profit/loss before appropriations and tax	1,087	1,234	-18	-2,748	-430
NET PROFIT/LOSS FOR THE YEAR	-782	121	-1,201	-1,607	973

FINANCIAL POSITION (SEK million)	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011	Dec 31 2010
Investments, current value	31,450	29,586	29,045	27,298	28,288
Technical provisions	19,730	19,048	20,136	19,667	17,979
Net asset value	15,580	11,491	10,257	8,278	11,059
<i>of which deferred tax</i>	641	201	156	93	710
Capital base	15,580	11,491	10,257	8,278	11,059
Required solvency margin	934	934	988	708	436
Capital base, insurance group	89,223	83,799	81,059	79,170	80,344
Required solvency margin, insurance group	3,784	3,766	4,023	4,199	4,179

KEY RATIOS (%)	2014	2013	2012	2011	2010
Claims ratio	1,542.4	433.9	1,338.2	2,069.9	1,766.7
Expense ratio	184.1	145.5	171.5	141.7	134.5
Combined ratio	1,726.5	579.4	1,509.7	2,211.7	1,901.2
Yield ¹⁾	5.1	4.7	4.7	4.8	4.0
Total return ²⁾	13.4	7.7	9.0	3.2	9.3
Net asset value ratio	9,164.7	6,964.8	6,216.4	5,078.5	6,702.4

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FIVE-YEAR OVERVIEW

AFA LIFE INSURANCE

OVERVIEW OF TECHNICAL ACCOUNT (SEK million)	2014	2013	2012	2011	2010
Property & casualty insurance business					
Premiums earned	481.2	463.9	3.2	3.4	2.6
Claims incurred	-478.1	-595.9	-538.0	-254.3	-469.9
Other technical incomes	-	7.2	-	-	-
Operating expenses	-56.4	-39.5	-41.6	-36.8	36.2
Allocated investment return transferred from the non-technical account	360.7	331.0	296.4	-104.8	369.1
Technical profit/loss, property & casualty insurance business	307.4	166.7	-280.0	-392.5	-134.4
Life assurance business					
Premiums earned	220.0	215.2	502.7	423.9	523.0
Claims incurred	-429.7	-453.2	-429.6	-485.6	-514.4
Life assurance provisions	-12.2	159.7	130.0	-34.6	148.9
Operating expenses	-65.3	-48.3	-50.4	-45.0	-46.0
Other technical expenses	-13.3	-13.3	-13.3	-13.2	-12.8
Net investment income plus unrealised changes in the value of investments	377.1	224.1	255.6	85.7	212.7
Technical profit/loss, life assurance business	76.6	84.2	395.0	-68.8	311.4
OVERVIEW OF NON-TECHNICAL ACCOUNT					
Technical profit/loss, property & casualty insurance business	307.4	166.7	-280.0	-392.5	-134.4
Technical profit/loss, life assurance business	76.6	84.2	395.0	-68.8	311.4
Profit/loss before appropriations and tax	384.0	250.9	115.0	-461.3	177.0
Appropriations	-	-5.2	147.0	287.0	-
Profit/loss before tax	384.0	245.7	262.0	-174.3	177.0
Tax on results of life assurance business	-14.8	-19.4	-76.8	24.2	-2.8
NET PROFIT/LOSS FOR THE YEAR	369.2	226.3	185.2	-150.1	174.2

AFA LIFE INSURANCE

FINANCIAL POSITION (SEK million)	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011	Dec 31 2010
Property & casualty insurance business					
Investments, current value	2,792.2	2,507.8	2,490.9	2,794.5	3,197.3
Technical provisions	127.7	152.9	142.4	88.4	179.2
Net asset value	2,854.8	2,547.1	2,380.4	2,660.4	3,052.9
Capital base	2,854.8	2,547.1	2,380.4	2,660.4	3,052.9
Required solvency margin	135.5	117.7	107.2	75.4	153.9
Life assurance business					
Investments, current value	3,223.4	3,168.2	3,423.5	2,935.0	2,695.1
Technical provisions	1,868.7	1,846.8	2,013.2	2,178.6	2,116.4
Net asset value	1,474.3	1,398.7	1,318.4	984.2	1,072.8
<i>of which deferred tax</i>	71.1	57.0	41.5	25.5	69.6
Capital base	1,474.3	1,398.7	1,318.4	984.2	1,072.8
Required solvency margin	344.7	343.9	350.5	357.1	334.7
AFA Life Insurance total					
Investments, current value	6,015.6	5,676.0	5,914.4	5,651.0	5,892.4
Technical provisions	1,996.4	1,999.6	2,155.5	2,267.0	2,295.6
Net asset value	4,329.1	3,945.8	3,698.7	3,644.6	4,125.7
<i>of which deferred tax</i>	71.1	57.0	41.5	25.5	69.6
Capital base	4,329.1	3,945.8	3,698.7	3,644.6	4,125.7
Required solvency margin	480.2	461.6	457.7	432.5	488.5
Capital base, insurance group	89,223.0	83,799.0	81,059	79,170	80,344
Required solvency margin, insurance group	3,784	3,766	4,023	4,199	4,179

KEY RATIOS (%)	2014	2013	2012	2011	2010
Property & casualty insurance business					
Claims ratio	99.4	128.5	16,812.5	7,479.4	18,073.1
Expense ratio	11.7	8.5	1,300.0	1,082.4	1,392.3
Combined ratio	111.1	137.0	18,112.5	8,561.8	19,465.4
Yield ¹⁾	2.5	2.9	3.3	3.0	2.8
Total return ²⁾	14.7	14.6	11.8	-3.2	12.2
Net asset value ratio	593.3	549.1	74,387.5	78,247.1	117,419.2
Life assurance business					
Management expense ratio	2.0	1.6	1.6	1.7	1.6
Yield ¹⁾	2.1	2.4	2.9	3.5	3.1
Total return ²⁾	12.5	7.2	8.5	2.9	8.5
Net asset value ratio	670.1	650.0	262.3	232.2	205.1
AFA Life Insurance, total					
Yield ¹⁾	2.3	2.6	3.1	2.0	2.9
Total return ²⁾	13.5	10.3	10.0	-0.1	10.4
Net asset value ratio	617.4	581.0	731.1	852.9	785.0

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.

TOTAL RETURN 2014 AND INVESTMENT ASSETS

The overall return for AFA Insurance amounted to 13.9 per cent in 2014. AFA Sickness Insurance (the Parent Company) attained a yield of 14.1 per cent, AFA Work Injury Insurance 13.4 per cent, and AFA Life Insurance 13.5 per cent.

Total return table for investments	Market values				Total return	
	2014		2013		2014	2013
	SEKm	%	SEKm	%	%	%
Fixed income – nominal	68,632	35	67,776	36	1.2	1.2
Fixed income – inflation-linked	28,158	14	25,878	14	-6.1	-6.1
Equities	63,254	32	62,483	33	23.6	23.6
Property	22,479	11	21,852	11	6.7	6.7
Alternative Investments	15,620	8	12,478	6	15.4	15.4
Foreign Exchange	-	-	-	-	-	-
Allocation Portfolio	0	0	3	0	0.0	0.0
Total investments	198,143	100	190,470	100	13.9	8.9

Contribution analysis 2014, %	Benchmark portfolio	Benchmark portfolio return	Portfolio return	Management contribution
Fixed income – nominal	35	6.5	6.6	0.0
Fixed income – inflation-linked	15	9.9	10.7	0.1
Equities	32	20.9	20.2	-0.2
Property	11	8.7	8.7	-
Alternative Investments	7	40.5	40.5	-
Foreign Exchange	-	-	0.2	0.0
Tactical asset allocation	-	-	0.0	0.1
Total investments	100	13.9	13.9	0.0

The unlisted asset classes (Property and Alternative Investments) 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 Alternative Investments has an absolute annual return requirement of 10 per cent in the long-term series.