

AFA Försäkring – an overview

The vision of AFA Försäkring is to create security for many people, and consequently contribute to a sustainable working life. Our insurance policies are a natural part of collective bargaining agreements and the Swedish social security system where 4.5 million people are covered by at least one of our insurance policies.

We received 351,000 new insurance claims in 2015. In total, we handled more than 874,000 claims and paid SEK 9.9 billion in compensation to the insured. Our capital is invested responsibly so as to generate a return that ensures both secure future compensation payments and long-term stable premiums for those insured. We managed approximately SEK 193 billion of assets this year.

The mission from our owners also includes pursuing important preventive action in order to improve the work environment at workplaces. Our objective is that as few people as possible will be afflicted by absenteeism due to illness or work-related injuries. Our unique claims database contains information about absenteeism due to sickness and work injuries from more than 13 million cases. This database underlies decisions regarding our preventive measures, as well as contributing to research and development, and the spreading of information. We are Sweden's largest private R&D financier regarding the work environment, and each year we earmark SEK 150 million for research within the work and health environment. Our web-based information systems (known as the IA Systems) are examples of our preventive work. The IA Systems enable companies within the same sector to share information about work environment incidents, investigations and actions, and to thereby learn from their own and others' experiences. In 2015, the IA Systems were used by 600 employers with a total of 425,000 employees in 22 sectors.

Our ambition is that our customers shall perceive us as being easy to work with. We therefore constantly endeavour to improve notification procedures for our customers, and enable them to communicate with us in the simplest way possible. We also work actively to ensure that everyone who is eligible to receive compensation shall do so.

AFA Försäkring (AFA Insurance) is the joint name for three insurance companies – AFA Sjukförsäkring (AFA Sickness Insurance), AFA Trygghetsförsäkring (AFA Work Injury Insurance) and AFA Livförsäkring

(AFA Life Insurance). AFA Sjukförsäkring is Parent Company in the AFA Sjukförsäkringskoncernen (AFA Sickness Insurance Group). AFA Försäkring 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 Försäkring 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 Försäkring – key data	2015	2014
Number of insurance claims	874,000	860,000
New insurance claims	351,000	365,000
Paid insurance Compensation	SEK 9.9bn	SEK 9.7bn
Invested assets	SEK 193.0bn	SEK 198.1bn
Total return	SEK 10.7bn	SEK 25.0bn
Total return	5.7%	13.9%
Support to Preventive Measures + Research	SEK 283m	SEK 238m

MESSAGE FROM THE CEO

AFA FÖRSÄKRING – FOR A SUSTAINABLE WORKING LIFE

The collectively agreed insurance policies are an important part of the Swedish social security system – which conveys a particular responsibility for us at AFA Försäkring. As CEO, I am both proud and pleased that in the past year we created even more opportunities to live up to the trust placed in us. Highlights in 2015 included a solid return on investment despite challenging financial market conditions, greater use of our e-services, and that we have been mandated by the labour market partners to provide companies with financial support for education and training within work environment issues.

We insure 4.5 million people in the Swedish labour market. Our customers have, for example, suffered from injury or sickness and our aim is to help them in the best possible way. In 2015, we paid compensation totalling SEK 38 million a day to our customers. Overall, we handled around 351,000 new insurance cases, which represents a marginal decrease compared with 2014.

CONTINUED STABLE FINANCES

So as to be able to contribute to the long-term security of our customers, we need to manage their trust as well as the capital that secures future insurance compensation. It is therefore gratifying that the financial results are good this year, despite low interest rates and turbulent stock markets. Returns in 2015 amounted to 5.7 percent, representing SEK 10.7 billion, due largely to the continued strong development in our holdings of property and alternative investments. The year's return comfortably covers AFA Försäkring's compensation costs and operating costs of approximately SEK 7.7 billion. This also means that AFA Försäkring maintains its healthy funding ratio, despite another year of very low premium revenues and the repayment of previously paid premiums of SEK 5.3 billion.

The good funding ratio led to the Board of directors deciding to reimburse SEK 4.9 billion of insurance premiums for the premium-year 2004 in the group sickness insurance to employers within municipalities, county councils and regions. In total, AFA Försäkring has so far reimbursed around SEK 40 billion for the years 2004–2008, and the sickness insurance premium has thereby been zero since 2004 for employers within municipalities, county councils

and regions, and since 2005 for employers within the private sector. The sickness insurance premium will continue to be zero in 2016.

RESULT

The overall deficit before year-end appropriations and tax amounted to SEK –1.7 billion.

WE ENABLE NEW KNOWLEDGE

Our stable finances do not only mean important benefits for employers in the form of low and stable premiums, but also enables AFA Försäkring to purposefully pursue its aim to reduce work injuries and sick-listing at Swedish workplaces. As mandated by the labour market partners, we invest SEK 150 million each year in research within the work and health environment. In 2015, we contributed SEK 50 million to 13 projects focusing on chronic pain, aimed at increasing knowledge of risk factors as well as prevention and treatment. In addition to this, we organised 22 seminars with various themes, of which several were held by researchers who had received financing from AFA Försäkring.

We also share knowledge from our unique claims database where we have stored all insurance claims since the beginning of the 1970s. A total of 13 million cases have been compiled. During the year, we issued our annual Work Injury Report and four sub-reports with different themes, such as mental illness and STFs (slips, trips and falls).

A new item in 2015 was a mandate to provide financial support of SEK 75 million, spread over three years, to private employers who wish to enhance the skills of their managers, safety representatives and work environment representatives within work environment issues. The objective is to produce a collaborative, knowledge-based platform that enables a common approach to work environment issues and facilitates actions aimed at creating a better work environment.

LOOKING AHEAD

The digitalisation within society as a whole, and therefore also at AFA Försäkring, is both a challenge and an opportunity. Our customers' expectations of being able to notify, supplement or monitor their cases, even when they are not

sitting at a computer, are increasing. Insurance is a complex service and the related conditions can be perceived as being difficult to understand. This places demands on e-services that guide our customers through the process. So as to meet our customers' requirements, we placed considerable focus in 2015 on user-friendliness. We will continue this work in 2016 by reviewing, for example, how we express ourselves in our letters and on our website. We will also increase the use of text messaging as a communication channel to simplify procedures for our customers.

Another important change in the outside world is that the Solvency II Directive entered into force on 1 January 2016. The objective of the new European regulations is to secure uniform and risk-related solvency rules for insurance companies, thereby increasing financial stability. For AFA Försäkring, the process of adapting our activities to the new requirements has been a prioritised area for many years. Preparations have progressed as planned, and we have introduced for instance a Solvency II adapted management model for risks and conducted forward-looking appraisals of own risks, identified new reporting requirements and formulated reporting solutions. We are consequently well-equipped to follow the new rules and regulations.

COMMITTED EMPLOYEES

We welcomed many new colleagues during the year. One reason is the new parental insurance policy that entered into force in 2014. Our business activities are complex, and our skilful and committed employees together maintain AFA Försäkring's three pillars – to insure, administer and prevent. I would therefore like to close with my sincerest and warmest thanks to all those concerned. It is a privilege to be CEO of a company where the employees tirelessly help people who for various reasons need to use the social security system that we are part of.

Anders Moberg
PRESIDENT AND CEO, AFA FÖRSÄKRING

CLAIM TRENDS 2015

In 2015, AFA Försäkring handled a total of 351,000 new claims for compensation, representing around 14,000 less claims than the year before.

AFA SJUKFÖRSÄKRING (AFA SICKNESS INSURANCE)

Policy holders and those insured

The number of insurance contracts for AFA Sjukförsäkring within the AGS and AGS-KL group sickness insurance decreased during the year, and amounted to 231,000 signed contracts (227,200) at the end of 2015. 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 124,600 (124,000) in 2015.

AFA TRYGGHETSFÖRSÄKRING (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 218,500 at the end of the year (217,900).

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 79,600 in 2015, representing an increase of about 3,000 cases compared with the year before.

AFA LIVFÖRSÄKRING (AFA LIFE INSURANCE)

Policy holders and those insured

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

Severance Allowance Insurance (AGB)	2015	2014
AGB within Career Readjustment Insurance	90,500	90,600
AGB	119,000	117,900

Life Assurance	2015	2014
TGL	243,800	243,900
Family Protection Insurance		
1 base amount	33,200	35,600
2 base amounts	12,800	13,600
3 base amounts	1,500	1,500
4 base amounts	2,500	2,400

The number of insured within AGB (Severance Allowance Insurance) and TGL (Group Life Insurance) is approximately 1.5 million.

Claim trends

The number of registered cases within AGB severance allowance insurance was 11,700 for the year, representing an decrease compared with 2014 when approximately 13,500 cases were registered.

About 2,700 TGL group life insurance cases and 100 family cover cases were received during the year. A slight increase can be observed in the number of TGL claims.

AFA SJUKFÖRSÄKRINGSKONCERNEN (AFA SICKNESS INSURANCE GROUP)

INCOME STATEMENT (SEK million)	2015	2014	2013	2012	2011
Premiums earned	-5,192	-6,551	-10,942	-17,111	179
Investment income, net	10,572	24,302	15,793	17,070	6,776
Income/loss from investments in joint ventures	176	53	-24	-76	-
Claims incurred	-6,360	-11,180	-919	6,678	-4,330
Operating expenses	-632	-585	-432	-502	-413
Other technical expenses	-179	-114	-201	-120	-150
Profit/loss for the year before tax	-1,615	5,925	3,275	6,039	2,062
NET PROFIT/LOSS FOR THE YEAR	-983	4,326	2,681	6,748	1,265
FINANCIAL POSITION (SEK million)	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Investments, book value	182,789	188,557	179,844	194,171	202,697
Technical provisions	96,706	99,885	98,015	106,039	121,606
Net asset value	88,832	90,350	84,718	81,167	78,969
<i>of which deferred tax</i>	<i>13,406</i>	<i>13,940</i>	<i>12,634</i>	<i>11,753</i>	<i>16,344</i>
KEY RATIOS (%)	2015	2014	2013	2012	2011
Claims ratio	-122.5	-171.0	-8.4	39.0	2,419.0
Expense ratio	-12.2	-9.1	-3.9	-2.9	230.7
Combined ratio	-134.7	-180.1	-12.3	36.1	2,649.7
Yield ¹⁾	5.1	5.0	4.6	4.4	4.5
Total return ²⁾	5.8	13.9	8.8	9.0	3.5
Net asset value ratio	-1,710.9	-1,379.2	-774.2	-474.1	44,164.2

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 SJUKFÖRSÄKRING (AFA SICKNESS INSURANCE (PARENT COMPANY))

INCOME STATEMENT (SEK million)	2015	2014	2013	2012	2011
Premiums earned	-5,369	-6,721	-11,107	-17,276	16
Allocated investment return transferred from the non-technical account	-234	334	767	1,174	1,736
Claims incurred	-4,623	-8,571	-219	8,838	-989
Operating expenses	-408	-270	-196	-259	-190
Other technical expenses	-74	-50	-108	-47	-92
Technical profit/loss, insurance business	-10,708	-15,278	-10,863	-7,570	481
Net investment income plus unrealised changes in the value of investments	7,569	19,366	12,185	13,261	3,846
Profit/loss before appropriations and tax	-3,139	4,088	1,322	5,691	4,327
NET PROFIT/LOSS FOR THE YEAR	-3,859	7,203	-223	12,914	-347

FINANCIAL POSITION (SEK million)	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Investments, current value	139,864	150,647	144,532	160,056	170,953
Technical provisions	77,287	80,155	78,967	85,903	101,939
Net asset value	70,133	73,033	71,769	70,267	70,464
<i>of which deferred tax</i>	3,324	4,516	2,485	2,445	2,284
Capital base	70,113	73,033	71,769	70,267	70,464
Required solvency margin	2,285	2,370	2,370	2,578	3,059
Capital base, insurance group	85,730	89,223	83,799	81,059	79,170
Required solvency margin, insurance group	3,658	3,784	3,766	4,023	4,199

KEY RATIOS (%)	2015	2014	2013	2012	2011
Claims ratio	-86.1	-127.5	-2.0	51.2	6,181.3
Expense ratio	-7.6	-4.0	-1.8	-1.5	1,187.5
Combined ratio	-93.7	-131.5	-3.7	49.7	7,368.8
Yield ¹⁾	5.1	5.0	4.5	4.3	4.4
Total return ²⁾	6.0	14.1	9.0	9.0	3.5
Net asset value ratio	-1,305.9	-1,086.6	-646.2	-406.7	440,400.0

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.

Note: The accounting principles regarding group contributions were changed in 2015 with an effect on equity of SEK – 5,134 million. Key data and ratios have therefore been restated for the years 2012-2014.

AFA TRYGGHETSFÖRSÄKRING (AFA WORK INJURY INSURANCE)

INCOME STATEMENT (SEK million)	2015	2014	2013	2012	2011
Premiums earned	178	170	165	165	163
Allocated investment return transferred from the non-technical account	-58	81	182	249	311
Claims incurred	-1,740	-2,622	-716	-2,208	-3,374
Operating expenses	-226	-313	-240	-283	-231
Other technical expenses	-105	-64	-93	-73	-58
Technical profit/loss, insurance business	-1,951	-2,748	-702	-2,150	-3,189
Net investment income plus unrealised changes in the value of investments	1,540	3,835	1,936	2,132	441
Profit/loss before appropriations and tax	-411	1,087	1,234	-18	-2,748
NET PROFIT/LOSS FOR THE YEAR	-437	-782	121	-1,201	-1,607

FINANCIAL POSITION (SEK million)	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Investments, current value	33,319	31,450	29,586	29,045	27,298
Technical provisions	19,419	19,730	19,048	20,136	19,667
Net asset value	15,168	15,580	11,491	10,257	8,278
<i>of which deferred tax</i>	524	641	201	156	93
Capital base	15,168	15,580	11,491	10,257	8,278
Required solvency margin	920	934	934	988	708
Capital base, insurance group	85,730	89,223	83,799	81,059	79,170
Required solvency margin, insurance group	3,658	3,784	3,766	4,023	4,199

KEY RATIOS (%)	2015	2014	2013	2012	2011
Claims ratio	977.4	1,542.4	433.9	1,338.2	2,069.9
Expense ratio	127.5	184.1	145.5	171.5	141.7
Combined ratio	1,105.1	1,726.5	579.4	1,509.7	2,211.7
Yield ¹⁾	5.3	5.1	4.7	4.7	4.8
Total return ²⁾	5.1	13.4	7.7	9.0	3.2
Net asset value ratio	8,521.3	9,164.7	6,964.8	6,216.4	5,078.5

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.

FIVE-YEAR OVERVIEW

AFA LIVFÖRSÄKRING (AFA LIFE INSURANCE)

OVERVIEW OF TECHNICAL ACCOUNT (SEK million)	2015	2014	2013	2012	2011
Property & casualty insurance business					
Premiums earned	504.4	481.2	463.9	3.2	3.4
Claims incurred	-435.5	-478.1	-595.9	-538.0	-254.3
Other technical incomes	-	-	7.2	-	-
Operating expenses	-28.3	-56.4	-39.5	-41.6	-36.8
Allocated investment return transferred from the non-technical account	85.9	360.7	331.0	296.4	-104.8
Technical profit/loss, property & casualty insurance business	126.5	307.4	166.7	-280.0	-392.5
Life assurance business					
Premiums earned	37.6	220.0	215.2	502.7	423.9
Claims incurred	-380.3	-429.7	-453.2	-429.6	-485.6
Life assurance provisions	128.2	-12.2	159.7	130.0	-34.6
Operating expenses	-33.7	-65.3	-48.3	-50.4	-45.0
Other technical expenses	-13.3	-13.3	-13.3	-13.3	-13.2
Net investment income plus unrealised changes in the value of investments	78.0	377.1	224.1	255.6	85.7
Technical profit/loss, life assurance business	-183.3	76.6	84.2	395.0	-68.8
OVERVIEW OF NON-TECHNICAL ACCOUNT					
Technical profit/loss, property & casualty insurance business	126.5	307.4	166.7	-280.0	-392.5
Technical profit/loss, life assurance business	-183.5	76.6	84.2	395.0	-68.8
Profit/loss before appropriations and tax	-57.0	384.0	250.9	115.0	-461.3
Appropriations	-	-	-5.2	147.0	287.0
Profit/loss before tax	-57.0	384.0	245.7	262.0	-174.3
Tax on results of life assurance business	40.4	-14.8	-19.4	-76.8	24.2
NET PROFIT/LOSS FOR THE YEAR	-16.6	369.2	226.3	185.2	-150.1

AFA LIVFÖRSÄKRING (AFA LIFE INSURANCE)

FINANCIAL POSITION (SEK million)	Dec 31 2015	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2011
Property & casualty insurance business					
Investments, current value	2,875.2	2,792.2	2,507.8	2,490.9	2,794.5
Technical provisions	109.4	127.7	152.9	142.4	88.4
Net asset value	2,981.0	2,854.8	2,547.1	2,380.4	2,660.4
Capital base	2,981.0	2,854.8	2,547.1	2,380.4	2,660.4
Required solvency margin	127.6	135.5	117.7	107.2	75.4
Life assurance business					
Investments, current value	2,811.0	3,223.4	3,168.2	3,423.5	2,935.0
Technical provisions	1,685.6	1,868.7	1,846.8	2,013.2	2,178.6
Net asset value	1,290.5	1,474.3	1,398.7	1,318.4	984.2
<i>of which deferred tax</i>	30.1	71.1	57.0	41.5	25.5
Capital base	1,290.5	1,474.3	1,398.7	1,318.4	984.2
Required solvency margin	337.4	344.7	343.9	350.5	357.1
AFA Livförsäkring total					
Investments, current value	5,686.2	6,015.6	5,676.0	5,914.4	5,651.0
Technical provisions	1,795.0	1,996.4	1,999.6	2,155.6	2,267.0
Net asset value	4,271.5	4,329.1	3,945.8	3,698.7	3,644.6
<i>of which deferred tax</i>	30.1	71.1	57.0	41.5	25.5
Capital base	4,271.5	4,329.1	3,945.8	3,698.8	3,644.6
Required solvency margin	453.5	480.2	461.6	457.7	432.5
Capital base, insurance group	85,730.0	89,223.0	83,799.0	81,059	79,170
Required solvency margin, insurance group	3,658	3,784	3,766	4,023	4,199

KEY RATIOS (%)	2015	2014	2013	2012	2011
Property & casualty insurance business					
Claims ratio	86.3	99.4	128.5	16,812.5	7,479.4
Expense ratio	5.6	11.7	8.5	1,300.0	1,082.4
Combined ratio	92.0	111.1	137.0	18,112.5	8,561.8
Yield ¹⁾	2.1	2.5	2.9	3.3	3.0
Total return ²⁾	3.1	14.7	14.6	11.8	-3.2
Net asset value ratio	591.0	593.3	549.1	74,387.5	78,247.1
Life assurance business					
Management expense ratio	1.1	2.0	1.6	1.6	1.7
Yield ¹⁾	1.4	2.1	2.4	2.9	3.5
Total return ²⁾	2.2	12.5	7.2	8.5	2.9
Net asset value ratio	3,423.1	670.1	650.0	262.3	232.2
AFA Livförsäkring total					
Yield ¹⁾	1.7	2.3	2.6	3.1	2.0
Total return ²⁾	2.6	13.5	10.3	10.0	-0.1
Net asset value ratio	788.0	617.4	581.0	731.1	852.9

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 2015 AND INVESTMENT ASSETS

The overall return for AFA Försäkring amounted to 5.7 per cent in 2015. AFA Sjukförsäkring attained a yield of 6.0 per cent, AFA Trygghetsförsäkring 5.1 per cent, and AFA Livförsäkring 2.6 per cent.

Total return table for investments	Market values				Total return	
	2015		2014		2015	2014
	SEK	%	SEK	%	%	%
Fixed income – nominal	62,070	32	68,632	35	0.5	6.6
Fixed income – inflation-linked	28,761	15	28,158	14	1.1	10.7
Equities	59,485	31	63,254	32	4.2	20.2
Property	37,131	14	22,479	11	17.8	8.7
Alternative Investments	15,601	8	15,620	8	21.3	40.5
Foreign Exchange	-	-	-	-	0.1	0.2
Allocation Portfolio	0	0	0	0	0.1	0.0
Total investments	193,048	100	198,143	100	5.7	13.9

Contribution analysis 2015, %	Benchmark portfolio	Benchmark portfolio return	Portfolio return	Management contribution
Fixed income – nominal	34	0.3	0.5	0.0
Fixed income – inflation-linked	15	1.1	1.1	0.0
Equities	31	7.0	4.2	-0.8
Property	12	13.9	17.8	0.5
Alternative Investments	8	21.3	21.3	-
Foreign Exchange	-	-	0.1	0.0
Tactical asset allocation	-	-	0.1	0.1
Total investments	100	6.0	5.7	-0.3

The asset class Alternative Investments has an absolute annual return requirement of 10 per cent in the long-term series.