Telia Försäkring AB

Telia Försäkring AB

Report on Solvency and Financial Position

(Solvency and Financial Conditions Report)

8/4/2022

Contents

Summary

Telia Försäkring AB (“Telia Försäkring” or the “Company”) is wholly-owned by Telia Company AB (corporate registration number 556103-4249, registered office: Stockholm) and has its registered office in Stockholm. The address is Stjärntorget 1, SE-169 94 Solna, Sweden, and its corporate registration number is 516401-8490.

- The company is under the supervision of the Swedish Financial Supervisory Authority, Box 7821 103 97 Stockholm
- The company's external auditor is Deloitte AB, the responsible authorised public accountant is Henrik Persson.
- Telia Försäkring AB takes the form of a limited liability company.

The figures further stated in this report are revised year-end figures as of 31/12/2021.

The company's business objective and business concept are to:

- Insure consolidated subsidiaries of Telia Company AB worldwide in a cost-effective manner
- Supplement Telia Company AB's services and products with insurance

The company provides insurance cover for fire and other damage to property, transportation, public liability, purely monetary claims and cyber. This takes place via direct insurance. The customer base is limited to encompass Telia Company AB's consolidated subsidiaries. The company's affinity transaction is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries. Most of the company's insurance business consists of the affinity business, which is an insurance that can be taken out by those who buy mobile phones, tablets and similar products in Telia's stores. The transactions are administered by Willis Towers Watson AB.

Telia Försäkring (hereinafter the Company) is a specialist company in insurance and claims handling and does not have any employees of its own. However, via Telia Company AB, the Company does have access to a permanent workforce of four people as well as a part-time position that is shared with Treasury Control. Together, these provide broad specialist expertise with experience of both the Swedish and foreign insurance markets. Additional specialist expertise and extensive resource additions are made through outsourced activities:

- Affinity business - distribution and administration including claims adjustment: Telia Company AB and subsidiary, Willis Towers Watson AB
- Financial management and reporting: AON Global Risk Consulting AB
- Actuarial function: AON Global Risk Consulting AB
- Risk management function: Marsh Management Services Sweden AB
- Regulatory function: KPMG
- Internal audit function: Transcendent Group AB

The company's governance system is structured according to three lines of defence with related reporting routes.

In 2021, the company produced an ORSA report showing that the company was adequately capitalised in the base scenario. In the forward-looking forecast, the SCR ratio exceeds 100% for all years, which means that the company's solvency capital base meets the capital requirement calculated using the standard formula. The company has examined a number of scenarios in order to investigate how the company's solvency situation changes in the event of a number of unfavourable events encompassing a deterioration in profitability in the affinity business. The outcome of the scenario analyses shows that the company is in a good position to cope with different types of scenario outcomes.

A. Activities and results

A.1 Activities

Telia Försäkring AB ("Telia Försäkring" or the "Company") is wholly-owned by Telia Company AB (corporate registration number 556103-4249, registered office: Stockholm) and has its registered office in Stockholm. The address is Stjärntorget 1, SE-169 94 Solna, Sweden, and its corporate registration number is 516401-8490.

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The company is an insurer for all countries in Telia Finance AB's Leasing business and as of 1 July 2017, the company is an insurer in Telia Sverige AB's Affinity business. In November 2017, the company started an unstaffed branch in Estonia and in spring 2019 another branch in Latvia. From the end of November 2017, Telia Eesti AS's Affinity business will be subscribed from the branch in Estonia and from April 2019 the Latvian branch will subscribe affinity business for LMT R & L SIA (Telia Latvija AS).

In September 2019, the Company took over the current affinity customer portfolio of Telia Lithuania and did the same for Telia Norway in July 2021, with both deals being entered into cross-border, that is, not via a branch.

In 2021, the company produced an ORSA report showing that the company was adequately capitalised in the base scenario. In the forward-looking forecast, the SCR ratio exceeds 100% for all years, which means that the company's solvency capital base meets the capital requirement calculated using the standard formula. The company has examined a number of scenarios in order to investigate how the company's solvency situation changes in the event of a number of unfavourable events. The purpose of these scenarios is ultimately to give the board a better understanding of the business and to ensure that the board has the right measures at its disposal should one or more of the scenarios occur. The outcome of the scenario analyses shows that the company is in a good position to cope with different types of scenario outcomes.

The company provides insurance cover for fire and other damage to property, transportation, public liability, purely monetary claims and cyber. This takes place via direct insurance as well. The customer base is limited to encompass Telia Company AB's consolidated subsidiaries. The company's affinity transaction is subscribed solely to a client base which belongs to Telia Company AB's consolidated subsidiaries.

The company's mission is to:

- Insure consolidated subsidiaries of Telia Company AB worldwide in a cost-effective manner
- Supplement Telia Company AB's services and products with insurance

Below is a correlation table of the company's expenses and income during the year compared to the company's established forecast, as of 31/12/2021; amounts are stated in SEK thousands:

	2021	**Forecast 2021**
	Full year	**Full year**
Premium income	849,698	819,000
Reinsurer's share of premium income	-24,843	-22,000
Total	**824,856**	**797,000**
Other technical income	-	1,500
Other technical expenses	-3,844	-
Total	**-3,844**	**1,500**
Claims paid	-219,982	-150,000
Reinsurer's share of claims paid	-	-
Change in reserved claims	-32,167	-150,000
Reinsurer's share of change in reserved claims	-	-
Total	**-252,150**	**-300,000**
Commission paid	-484,843	-458,000
Administrative costs	-18,037	-18,300
Total	**-502,880**	**-476,300**
Net technical result	**65,982**	**22,200**

Below is a correlation table between the period's results compared to the previous year. The amounts are given in SEK.

Financial performance	31/12/2021	31/12/2020
Premium income, gross	847,906,488	713,251,724
Premium income, net	824,855,760	691,417,606
Claims incurred	-252,149,851	-225,175,007
Profit before tax	-2,978,372	-
Assets	639,588,357	496,797,158
Equity	244,178,544	204,187,469

Comments on results 31/12/2021 compared to 31/12/2020; the amounts in brackets refer to 2020:

- Premium income before outward reinsurance amounted to SEK 847,906 thousand (SEK 713,252 thousand).

- Premiums ceded to reinsurers amounted to SEK -28,104 thousand (SEK -20,100 thousand). The technical financial result from insurance operations was SEK 65,982 thousand (SEK 45,139 thousand).

- Financing operations returned a result of SEK 2,369 thousand (SEK -5,053 thousand) before investment return transferred to non-life insurance operations.

- Operating costs in 2021 amounted to SEK 502,880 thousand (SEK 422,388 thousand), of which SEK 484,843 thousand (SEK 404,019 thousand) was paid in the form of commissions to Telia Sweden, giving an operating cost percentage of 61% (61%). The increase in operating expenses is attributable to commission expenses relating to the Affinity transaction.

- Profit before appropriations and taxes amounted to SEK 68,351 thousand (SEK 40,085 thousand).

A 2 Insurance results

The company has good liquidity and a good financial position and is therefore well-prepared to cover additional risks in the future.

Below is the company's insurance results as of 31/12/2021 (SEK millions):

All figures in MSEK	Affinity	Leasing	FTG Insurance	Total YTD	Business Plan YTD	YTD 2020
Gross Premiums Earned	789,6	21,6	38,5	849,7	819,0	711,2
Reinsurance premiums Earned	0,0	0,0	-24,8	-24,8	-22,0	-19,7
Net Premiums Earned	**789,6**	**21,6**	**13,7**	**824,9**	**797,0**	**691,4**
Other Technical income	**0,0**	**-3,8**	**0,0**	**-3,8**	**0,0**	**1,3**
Bonuses & rebates	**0,0**	**0,0**	**2,5**	**2,5**	**0,0**	**0,0**
Profit sharing	**0,0**	**-1,9**	**0,0**	**-1,9**	**0,0**	**0,0**
Net claims incurred	**-210,6**	**-19,3**	**-22,3**	**-252,1**	**-300,0**	**-225,2**
Commission expenses	-484,8	0,0	-0,1	-484,8	-458,0	-404,0
Other operating expenses	-17,3	-0,5	-0,8	-18,6	-18,3	-18,4
NET TECHNICAL RESULT	**76,9**	**-3,9**	**-7,0**	**66,0**	**20,7**	**45,1**

A 3 Investment performance

Below is the company's return on capital for the period. The amounts are given in SEK thousands.

Return on capital results	2021	2020
Return on capital, income	2,480	135
Return on capital, costs	-110	-5,188
Total	**2,369**	**-5,053**

A 4 Profit from other activities

The company has no profit from other activities.

A 5 Other information

The company has no other information to share.

B. Corporate governance system

B 1 General information on the corporate governance system

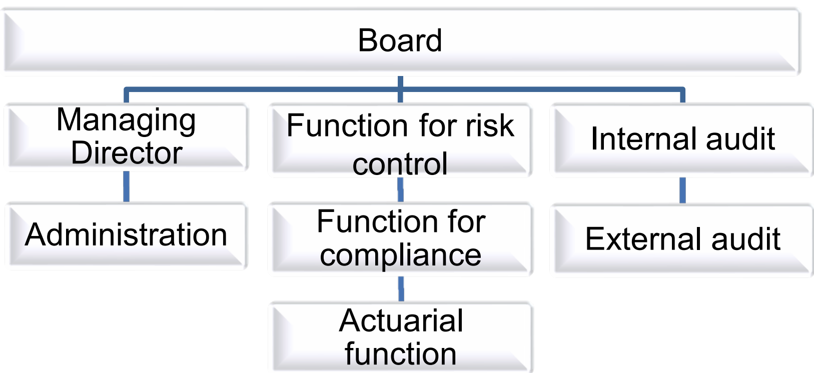
Internal procedures and instructions have been developed to ensure that all processes are handled in an optimal and regular manner. The company's CEO has been a driving force in the development process but has endorsed the adjustments with the company's partners so as to finally be approved by the board. The company has drawn up a number of instructions that are updated as needed, but at least annually. The instructions provide information about who is responsible for each activity and when it shall be delivered. In the event of any adjustment to the document, this is initiated to the company CEO who performs the update which is finally approved by the company's board. Adjustments related to reporting to the authorities shall be well endorsed with the company's actuarial function, financial function and CEO.

No remuneration has been paid to the CEO or board members. The salaried employee who is also CEO of the company receives a fixed and a variable remuneration for their employment from their employer Telia Company AB. The remuneration has no direct link to the insurance company's sales or financial results.

Composition of the board and management
As of 31/12/2021, the composition was as follows:

- Agneta Wallmark, chair of the board
- Patrik Höljö, board member
- Peter Lav, board member
- Mats Nelson, board member
- Håkan Kvarnström, board member
- Tomas Calming, deputy board member
- Ann-Katrin Begler, Managing Director (CEO)

The company's internal control is structured according to three lines of defence:



First line of defence	Second line of defence	Third line of defence
Risk and control in day-to-day operations	**The company's monitoring functions**	**Provides independent scrutiny**
The primary responsibility is to ensure that day-to-day operations are carried out in a satisfactory manner. The first line of defence ensures that the company complies with the requirements set by the board and external parties for the business. They control that the company's risk exposure is on par with the company's risk appetite.	The company's second line of defence is responsible for defining, developing, implementing and maintaining the company's framework for risks and governing documents. The line defines the company's governing documents and reviews its administration. The second line of defence is monitoring and ensures that the company complies with the	The company's third line of defence has as its main task to scrutinise the company's operations, risk exposure and management including its control functions. In order to ensure the independence of the functions of the third line of defence, the functions shall consist of an external party to the company.

B 2 Suitability requirements

The suitability requirements apply to individuals in the company who hold key functions or a senior management position. The requirements are designed to avoid skills gaps while taking into account the possibility of overlaps between management and other key functions. In the case of an inbound assignment agreement for a function that is central, the responsible person in the company is considered to be the person supervising the assignment agreement. Below are the company's responsible persons for each key function:

Internal audit function

Agneta Wallmark has been appointed as the order manager for the internal audit function. The order manager for the internal audit function is responsible for:

- Ensuring that the instructions for the independent scrutiny function and the scrutiny plan are complied with.
- Keeping up to date with the governing documents to which the internal audit relates.
- Ongoing harmonisation and follow-ups with the internal auditor.
- Keeping up to date with legislative changes and ensuring that a function is in place and works in accordance with the company's policy and legislation.

Compliance function

Håkan Kvarnström has been appointed as the order manager for the compliance function. The order manager for the compliance function is responsible for:

- Ensuring that governing documents are kept up to date and complied with.
- Ensuring that the company follows the company's guidelines and applicable legislation.
- Keeping up to date with legislative changes and ensuring that the company has complete governance documents.
- Ensuring that a compliance report is produced annually.
- Ensuring that a function is in place and works in accordance with policy and legislation.

Actuarial function

Ann-Katrin Begler has been appointed as the order manager for the actuarial function. The order manager for the function is responsible for:

- Ensuring that the actuarial instructions and the actuarial agreement are complied with.
- Keeping up to date with the governing documents to which the actuarial function relates.
- Following up actuarial work and costs on an ongoing basis.
- Ensuring that an actuarial report and statement are submitted annually.
- Keeping up to date with legislative changes and ensuring that a function is in place and works in accordance with policy and legislation.

Risk management function

Ann-Katrin Begler has been appointed as the order manager for the risk management function. The order manager for the risk management function is responsible for:

- Ensuring that guidelines for risk management and control are followed.
- Keeping up to date with the governing documents to which the risk management function relates.
- Following up on risk management work on an ongoing basis.
- Informing the operations about risk management work.
- Ensuring that a risk control report and ORSA report are submitted annually.
- Keeping up to date with legislative changes and ensuring that a function is in place and works in accordance with policy and legislation.

The company's board and management have been suitability tested to ensure that individuals hold the qualifications required by the assignment agreement. The suitability test includes a summary of the individual's professional qualifications, formal qualifications and experience in the insurance sector.

The company shall at least annually, or when the overall competence of the company changes, identify the qualifications that the board collectively possess, a so-called fit and proper exercise. This is to ensure that the following areas are covered by the board's overall competence:

a) the insurance and financial markets,
b) business strategy and business model,
c) corporate governance system,
d) financial and actuarial analyses, and
e) regulations and statutory requirements.

The results of the company's fit and proper exercise show that the company holds a good combined competence and meets the requirements of the Swedish Financial Supervisory Authority.

B 3 Risk management systems including own risk and solvency assessment

According to delegated Regulation 2015/35 of the European Commission (Article 259, point 1a), the company must have a clearly defined risk management strategy consistent with the company's business strategy. The objectives of the strategy, approved risk tolerance limits and the division of responsibilities in the company must be documented. The Company's board has the ultimate responsibility to ensure that the company has an effective risk management system. This is done by setting limits for the company's risk appetite and approving the company's strategies and governing documents for risk management.

The company's board has adopted instructions for risk management and instructions for risk control, which are updated and approved by the board at least annually. In accordance with the company's risk management governing document, the company shall appoint a risk control function that controls the company's risks. The risk control function shall annually submit a report to the company's board. The company's risk control is outsourced to Marsh Management Services Sweden AB.

The company's risks are continuously managed by the company's CEO and then controlled by the risk control function.

The risk management governing document lists the risk groups and methods that are most central for the company.

As part of the risk management work, the company's board has also approved a governing document for the ORSA process that is updated at least annually. The goal of the ORSA process is to provide support to the company's CEO and board by designing a strategy for risk reduction and solvency. The ORSA process shall:

- Analyse the company's solvency level and risk reduction.
- Be an important part of the company's decision-making processes.
- Be an indicative tool for the company's board by providing information about potential risk exposure, as well as solvency and capital planning.
- Comply with the Swedish Financial Supervisory Authority's directives and guidelines.

The ORSA process begins with the company's board and risk control function (in consultation with the CEO, the risk committee and the financial function) deciding which risk areas the report shall focus on.

To measure the solvency position, the company calculates, through the standard model, a solvency capital requirement (SCR) in which all risks are monitored to the lowest level. In the 2021 ORSA, the following risk areas were chosen:

Scenario	Description 2021
A	Base scenario in accordance with the company's business plan.
C	The base scenario but also a major cyber damage.
D	Changes in the profitability of the affinity business and reduced creditworthiness of the company's counterparties.
E	Change in the profitability of the affinity business and major damage that falls outside the reinsurance programme.

Once the above scenarios have been decided, the financial function together with the company's actuarial function can start the capital requirements calculations and stress tests for the given year and for the next three years. The financial function is responsible for performing the SCR calculations. When the calculations are completed they are sent to the company's actuarial function for scrutiny.

The guidelines for ORSA have been regulations and internal instructions on risk management, which can be found in the company's governing document. Account has been taken of the documents published by the EIOPA on the forward-looking assessment and corporate governance under Solvency II.

A very important part of the ORSA process is that each significant result used is stored securely to facilitate the audit and to ensure good management of the implementation. The company stores data both on the parent company's own servers and with external parties. The company uses backup and storage in different physical locations.

The SCR calculation requires that all risks can be 100% transparent, which increases the company's requirements for external partners. The information required by the SCR model is a complete review of the company's assets. Each individual investment is made in accordance with the company's established investment policy and the principle of care.

B 4 Internal control system

The board is ultimately responsible for the company's operations. The board annually sets the objectives and strategies that shall apply to the business. The board ensures that the necessary rules for risk management and risk control are in place. The board's tasks are governed by the articles of association. The board appoints the CEO, who is responsible for the company's risk control function, compliance function and internal audit.

The compliance function is outsourced to KPMG and the company's board has approved instructions for compliance, which are approved and revised at least annually. The purpose of the function is to assist the company in ensuring that the business is conducted within the framework of the applicable regulations.

The reviewing activities are carried out according to a review plan adopted by the board, usually annually, whereby reporting is made annually to the board. In connection with debriefing, a review of the year's recommendations and a follow-up of the previous year's recommendations is carried out.

In accordance with the company's guidelines, a board member is responsible for the function.

The independence of the function is ensured by the function not participating in the activities that it then scrutinises.

B 5 Internal audit function

The company has engaged Transcendent Group AB as supplier of the internal audit function and the function has reported in accordance with the plan. The Company's board annually adopts an audit plan prepared by the function, which is prepared taking into account the risks the company is exposed to.

Debriefing is done annually to the board, where the function presents the results of the year's review and a follow-up of previous years' recommendations. This aims to ensure continuity in the work of the function.

The principles on which the function's work is performed are formulated in a policy adopted by the board, which is also reviewed annually. The function's main areas for scrutiny include:

- Review and evaluation of the company's organisation and operating procedures, as well as ensuring these are carried out in accordance with guidelines adopted by the board.
- Review and evaluation of the company's internal control system.

The independence of the internal audit function is ensured by its members not performing any operational tasks in the company.

B 6 Actuarial function

Since the autumn of 2021, the company's actuarial service is handled by AON Global Risk Consulting AB. The actuarial function (AF) participates in and contributes to the following activities in the company's operations.

- Valuation of actuarial provisions (FTA) and balance sheet for solvency purposes. The actuarial function coordinates and monitors this process.

- Capital requirement calculations according to the standard formula of the regulatory framework made in connection with the above-mentioned reporting times. The actuarial function has conducted an active dialogue with the risk management function regarding the results of the various calculations, and also provided advice and discussion data.

- Calculations of future capital requirements as part of the ORSA process together with the company's risk management function and summary of outcomes in the ORSA report. The actuarial function has participated in discussions on risk registers and the design/selection of stress and scenario tests.

- Valuation of reserves for unreported claims (IBNR/IBNER) and sensitivity analysis in accordance with IFRS 4 & 7 in connection with the annual accounts. IBNR is also included in the valuation for solvency purposes – and documented in the actuarial calculation base (FTBU).

- Authoring a report presented to the board which describes a more detailed account of the company's risk activities and corresponding work processes.

- The formulation of the company's reinsurance programme and the new subscription process.

- Follow-up of claims data during the year and deviations are assessed and discussed with the company's risk management function.

- Support in the preparation of the company's annual report.

Through active participation in the company's risk management process, taking into account the above points, the function contributes to the effectiveness of the risk management process (suitability for purpose and goal fulfilment).

B 7 Assignment agreement

The board has adopted a governing document for outsourced operations that is revised at least annually. The agreements entered into for the company's central functions have all been notified to the Swedish Financial Supervisory Authority.

In accordance with the company's governing document on outsourcing, the outsourced business shall be conducted with at least the same quality requirements as if it had been conducted under its own management. When outsourcing activities, the following criteria shall be met:

- A person in the company shall be responsible for the outsourcing of the activities that are outsourced. It is also required that the person responsible for outsourcing possesses the competence required by the role's responsibility.
- The company shall sign an assignment agreement with the service provider.
- The agreement shall be followed up at least annually. The company's CEO is responsible for agreement follow-up.
- The company shall ensure that the service provider has the level of competence required for the assignment.
- The board and the CEO shall ensure that the Swedish Financial Supervisory Authority can conduct effective supervision of the operations of the company and, in particular, the outsourced operations. All suppliers of outsourced operations must undertake to cooperate with the Swedish Financial Supervisory Authority and to provide all information about the operations that is requested by the Swedish Financial Supervisory Authority.

In connection with all outsourcing of functions, the board and the CEO shall ensure that the risk of conflicts of interest is identified and continuously monitored. Suspected conflicts of interest are handled in accordance with the company's conflict of interest management guidelines. The board and the CEO shall ensure that an annual follow-up of all outsourced activities takes place and is reported at a board meeting. A review will then take place regarding quality, cost monitoring and any need to change the content of the outsourced assignment.

There are outsourced activities for:

- Financial management and reporting: AON Global Risk Consulting AB
- Actuarial function: AON Global Risk Consulting AB
- Risk management function: Marsh Management Services Sweden AB
- Regulatory function: KPMG
- Internal audit function: Transcendent Group AB
- CEO and Management: Telia Company AB

- Claims handling: Telia Company AB. Claims handling for the affinity business is managed by Willis Towers Watson.
- Complaints manager: Telia Company AB
- Business Control: Telia Company AB
- Administration: Telia Company AB

B 8 Other information

The company has no other information to share.

C. Risk profile

The maximum liability for the company expressed in SEK thousand is:

Fire and other damage to property	
Per claim	15,000
Annual aggregate	30,000

The following are in addition to the above:

1. The difference between the deductible for the claims and the limit for reinsurance aggregate cover is SEK 50–280 thousand. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300 thousand. In a normal year, there are 40–50 claims.
2. The company's share in the Norwegian Natural Perils Pool, which can result in a maximum claims expense of approximately SEK 288 thousand per insurance event.

General liability and other property damage*	
Per claim	15,000
Annual aggregate	30,000

Cyber*	
Per claim	15,000
Annual aggregate	30,000

The following are in addition to the above:

The difference between the deductible for the claims and the limit for reinsurance aggregate cover. The policyholder's excess is SEK 50 thousand. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300 thousand. In a normal year, there are 2–4 claims.

* The company purchases reinsurance as a joint contract for E&O and Cyber insurance.

C 1 Underwriting risk

Underwriting risk refers to the risk of loss or unfavourable change in actuarial provisions due to uncertainty in pricing and provisioning assumptions. The company follows internal guidelines in order to ensure the correct evaluation and quantifying of the risk underwritten. The guidelines also specify which sums insured and categories of risk can be accepted. Where possible, the evaluations are also based on actuarial calculations.

Most of the company's insurance business consists of the affinity business, which is an insurance that can be taken out by those who buy mobile phones, tablets and similar products in Telia's stores. The transactions are administered by Willis Towers Watson AB. The Telia companies that sell the insurance receive a sales commission for this of some 45-50% of the insurance premium paid by the customer. When a smaller commission to Willis is settled, the goal is to reach a claim cost of 90%. The agreements with the Telia companies are written so that the sales commission can both increase and decrease historically to reach the target of 90%. This construction means that the risk in the transaction is very low for Telia Försäkring.

As part of this year's ORSA process, the company has decided on a number of scenarios that examine how the company's solvency position has been affected as a result of changes in profitability assumptions in the affinity business during the first three months of 2022 and then return for adoption in the financial plan. In the present case, scenarios were examined whereby the assumed claim percentage deteriorated by 40 percentage points.

The outcome of the scenario shows that the company is coping with this type of profitability stress to the extent that the solvency ratio exceeds 100%.

C 2 Market risk

Market risk refers to the risk of the factors that influence the value of financial assets developing in a negative way for the company.

Currency risks in relation to investments

The company applies currency matching between actuarial provisions and investments. Those investments that are not matched by a provision in another currency are made in Swedish kronor.

Sensitivity analysis in relation to investment risks

In the sensitivity analysis performed for Telia Försäkring, the sensitivity has been calculated with regard to a change in the market interest rate and credit risk. The analysis has been performed using a stress test, where a given percentage change in the relevant parameter has been assumed.

The impact these changes have on the financial results and on equity is shown in the table below.

SEK thousand	Increase/decrease in %	Change in income statement & equity
Change as a result of:		
- Increased market interest rates	+1%	-6,285
- General credit risk (change in spread)	+0.5 %	-166
- Exchange rates	- 10%	-5,603

C 3 Credit risk (Counterparty risk)

Credit risk refers to the risk of a counterparty failing to fulfil its payment obligations.

Exposure to credit risks relates primarily to reinsurers, partly in the form of reinsurance receivables and partly through the reinsurers' share of outstanding claims. The credit risk is nevertheless deemed insignificant, as all outward reinsurance is with reinsurance companies with a high and stable credit rating and a good ability to pay claims. The creditworthiness of all reinsurers is assessed and the results reported to the board at each board meeting. The credit risk in relation to premium receivables from policyholders is limited, as the insurance contract can be cancelled if payment is not made.

C 4 Liquidity risk

Liquidity risks in this sense concern access to financing. If there is a liquidity shortfall, this can have a negative impact on ordinary business operations and put the company at risk of being unable to fulfil its day-to-day payment obligations.

The company's liquidity risks are limited because the premiums are collected in advance and cash flow is monitored monthly. The reinsurance premiums are paid three months after the majority of the company's premium invoices have been sent to the customers. This means that liquidity is well adapted to the payment terms of the reinsurance premiums. As all ceding is to large, well-consolidated, international reinsurance companies with a high rating, the liquidity risk is considered to be limited. The company's financial assets are primarily in cash and cash equivalents.

A total list of the company's assets is given below (the amounts are in SEK thousands):

	2021	2020
Group account (receivables Telia Company AB):	115,789	54,969
Bank accounts	142,006	140,015
Municipal certificate	208,169	210,275
Client funds account	73,679	33,849
Total:	**539,643**	**439,109**

C 5 Operational risk

Operational risk is defined as the risk of losses as a result of inappropriate or ineffective internal processes or procedures, human error, defective systems or external events. This definition also includes legal risk and reputational risk.

Operational risks include administrative risks. These constitute access to competent personnel and to adequate IT support. The company is operated by personnel contracted from Telia Company AB, Corporate Insurance. The staff have many years of experience in insurance and experience of running the company's operations. There is a risk in terms of the extremely limited number of people involved. On the insurance side, there are four people who know the business. As of July 2012, the finance function is outsourced to an external specialist supplier. This supplier has organised the work so that there is always access to backup resources. The company's IT support is a system specially developed for the insurance industry by an external IT supplier. All of the company's databases are stored through the parent company's IT system, with backups made automatically every evening.

The quality of accounting is ensured by developed control functions in existing working documents.

The company's control over processes, procedures and governance documents is subject to continuous review internally and in conjunction with both the internal and the external auditors. The internal auditors perform an annual audit based on the governing documents and present this to the board, while the external auditors carry out two reviews per year. One is of the annual report and underlying accounting records and the other is of various processes.

C 6 Other material risks

The company has not identified any other risks and considers that there are no other risks that are not taken into account by the standard model.

C 7 Other information

The company has no other information to share.

D. Valuation for solvency purposes

In accordance with the Solvency II Directive (2009/138) and the Delegated Regulation of the European Commission (2015/35), the company has re-assessed its balance sheet for solvency purposes. Revaluation takes place when the company is to calculate its capital requirement and available capital to cover the capital requirement. The company calculates capital requirements in connection with reporting to the Swedish Financial Supervisory Authority and in the production of its own risk and solvency assessment (ORSA).

Solvency II means that the focus is on the balance sheet where a capital requirement is calculated by quantitatively assessing the main risks affecting assets and liabilities in accordance with a standard model.

In general, the company's assets and liabilities for solvency purposes shall be measured at fair value, i.e. at the amount that an asset or liability could be transferred in a transaction between independent parties that have an interest in the transaction being carried out.

Fair value is calculated in the following order:

A. Active markets as defined in IFRS.

B. Alternative valuation methods

D 1 Assets

Investment assets

The company's financial assets have been classified as loan and customer receivables and as financial assets. Below is a breakdown of the company's assets:

The company's group account has been classified as loan and customer receivables in accordance with IAS 39 and valued at accrued acquisition value. Since there is no active market for the loan to group companies and the group account that the company has with its parent company, the company uses a cost method/current replacement value to assess fair value. This means that the accrued interest shall be included in the valuation.

The company's bonds have been classified under investment assets as financial assets in accordance with IAS 39 and have been valued at fair value.

Receivables

Financial assets that are classified as loan and customer receivables in accordance with IAS 39 and valued at accrued acquisition value. Where these are added to a value that does not correspond to fair value, they shall be revalued at fair value in the solvency balance sheet. The company's financial assets generally have a short maturity, which means that book value is a good approximation of fair value.

Deferred tax

Deferred tax shall be valued as a basic principle in accordance with IFRS rules (IAS 12) unless the deferred tax relates to loss carryforwards or other future tax deductions (with the exception of deferred tax assets). In such cases, valuation shall be made on the basis of the difference between:

A. Values of assets and liabilities in the solvency balance sheet

B. Values of assets and liabilities in the tax balance sheet

A positive amount of deferred tax asset shall only be recognised at a positive value if the deductions are likely to be offset against surpluses in future taxation, taking into account legal requirements for their use (under the current regulations, the company has only six tax years to use a tax asset).

D 2 Technical provisions

In the legal accounts (statutory IFRS), the actuarial provisions consist of undiscounted provisions relating to claims reserves, both established claims reserves and a statistical claims reserve (IBNR). The actuarial provisions also consist of a premium reserve corresponding to the premium not yet earned/expensed in accordance with a straight-line depreciation (pro rata temporis).

In Solvency II, insurance companies shall make actuarial provisions for their liabilities arising from insurance agreements concluded. This means that the actuarial provisions in the legal accounts have been replaced by a best estimate. This also means that claims and liabilities relating to actuarial items shall be included in this best estimate in the solvency balance sheet. The value of the actuarial provisions in the solvency balance sheet shall correspond to the amount that the company would have to pay if it were to immediately transfer its insurance and reinsurance obligations to another insurance or reinsurance company, which is independent and which has an interest in the transaction being carried out. This therefore includes a risk margin that shall correspond to amounts that the counterparty can be expected to claim in order to take over and meet the insurance and reinsurance obligations.

Below are the main differences between the figures presented in the company's solvency balance sheet and in the legal balance sheet. The main differences for the company are the actuarial provisions (FTA). In the solvency balance sheet, FTA is valued as the sum of the best estimate and risk margin.

Liabilities (SEK thousands as of 31/12/2021)

Balance sheet items	Legal balance sheet	Solvency balance sheet	Deviation
Technical provisions	112,569	21,335	-91,234
Risk margin	-	22,532	22,532
Total	**112,569**	**43,767**	**-68,802**

Assets (SEK thousands as of 31/12/2021)

Balance sheet items	Legal balance sheet	Solvency balance sheet	Deviation
Reinsurer's share of actuarial provisions	11,577	11,088	-489

The total difference between assets and liabilities in the revaluation of actuarial provisions on own account amounts to SEK 68,312 thousand.

Best estimate

The calculations and methods applied follow from the Delegated Regulation (EU) 2015/35. The actuarial function has assessed that the company has a claims history to produce its own payment patterns that are adapted specifically for the company. Therefore, the actuarial function has for the time being chosen to apply payment patterns based on the company's statistics. The best estimate amounts to SEK 21,335 thousand. The best estimate is based on a cash flow forecast that is discounted at the risk-free interest rate.

The cash flow forecast is based on all inputs and payments related to operations, i.e. operating costs, premiums and claims costs. Cash flows are discounted at the risk-free interest rate (EIOPA SII).

The calculation of IBN(E)R uses a simple and well-established method commensurate with the nature, size and complexity of the business.

The company has classified its risks as falling within LOB 6, 7 and 12 and the calculations follow that classification.

The data used in the calculations is in itself considered sufficient and of acceptable quality.

Receivables under existing reinsurance agreements are calculated in accordance with the terms specified in the agreements.

Risk margin

This part of the calculation follows from a reduced capital requirement calculation and is included in the FTA under the S2 regulations. The risk margin is the cost (prescribed as 6% above the risk-free interest rate) of holding capital to cover claims for insurance commitments entered in FTA. Specifically, requirements for insurance risk, counterparty risk (for reinsurance) and operational risk, which are forecast for the settlement period, are included. This corresponds to Method 1 of the EIOPA guideline's hierarchy of risk margin calculation methods[1].

The risk margin is calculated for the entire portfolio combined and then allocated to insurance class based on the distribution of earned premiums and the best estimate of claims (both of these for own account).

[1] EIOPA – 14/166. Guidelines on valuation of technical provisions.

Reinsurance

According to the company's policy document "Instructions for managing subscription and reinsurance risks", reinsurance shall be placed in companies that have as a minimum creditworthiness rating A (according to Standard and Poor's), unless otherwise decided by the company's board. As a result, the company places its reinsurance in companies with a good financial position. This means that counterparty risks for the company and policyholders will be limited. However, the supply of reinsurance providers may be limited and thus affect the premiums for the reinsurance provided.

D3 Other liabilities

The company's financial liabilities have been valued at accrued acquisition value in accordance with IAS 39. Where these are added to a value that does not correspond to fair value, they shall be revalued at fair value in the solvency balance sheet. However, the company's financial liabilities generally have a short maturity, which means that book value is a good approximation of fair value.

D 4 Alternative valuation methods

The company has not applied any alternative valuation method.

D 5 Other information

The company has no other information to share.

E. Financing

The company shall determine, classify and assess the eligibility of capital used to cover the solvency capital requirement and the minimum capital requirement in accordance with the SII Directive, chapter VI, section 3 and the underlying regulation and guidelines.

Capital base funds include the sum of primary capital and additional capital. Primary capital consists of the positive difference between assets and liabilities, valued according to chapter VI of the SII Directive, as well as subordinated liabilities.

Additional capital consists of items in addition to those in primary capital that may be required to cover losses. The additional capital is thus not included in the solvency balance sheet and is scrutinised in advance by the Swedish Financial Supervisory Authority before it can be used in the capital base.

Classifications have been made according to the company's governing document for the valuation of assets and liabilities as well as the company's capital bases.

The items in the capital base shall be divided into three levels. The classification of these items shall depend on whether they are primary or additional capital and to what extent they meet the following characteristics:

A. The item is available, or may be called upon request, in order to fully absorb losses, both in the day-to-day operations and in the case of liquidation (permanent availability).

B. In the event of liquidation, the full amount of the item is available to cover losses and the item may not be repaid to the holder until all other obligations, including insurance and reinsurance obligations towards policyholders and beneficiaries under insurance and reinsurance agreements, have been fulfilled (subordinated).

According to chapter 7 of the Insurance Business Act (2010:2043), the company shall take into account both current and future circumstances when assessing an item's loss coverage capacity and subordination.

Eligibility

Depending on the quality of the capital, according to current regulations, limit values apply to eligible capital base funds.
Eligible capital base funds shall cover the solvency capital requirement (SCR) and eligible primary capital shall cover the minimum capital requirement (MCR).

SCR limit values

The following quantitative limits apply to eligible capital funds for SCR:

- Level 1 items shall represent at least 50% of SCR
- Level 3 items shall represent less than 15% of SCR
- The sum of level 2 and 3 items shall not exceed 50% of SCR

Within this framework, the following primary capital items must be less than 20% of the total amount of level 1 items:

- Subordinated liabilities
- Level 1 items resulting from the transitional arrangements.

MCR limit values

The following quantitative limits apply to eligible capital funds for MCR:

- Level 1 items shall be at least 80% of MCR
- Level 2 items shall be less than 20% of MCR.

Within this framework, the sum of the following primary capital items shall represent less than 20% of the amount of level 1 items:

- Subordinated liabilities
- Level 1 items specified framework

As of 31/12/2021, the company's capital base amounts to SEK 491,017 thousand.

Level capital in the capital base is divided as follows:

Capital level	SEK thousand
Level 1 capital	491,017
Level 2 capital	-
Level 3 capital	-
Total	**491,017**

Share capital

The company's share capital has no limitations and is classified as primary capital level 1 in accordance with the SII Regulation (article 69 a-i). The item is included in the list (article 69) and fulfils the characteristics specified in article 71 and, in particular, it is a paid-up ordinary share capital and it is prioritised after all other claims in the event of liquidation proceedings for the company. The company has full flexibility in terms of distribution (there are no restrictions on how the distribution shall take place). The share capital at the end of the year is SEK 200,000 thousand.

Reconciliation reserve

The reconciliation reserve corresponds to the total difference between assets and liabilities reduced by share capital as described above. In accordance with point 1.5 of the Guidelines on Classification of Own Funds (14/168), retained earnings shall be part of the reconciliation reserve. With regard to foreseeable costs, the company should primarily take into account foreseeable and not already recognised tax amounts.

The determination of whether and to what extent the reconciliation reserve presents the specificities referred to in article 71 shall not assess the characteristics of the assets and liabilities included in the calculation of how much the assets exceed the liabilities or underlying items in the company's financial statements (SII Regulation article 70.3).

In accordance with instructions from the Swedish Financial Supervisory Authority, the company's security reserve shall be part of the company's reconciliation reserve. In connection with its Solvency 2 reporting, the company shall make an assessment of whether deferred tax can be considered to be available for the security reserve. This assessment shall be made on the basis of the actual circumstances applicable to the individual company. Factors such as any loss situations in the technical performance of the company, the likelihood that the company may have to make a forced dissolution of the security reserve and other circumstances that could affect the possible taxation of a dissolution shall be taken into account. It is important to make an assessment of the entire company's tax situation. If the company considers that a deferred tax liability exists for the security reserve, one shall be recognised in the Solvency 2 balance sheet, otherwise no deferred tax liability attributable to the security reserve is recognised. Such recognition of liabilities also means that the reconciliation reserve is decreased by the corresponding amount.

The reconciliation reserve is classified as primary capital level 1 in accordance with the SII Regulation (article 69 a-vi). The valuation of the company's assets and liabilities, including the company's actuarial provisions, is made in accordance with these guidelines.

The company's reconciliation reserve includes the following items:

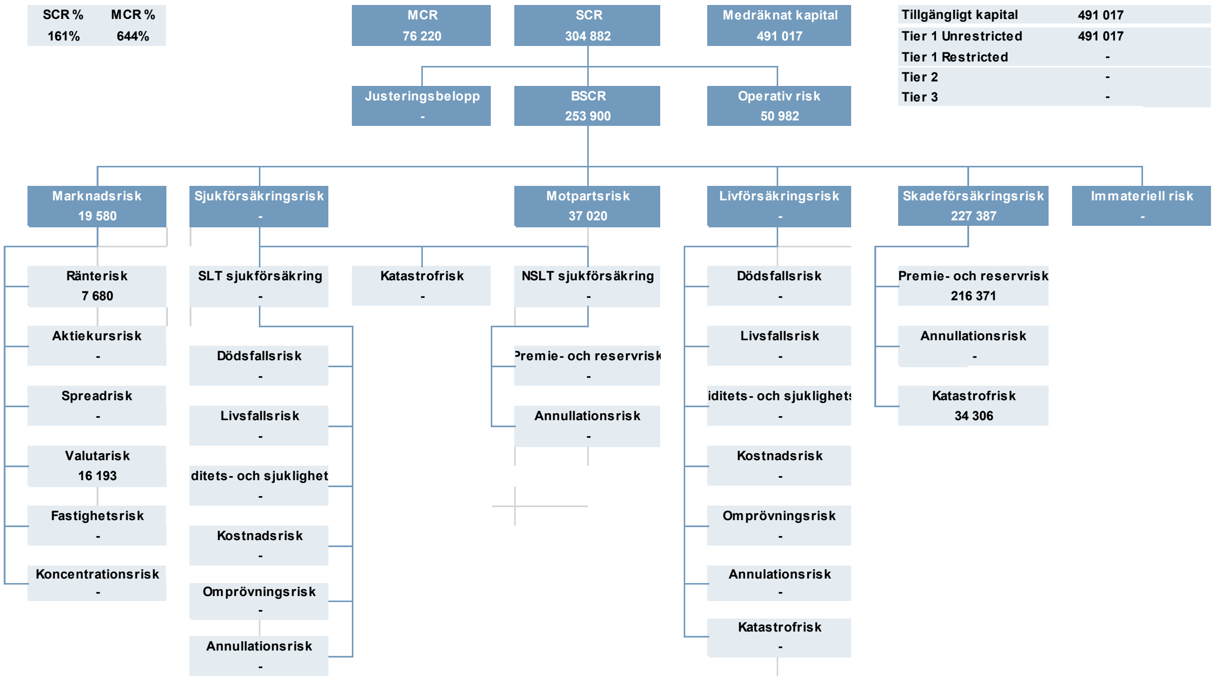
Items	Amount (SEK thousands)
Retained earnings	49,187
Loss for the year	-5,009
Security reserve	265,492
Valuation difference Solvency 2	-18,654
Total	**291,017**

E 1 Capital base

As the company's insurance business continuously increases, the company's permitted security reserve will also increase, which means that the company's capital base can be maintained/increased. The company thus has a good margin to the SCR requirement both in actual outcomes and in the stress scenarios in ORSA. The company feels confident about meeting its capital requirement in the coming years. If anything changes in these conditions that causes this analysis to change, the company will take the measures indicated in the company's governing documents.

E 2 Solvency capital requirement and minimum capital requirement

The company calculates its solvency capital requirement (SCR) and minimum capital requirement (MCR) in accordance with the standard formula. The company's SCR as per 31/12/2021 is distributed as follows:



E 3 Use of the duration-based share price risk sub-group for the calculation of the solvency capital requirement

No duration-based share price is deemed to exist at the company.

E 4 Differences between the standard formula and internal models used

The company does not use internal models.

E 5 Breach of the minimum capital requirement and solvency capital requirement

There is no other information to share.

E 6 Other information

The company has no other information to share.