

# **TeliaSonera Försäkring AB**

**Annual Report 2015**

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## Administration Report

The Board of Directors and the President and CEO of TeliaSonera Försäkring AB hereby present the annual report for the period 01/01/2015–31/12/2015, the company's twenty-first year of business.

### Organisation

The company is wholly owned by TeliaSonera AB (corporate registration number 556103-4249, registered office: Stockholm) and has its registered office in Stockholm. Its address is Stureplan 8, 106 63 Stockholm and its corporate registration number is 516401-8490.

The company provides insurance for fire and other damage to property and general liability to companies within the TeliaSonera Group. This takes place through both direct insurance and inward reinsurance.

New two-year reinsurance contracts were signed on 1 June 2014. The reinsurers under the contracts all have a financial strength resulting in a credit rating of A or better by Standard & Poor's. The contracts, which total five in number, run for two years and do not involve any major difference in scope compared with the previous contracts. The main changes relate to which parties are the contractual parties, as well as a premium reduction of 0–20% depending on the contract.

The company has an official rating from credit rating agency Standard & Poor's. The rating is the same as for the parent company, A-.

From 01/06/2014, the company has an agreement in place with insurance company Allianz on a fronting arrangement in relation to the USA and Russia. Fronting agreements have been signed with various local insurance companies for business from the countries of Kazakhstan, Azerbaijan, Georgia, Moldova, Uzbekistan, Nepal and Tajikistan. This has been made possible by the fact that the company has been given an official rating by Standard & Poor's since 2014.

### Development during 2015

The company's operations have remained unchanged during the year in terms of branches of insurance. The customer base is limited to include only TeliaSonera AB's consolidated subsidiaries. During the year, Tele 2 Norge was integrated in TeliaSonera Norge's insurance and some smaller newly acquired companies in Sweden were added as customers. The scope of insurance has also been extended for the customers Ucell, Tcell and Kcell.

During spring 2015, the largest reinsurance contract, the property contract, was extended to apply for a further year and end no sooner than 1 June 2017. The contract contains an exit clause, which nevertheless allows the reinsurers to leave on 1 June 2016 in the event of a poor claims result.

The fronting partner in Tajikistan was changed to a different local company during the year.

The annual review by Standard & Poor's took place at the end of 2015. The result was that the previous rating was retained.

Two earthquake events occurred in Nepal on 25/04/2015 and 12/05/2015. Indian claims handling firm Puri Crawford was contracted immediately to provide claims handling support. The initial gross claims reserves (100%) recommended by Puri Crawford were USD 9.85 million and USD 2.65 million respectively. The company's share of the damages is 99.95%. Later in the year, the reserves were reduced to USD 5.36 million and USD 1.52 million respectively, of which USD 2 million was paid out as part payment during the year. The remaining reserves are USD 3.36 million and USD 1.52 million respectively. The net damages for the company after reinsurance are limited to 2 x SEK 15 million. The company's reinsurer has paid its share of the part payments.

In total, outstanding claims have been settled with a settlement loss of SEK 5,720,000. Overall, this has produced a negative claims result of SEK 30,496,000 (SEK 835,000). The reserve for outstanding claims has increased from SEK 17,342,000 in 2014 to SEK 63,028,000 in 2015.

The company's business is highly volatile, which makes it difficult to establish an "accurate" IBNR on the basis of the company's own claims data. The IBNR for the year has been calculated using the same model as in the previous year, which has resulted in almost unchanged provisions. As in the previous year, the actuary and the company management have chosen to add a volatility margin of 20% on top of the calculated IBNR.

### Liquidity and capital requirement

The company has good liquidity and good financial consolidation and is therefore well-prepared to cover additional risks in the future. The KPIs indicate a very good insurance operations business. The required solvency margin is SEK 34,730,000 (SEK 34,188,000) and the capital

base is SEK 252,365,000 (SEK 251,317,000).  
The consolidation ratio is 718% (761%).

#### **Events after the balance sheet date**

No significant events have occurred since the balance sheet date.

#### **Staff**

TeliaSonera Försäkring AB is a specialist company in insurance and claims handling and does not have any employees of its own but does have access, via TeliaSonera AB, Corporate Insurance, to a permanent workforce of two people. Together, these provide broad specialist expertise with experience of both the Swedish and foreign insurance markets. In addition to its access to the Group's own resources, the company contracts specialist resources for assistance with such things as residual value recovery and claims handling.

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

The company's function for Compliance and Risk Management has been outsourced to Marsh Management Services AB.

#### **Performance**

Written premiums before outward reinsurance amounted to SEK 52,970,000 (SEK 50,240,000). Premiums ceded to reinsurers amounted to SEK -17,827,000 (SEK -17,214,000). The technical result from insurance operations was SEK -2,163,000 (SEK 36,091,000).

Financing operations returned a result of SEK 3,246,000 (SEK 7,681,000) before investment return transferred to non-life insurance operations of SEK 239,000 (SEK 677,000).

The investment return has been calculated as 1.46% (1.63%) of the average technical provisions for own account; see Note 5.

Operating expenses in 2015 amounted to SEK 5,956,000 (SEK 5,945,000), resulting in an expense ratio of 18% (18%).

Earnings before appropriations and taxes amounted to SEK 1,083,000 (SEK 43,095,000).

## Proposed appropriation of earnings

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The following is at the disposal of the Annual General Meeting:

Retained earnings	SEK 4,578,644
Profit/loss for the year	<u>SEK -39,916</u>
<i>Total</i>	SEK 4,538,728

The Board of Directors and the President and CEO propose that the retained earnings be carried forward.

The results and financial position of TeliaSonera Försäkring AB are shown in the following income statement, balance sheet and notes.

A five-year summary and performance analysis, as well as KPIs, are provided below.

## Five-year summary and KPIs

	2015	2014	2013	2012	2011
<b>Profit</b>					
Premiums earned, f.o.a.	34,004	32,527	32,868	34,180	33,309
Investment return, net in insurance operations	239	677	815	1,074	1,742
Claims incurred, f.o.a.	-30,496	835	-14,905	11,324	4,353
Bonuses and discounts	0	7,994	-8,027	-8,216	-8,072
Technical result from insurance operations	-2,163	36,091	4,391	34,955	25,411
Profit/loss for the year	-40	35,121	3,632	26,900	21,059
<b>Financial position</b>					
Investment assets at fair value	244,550	293,528	268,785	323,512	333,712
Technical provisions, f.o.a.	40,821	31,943	51,191	44,630	70,660
Consolidation capital	252,365	251,317	251,749	251,440	251,431
Deferred taxes	10,521	10,283	10,717	10,646	12,719
Capital base	252,365	251,317	251,749	251,440	251,431
Required solvency margin	34,730	34,188	32,560	30,170	31,570
<b>Solvency ratio</b>	727 %	735 %	773 %	833 %	796 %
<b>Insurance operations</b>					
Claims ratio, f.o.a.	90 %	-3 %	45 %	-33 %	-13 %
Expense ratio, f.o.a.	18 %	18 %	19 %	13 %	20 %
Combined ratio, f.o.a.	107 %	16 %	65 %	-20 %	7 %
<b>Asset management</b>					
Direct return	1.46 %	1.14 %	1.79 %	1.48 %	2.45 %
Total return	1.43 %	2.70 %	1.00 %	1.27 %	2.57 %
<b>Financial position</b>					
Consolidation ratio	718 %	761 %	790 %	728 %	745 %

### Definitions

<b>Claims ratio (f.o.a.)</b>	Claims incurred as a percentage of premiums earned
<b>Expense ratio (f.o.a.)</b>	Operating expenses for insurance operations as a percentage of premiums earned
<b>Combined ratio (f.o.a.)</b>	Sum of the claims ratio and the expense ratio
<b>Direct return</b>	Investment income as a percentage of a weighted average of the investment assets at fair value
<b>Total return</b>	Total investment income plus realised and unrealised changes in value as a percentage of a weighted average of the investment assets at fair value
<b>Consolidation capital</b>	Sum of shareholders' equity, untaxed reserves and the surplus value of investment assets not recognised on the balance sheet
<b>Consolidation ratio</b>	Consolidation capital/(Written premiums - premiums ceded to reinsurers)
<b>f.o.a.</b>	For own account

## Performance analysis

Note	Direct insurance, Swedish risks			Direct insurance, foreign risks	Inward reinsurance	Total
	Business & property	Liability	Transport			
Premiums earned (a)	7,098	3,206	504	10,386	12,810	34,004
Allocated investment return transferred from financing operations	48	22	4	67	99	239
Other technical income (f.o.a.)	9.1	4.1	0.7	12.8	18.8	46
Claims incurred (f.o.a.) (b)	-774	-400	-112	-3,950	-25,259	-30,496
Bonuses and discounts (f.o.a.)	0	0	0	0	0	0
Operating expenses	-689	-315	-51	-1,432	-3,468	-5,956
<b>Technical result from insurance operations</b>	<b>5,691</b>	<b>2,517</b>	<b>344</b>	<b>5,084</b>	<b>-15,800</b>	<b>-2,163</b>
<b>Settlement result (gross)</b>	<b>-4,353</b>	<b>892</b>	<b>-87</b>	<b>13,908</b>	<b>-16,080</b>	<b>-5,720</b>
<b>Technical provisions, before outward reinsurance</b>						
Unearned premium reserve	4,163	2,003	326	6,019	9,107	21,617
Provisions for outstanding claims	8,507	3,286	19	4,842	46,374	63,027
Provisions for bonuses and discounts	0	0	0	0	0	0
<b>Total technical provisions before outward reinsurance</b>	<b>12,670</b>	<b>5,289</b>	<b>345</b>	<b>10,860</b>	<b>55,480</b>	<b>84,644</b>
<b>Reinsurer's share of technical provisions</b>						
Unearned premium reserve	1,730	773	124	2,616	2,070	7,313
Provisions for outstanding claims	1,605	0	0	211	34,695	36,511
<b>Total reinsurer's share of technical provisions</b>	<b>3,335</b>	<b>773</b>	<b>124</b>	<b>2,827</b>	<b>36,765</b>	<b>43,824</b>
<b>Notes to the Performance analysis for non-life insurance operations</b>						
<b>Note A – Premiums earned (f.o.a.)</b>						
Written premiums	10,552	4,822	787	14,882	21,928	52,970
Premiums ceded to reinsurers	-3,551	-1,623	-265	-5,009	-7,380	-17,827
Change in provisions for unearned premiums and unexpired risks	105	10	-18	497	-1,784	-1,189
Reinsurer's share of change in provisions for unearned premiums and unexpired risks	-7	-3	-1	15	45	50
<b>Total premiums earned (f.o.a.)</b>	<b>7,098</b>	<b>3,206</b>	<b>504</b>	<b>10,386</b>	<b>12,810</b>	<b>34,004</b>
<b>Note B – Claims incurred (f.o.a.)</b>						
<b>Claims paid</b>						
Before outward reinsurance	-905	-296	-106	-1,704	-19,190	-22,201
Reinsurer's share	0	0	0	0	2,302	2,302
<b>Total claims paid</b>	<b>-905</b>	<b>-296</b>	<b>-106</b>	<b>-1,704</b>	<b>-16,888</b>	<b>-19,899</b>
<b>Change in provisions for outstanding claims</b>						
Before outward reinsurance	-1,474	-104	-7	-2,457	-43,066	-47,108
Reinsurer's share	1,605	0	0	211	34,695	36,511
<b>Total change in provisions for outstanding claims</b>	<b>131</b>	<b>-104</b>	<b>-7</b>	<b>-2,246</b>	<b>-8,371</b>	<b>-10,597</b>
<b>Total claims incurred (f.o.a.)</b>	<b>-774</b>	<b>-400</b>	<b>-112</b>	<b>-3,950</b>	<b>-25,259</b>	<b>-30,496</b>

## Income statement

<b>Technical account for non-life insurance operation</b>	Note	<b>2015</b>	<b>2014</b>
<b>Premiums earned (after outward reinsurance)</b>			
Written premiums before outward reinsurance	Note 3	52,970	50,240
Premiums ceded to reinsurers	Note 4	-17,827	-17,214
Change in provisions for unearned premiums and unexpired risks	Note 18	-1,189	788
Reinsurer's share of Change in provisions for unearned premiums and unexpired risks		50	-1,286
<b>Total premiums earned f.o.a.</b>		<b>34,004</b>	<b>32,527</b>
<b>Allocated investment return transferred from financing operations</b>	Note 5	239	677
Other technical income f.o.a.		46	4
<b>Claims incurred f.o.a.</b>			
<i>Claims paid</i>			
Before outward reinsurance		-22,201	-12,397
Reinsurer's share of claims paid		2,302	
<i>Change in Provisions for outstanding claims</i>			
Before outward reinsurance		-47,108	13,232
Reinsurer's share of provisions for outstanding claims		36,511	
<b>Total claims incurred f.o.a.</b>	Note 6	<b>-30,496</b>	<b>835</b>
<b>Bonuses and discounts (f.o.a.)</b>		0	7,994
<b>Operating expenses</b>	Note 7	-5,956	-5,945
<b>Technical result from non-life insurance operations</b>		<b>-2,163</b>	<b>36,091</b>
<b>Non-technical account</b>			
<b>Technical result from non-life insurance operations</b>		<b>-2,163</b>	<b>36,091</b>
Investment income	Note 8	4,400	8,569
Unrealised gain on investment assets	Note 9	0	3,687
Investment expenses	Note 10	-825	-4,576
Unrealised loss on investment assets	Note 11	-89	0
Allocated investment return transferred to non-life insurance oper:	Note 5	-240	-677
		<b>3,246</b>	<b>7,004</b>
<b>Profit/loss before appropriations and tax</b>		<b>1,083</b>	<b>43,095</b>
Appropriations	Note 12	-1,083	1,974
<b>Income before taxes</b>		<b>0</b>	<b>45,069</b>
Tax on profit/loss for the year	Note 13	-40	-9,948
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>-40</b>	<b>35,121</b>



## Balance sheet, assets

<b>Assets</b>	<b>Note</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
<b>Investment assets</b>			
<i>Investments in Group companies and associates</i>			
Interest-bearing securities issued by, and loans to, Group companies	Note 14	215,754	263,964
<i>Other financial investment assets</i>			
Bonds and other interest-bearing securities	Note 15	28,796	29,564
<b>Total investment assets</b>		<b>244,550</b>	<b>293,528</b>
<b>Reinsurer's share of technical provisions</b>			
Unearned premiums and unexpired risks		7,313	7,263
Outstanding claims		36,511	-
<b>Total reinsurer's share of technical provisions</b>		<b>43,824</b>	<b>7,263</b>
<b>Receivables</b>			
Reinsurance receivables		17	0
Other receivables	Note 16	1,273	1,229
<b>Total receivables</b>		<b>1,290</b>	<b>1,229</b>
<b>Other assets</b>			
Cash at bank and in hand	Note 23	51,459	34,959
<b>Total other assets</b>		<b>51,459</b>	<b>34,959</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest income		342	647
Prepaid acquisition costs		1,109	979
<b>Total prepaid expenses and accrued income</b>	Note 17	<b>1,451</b>	<b>1,625</b>
<b>TOTAL ASSETS</b>		<b>342,573</b>	<b>338,605</b>

## Balance sheet, shareholders' equity, provisions and liabilities

<b>Shareholders' equity, provisions and liabilities</b>	<b>Note</b>	<b>2015-12-31</b>	<b>2014-12-31</b>
<b>Shareholders' equity</b>			
<i>Restricted equity</i>			
Share capital, 2,000,000 shares with a par value of SEK 100 per share		200,000	200,000
Retained earnings		4,583	-30,543
Profit/loss for the year		-40	35,121
<b>Total equity</b>		<b>204,543</b>	<b>204,578</b>
<b>Untaxed reserves</b>			
Security reserve		47,822	46,739
<b>Total untaxed reserves</b>		<b>47,822</b>	<b>46,739</b>
<b>Technical provisions (before outward reinsurance)</b>			
Unearned premiums and unexpired risks	Note 18	21,617	21,865
Outstanding claims	Note 19	63,028	17,342
<b>Total technical provisions (before outward reinsurance)</b>		<b>84,645</b>	<b>39,207</b>
<b>Other provisions</b>			
Pensions and similar obligations	Note 20	2,828	2,865
<b>Total other provisions</b>		<b>2,828</b>	<b>2,865</b>
<b>Liabilities</b>			
Liabilities relating to direct insurance		454	407
Reinsurance payables		0	35
Other liabilities	Note 21	1,164	43,603
<b>Total liabilities</b>		<b>1,618</b>	<b>44,044</b>
<b>Accrued expenses and prepaid income</b>			
Reinsurer's share of prepaid acquisition costs		553	554
Other accrued expenses and prepaid income	Note 22	563	618
<b>Total accrued expenses and prepaid income</b>		<b>1,116</b>	<b>1,172</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>342,573</b>	<b>338,605</b>

### Memorandum items

<b>Pledged assets and equivalent securities provided for own liabilities and for provisions for reported liabilities</b>			
<i>Assets registered for technical provisions (f.o.a.)</i>			
Bonds and other interest-bearing securities		28,796	29,564
Cash at bank and in hand		51,459	34,959
<b>TOTAL</b>	Note 23	<b>80,254</b>	<b>64,524</b>
<b>Other pledged assets and equivalent securities</b>		<b>None</b>	<b>None</b>
<b>Contingent liabilities</b>	Note 24	<b>64</b>	<b>64</b>
<b>Commitments</b>		<b>None</b>	<b>None</b>

## Changes in equity

	Budget equity	restricted equity	Profit/loss for the year	Total equity
	Share capital	Retained earnings		
<b>2014</b>				
<b>Opening balance as at 1 January 2014</b>	<b>200,000</b>	<b>-596</b>	<b>3,632</b>	203,036
Group contributions paid		-43,050		<b>-43,050</b>
Tax effect of Group contributions		9,471		9,471
<b>Total transactions recognised in shareholders' equity</b>	<b>200,000</b>	<b>-34,175</b>	<b>3,632</b>	<b>169,457</b>
Profit/loss for the year			35,121	35,121
<b>Total income and expenses reported for 2014</b>	<b>200,000</b>	<b>-34,175</b>	<b>38,754</b>	<b>204,578</b>
Appropriation of earnings for 2013		3,632	-3,632	0
<b>Closing balance as at 31 December 2014</b>	<b>200,000</b>	<b>-30,543</b>	<b>35,121</b>	<b>204,578</b>

	Budget equity	restricted equity	Profit/loss for the year	Total equity
	Share capital	Retained earnings		
<b>2015</b>				
<b>Opening balance as at 1 January 2015</b>	<b>200,000</b>	<b>-30,543</b>	<b>35,121</b>	204,578
Group contributions received		5		<b>5</b>
Tax effect of Group contributions		-1		-1
<b>Total transactions recognised in shareholders' equity</b>	<b>200,000</b>	<b>-30,538</b>	<b>35,121</b>	<b>204,583</b>
Profit/loss for the year			-40	-40
<b>Total income and expenses reported for 2015</b>	<b>200,000</b>	<b>-30,538</b>	<b>35,081</b>	<b>204,543</b>
Appropriation of earnings for 2014		35,121	-35,121	0
<b>Closing balance as at 31 December 2015</b>	<b>200,000</b>	<b>4,583</b>	<b>-40</b>	<b>204,543</b>

TeliaSonera Försäkring AB is a wholly owned subsidiary of TeliaSonera AB.

## Cash flow statement

	2015	2014
<b>Operating activities</b>		
<i>Insurance operations</i>		
Premiums paid in	52,970	50,240
Claims paid	-22,201	-12,397
Payments relating to operating expenses (commission)	-5,956	-5,945
Commission received	0	1,799
Bonus	7,994	7,994
<b>Total</b>	<b>32,808</b>	<b>41,691</b>
<i>Reinsurer's share of</i>		
Premiums paid in	-17,827	-17,214
<i>Investing activities</i>		
Interest received on interest-bearing securities	856	1,502
Realised gains on investment assets (net)	-321	-2,256
Net investments in investing activities, interest-bearing	223,978	-24,743
Other cash flow from operating activities	-48,216	26,983
<b>Cash flow from operating activities</b>	<b>191,277</b>	<b>25,962</b>
<b>Financing activities</b>		
Group contributions	-43,050	-4,671
<b>Cash flow from financing activities</b>	<b>-43,050</b>	<b>-4,671</b>
Interest paid	-118	-185
Taxes paid	-4	-2
<b>Cash flow for the year</b>	<b>148,105</b>	<b>21,104</b>
Cash and cash equivalents at beginning of year	113,923	88,005
Exchange differences in cash at bank and in hand	5,185	4,813
Cash and cash equivalents at end of year	267,213	113,923
<b>Change in cash and cash equivalents</b>	<b>148,105</b>	<b>21,104</b>

Cash and cash equivalents are defined as cash pool balances as well as cash at bank and in hand. The cash flow statement has been prepared in accordance with the direct method.

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## Accounting policies and Risks

### Note 1. Accounting policies

#### Basic accounting policies

The Annual Report has been prepared in accordance with the Swedish Annual Accounts for Insurance Companies Act and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual accounts for insurance companies, FFFS 2008:26, as amended.

The Swedish Financial Supervisory Authority's regulation FFFS 2008:26 means that International Financial Reporting Standards (IFRS) are applicable to the preparation of the financial statements, subject to the restrictions and additions that arise from Swedish law, RFR 2 and FFFS 2008:26.

All reports prepared in compliance with the above require the use of a number of significant accounting estimates. Furthermore, the management is required to make certain assessments upon application of the accounting policies. Those areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant for the annual accounts are indicated in the point *Significant accounting estimates and assumptions* on page 19.

The Annual Report was approved for publication by the Board on 2016. The income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 1 April 2016.

#### **New standards, revisions and interpretations of existing standards that have not yet entered into force and have not been applied early by the company**

A number of new or revised IFRS will enter into force during the coming financial year and have not been applied early to these financial statements. There are no plans for the early application of new or revised standards that enter into force from the 2016 financial year onwards. The anticipated effects on the company's financial statements as a result of applying the following new or revised IFRS are described below. New standards other than these are not expected to have any effect on the company's financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IASB has produced a whole

"package" of changes for the reporting of financial instruments in the form of IFRS 9. The package includes a new model for the classification and measurement of financial instruments, a forward-looking "expected loss" impairment model and a simplified approach to hedge accounting. IFRS 9 is effective from 1 January 2018 and earlier application is permitted once the EU has adopted the standard. The EU plans to approve the standard during the first half of 2016.

The categories of financial assets in IAS 39 are being replaced with three categories, where the asset is measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification into these three categories is based on the company's business model for managing the asset and the asset's contractual cash flow characteristics. The fair value option can be applied to a debt instrument if doing so would eliminate or significantly reduce an accounting mismatch. The basic principle for equity instruments is that they are measured at fair value through profit or loss, with an option to report changes in value not held for trading in other comprehensive income instead.

For those elements relating to financial liabilities, the majority correspond to the previous rules of IAS 39, with the exception of financial liabilities voluntarily measured at fair value, the "Fair Value Option". For these liabilities, changes in value must be divided into changes attributable to their own creditworthiness and changes attributable to changes in the reference interest rate.

The new impairment model will require the recognition of 12-month expected credit losses at initial recognition and in the event of a significant increase in the credit risk the impairment amount must correspond to the credit losses expected to arise during the remaining contractual life. The new rules on special hedge accounting involve, among other things, a simplification of effectiveness testing and an expansion of what are permitted as hedging instruments and hedged items.

New standard for reporting insurance contracts (IFRS 4 Phase II):

The development of a new reporting standard for reporting insurance contracts (IFRS 4 Phase II) has been ongoing for several years under the leadership of the IASB. The standard represents a uniform international reporting standard for the reporting of insurance contracts. A draft of the new standard was published in 2010. In June 2013, the IASB published a revised draft of the new standard. The revised draft has been out for consultation. The IASB plans to complete the work during 2016. A new standard is expected to be issued at the end of 2016, but is not anticipated to enter into force before 1 January 2020.

FFFS 2015:12, Regulations and general guidelines regarding annual accounts for insurance companies, will replace the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:26) regarding annual accounts for insurance companies. The new regulations introduce additional disclosure requirements regarding the discount rate used by the company. The provisions relating to key performance indicators have been adapted to the requirements and terms that apply with the implementation of the Solvency II Directive and the division of the branches of insurance has been adapted to national supervisory reporting. The rules on the publication of accounting information relating to remuneration and benefits provided to management are transferred to FFFS 2015:12 from the Swedish Financial Supervisory Authority's general guidelines (FFFS 2011:2) regarding remuneration policy at insurance companies, fund companies, stock exchanges, clearing organisations and electronic money issuing institutions. The rules enter into force on 1 January 2016 and are applied for the first time to annual reports and consolidated financial statements for the financial year beginning after 31 December 2015 and to interim reports prepared for parts of such financial year.

Other than the changed requirements for disclosures and key performance indicators, the new rules are not expected to involve any significant change to the financial statements.

Other new or revised IFRS with future application are not expected to have any significant impact on the company's financial statements.

#### **Other standards applied**

*IAS 1 Presentation of Financial Statements (revised).*

TeliaSonera Försäkring AB applies the revised IAS 1 standard as of 1 January 2010.

#### **IFRS 7 Financial Instruments – Disclosures (amendment).**

The amendment requires increased disclosures about measurement at fair value and liquidity risk. In particular, the amendment requires disclosure of fair value measurement at each level in a measurement hierarchy. As this amendment only involves additional disclosures, it has no impact on the financial results. TeliaSonera Försäkring AB applies the revised IFRS 7 standard as of January 2009.

#### **Currency**

The company's functional currency is Swedish kronor and the financial statements are presented in current income and expenses in foreign currency, which are translated at the exchange rates prevailing on the date each was recognised in the accounts. All assets and liabilities have been translated at the exchange rate on the balance sheet date.

#### **Insurance contracts**

The insurance contracts have been analysed in order to classify them in accordance with IFRS 4 Insurance Contracts. An insurance contract is a contract under which the company accepts significant insurance risk by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. A financial contract is a contract that does not transfer any significant insurance risk. All contracts in the company are classified as insurance contracts.

#### **Related party transactions**

The company classifies related parties as follows:

- \* Group companies
- \* Key persons in senior positions
- \* Other related parties

Group companies comprise the parent company TeliaSonera AB and all subsidiaries of TeliaSonera AB. Key persons in senior positions comprise the President & CEO. No other related parties have been identified.

#### **Policies applied to items on the balance sheet**

##### Prepaid acquisition costs

Costs that have a clear link to the signing of insurance contracts are recognised as an asset under the heading prepaid acquisition costs.

Commissions are accrued in line with the accrual of unearned premiums.

The company does not currently have any selling expenses with a direct link to insurance contracts.

#### Cash and cash equivalents

Cash and cash equivalents consist of the company's bank balances on accounts that form part of TeliaSonera AB's cash pool structure, as well as cash at bank and in hand. Bank accounts are listed on the balance sheet under the item Investments in Group companies. Cash at bank and in hand includes short-term investments of up to three months.

#### Technical provisions

Technical provisions consist of Provisions for unearned premiums and unexpired risks, Provisions for outstanding claims and for Bonuses and discounts.

Provisions for unearned premiums are made pro rata temporis. Provisions for unearned premiums and unexpired risks are intended to cover anticipated claims expenses and operating expenses during the remaining contractual life of the insurance contract entered into. If the premium level is deemed inadequate to cover future claims expenses and operating expenses, a provision is made for unexpired risks.

Provisions for outstanding claims are made according to the policyholder's requirements, less deductible. Provisions for outstanding claims must cover the anticipated future payments to be made for all claims incurred. Provisions for outstanding claims also include those claims that have not yet been reported. For these claims, a so-called IBNR (incurred but not reported) provision is made. The IBNR provision is generally calculated using statistical methods.

The changes for the period resulting from the translation of items at the exchange rate on the balance sheet date are recognised in the income statement as net exchange difference under the item Investment return.

#### Reinsurance

For outward reinsurance, the benefits to which the company is entitled under the contract are recognised as an asset under the heading Reinsurer's share of technical provisions.

#### Financial assets and liabilities

Financial instruments reported on the assets side on the balance sheet include trade receivables, loan receivables and interest-bearing securities. On the liabilities side are trade payables and borrowings.

#### Classification and measurement of financial assets and liabilities

Financial instruments are initially recognised at cost equivalent to the fair value of the instrument plus transaction costs, except those financial

assets measured at fair value through profit or loss, which are recognised at fair value excluding transaction costs. A financial instrument is classified on the basis of the purpose for which the instrument was acquired. The three alternatives are given below. A financial instrument's classification determines how it is measured.

#### *I) Financial assets measured at fair value through profit or loss*

This category consists of financial assets that the company has chosen to place in this category, the "fair value option" in IAS 39, and which are measured at fair value through profit or loss. The fair value on the balance sheet date is equal to the published quoted prices on an active market. This category includes other financial investment assets, which comprise bonds and treasury bills.

Information about how investment assets and risks arising from these are managed and what impact these risks have on the company's financial position has been provided in accordance with IFRS 7 ("Financial Instruments: Disclosures").

#### *II) Loan and trade receivables*

Loan and trade receivables are financial instruments with fixed payments that are not quoted on an active market and are not held for trading. They are recognised at amortised cost. This category includes receivables, trade receivables, cash at bank and in hand and internal accrued interest income and loans to Group companies. Loans to Group companies consist of promissory notes issued by TeliaSonera AB and cash and cash equivalents comprising bank accounts that form part of the cash pool structure and have TeliaSonera AB as the counterparty.

#### *III) Financial liabilities*

Trade payables, Intragroup derivatives and liabilities relating to Group contributions are included in this category.

#### **Policies applied to items in the income statement**

In the income statement, the results from insurance operations are divided into a technical result and a non-technical result, which is attributable primarily to asset management. The items included in the technical result relate to operations as an insurance provider; in other words the transfer of insurance risk as defined in IFRS 4 Insurance Contracts.

Recognition in the income statement follows the principle of gross recognition of inward and outward insurance.



#### Written premiums

A premium means the remuneration that an insurance company receives from the policyholder in order to accept the transfer of insurance risk. Written premiums are recognised in the income statement when the premium falls due.

#### Premiums earned

The portion of written premiums that is attributable to the reporting period is recognised as premiums earned. The portion of written premiums that relates to periods after the balance sheet date is allocated to a premium reserve on the balance sheet.

#### Allocated investment return transferred from financing operations

The total investment return is recognised in the non-technical result. A portion of the investment return is transferred to the technical result. This portion is 0.52% (1.63%) of the average technical provisions for own account; see Note 5. The required rate of return is equivalent to the average return on the financial assets.

#### Other technical income

In 2015, this item contains only commission income on old pension insurance policies.

#### Claims incurred

Claims incurred comprise claims paid and changes in the balance of Technical provisions. Payments made to policyholders during the financial year on the basis of insurance contracts or claims incurred, irrespective of when the claim was incurred, are recognised as claims paid. Changes in the balance of *Technical provisions* are recognised exclusive of exchange rate fluctuations, which are recognised as investment return.

#### Operating expenses

The operating expenses for the period are recognised in the technical result in the income statement. Expenses for claims handling form part of the administrative expenses of insurance operations but are recognised under claims incurred in the income statement. Any acquisition costs and accrual of these are also included in the operating expenses. The operating costs of asset management are recognised in the non-technical result. Operating expenses are recognised as they are incurred, with the exception of acquisition costs, which are recognised as an asset and accrued over the life of the insurance contract.

#### Results of asset management

The item *Investment income* refers to the investment return on investment assets. This item includes interest income on loans to Group

companies and other financial investment assets and any foreign exchange gains (net). Under *Investment expenses*, expenses relating to investment assets are recognised, such as asset management expenses, interest expenses and any foreign exchange losses (net). *Unrealised gains or losses on investment assets* comprise the difference between the amortised cost and fair value of other financial investment assets. Estimates and assessments are evaluated continuously and are based on historical experience and other factors, including anticipated future events that are considered reasonable under the prevailing conditions.

#### Significant accounting estimates and assumptions

The insurance company makes estimates and assumptions regarding the future. The accounting estimates that derive from these will, by definition, rarely correspond to the actual outcome. It is primarily the calculation of technical provisions and the valuation of investment assets that involve a significant risk of essential adjustments to the carrying amounts of assets and liabilities over the next financial year and these are outlined below.

#### Technical provisions

Technical provisions are calculated using methods that involve making various assumptions. There is particular uncertainty with regard to the actual outcome for the portion of provisions that relates to claims incurred but not reported; see risks below.

#### Fair value of financial instruments

The insurance company's holdings of bonds and treasury bills are measured at fair value.

#### Significant assessments in the application of the company's accounting policies

The insurance company measures the majority of its financial assets at fair value.

#### **Policies applied to the cash flow statement**

The cash flow statement has been prepared in accordance with the direct method.

## Note 2. Risks

### General information about risks

The company manages risks using internal rules in the form of governance documents (e.g. authorisation instructions, financial management guidelines, underwriting guidelines, claims reserve guidelines) and internal monitoring in the form of procedures to ensure good internal control. The Board of Directors has ultimate responsibility for effective risk control within the company and decides annually on whether any updates to the governance documents are required. They have also assigned Internal Audit with the task of examining the company annually on the basis of the written governance documents and presenting the results to the Board of Directors. Together with the company, Internal Audit has produced a risk document containing known risks. The risks are evaluated from two perspectives: partly in terms of the probability of the event occurring and partly in terms of its impact. The two perspectives are balanced and assessed using a special model.

As the company only insures consolidated subsidiaries of the TeliaSonera Group, the company's insurance risks are limited to those risks of the TeliaSonera Group that are assumed through insurance contracts. The company is reinsured for both individual disaster claims and an unfavourable cumulative claims outcome over time.

During the year, the company has agreed both direct insurance and inward reinsurance within property, transport, interruption, property crime and liability.

The company is exposed to underwriting risk, claims reserve risk, claims outcome risk, liquidity risk, market risk, credit risk and operational risk. These risks can be grouped under the headings Insurance-related risks, Investment risks and Operational risks. The main risks at the company are underwriting risk, provisions risk and claims outcome risk.

Underwriting risk relates to the pricing of insurance contracts and the inherent uncertainty associated with these contracts.

Claims reserve risk means the risk of the value of the technical provisions being too low.

Claims outcome risk means the risk of the claims outcome in the company's insurance portfolio being unfavourable, in other words higher than the anticipated value.

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

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.

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

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.

### Insurance-related risks

#### Underwriting risk

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.

#### Claims reserve risk

The company manages the claims reserve risk by following the company's claims reserve instructions when determining the technical provisions. The provisions are regularly reviewed by the company's actuary.

#### Reinsurance risk

The company has a reinsurance programme that aims to provide protection against both larger individual claims and a high frequency of smaller claims and thereby avoid major negative impacts on results.

#### Claims outcome risk

The company has a relatively unbalanced insurance portfolio, which contains large individual risks in relation to the overall size of the portfolio. The insured portfolio is therefore characterised by a high degree of volatility, which means that a single insurance claim may have a highly

noticeable impact on the company's results. The company manages the volatility in the claims outcome through reinsurance, by having sufficient reserves and by having an adequate capital base.

#### Sensitivity analysis insurance risks

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

#### *Fire and other damage to property*

Per claim	15,000
Per 12-month period	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 20,000–250,000. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300,000. 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 288,000 (SEK 175,000) per insurance event.

#### *General liability and other property damage\**

Per claim	15,000
Per 12-month period	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 deductible is SEK 50,000. The reinsurance aggregate cover is for the amount in excess of a supposed deductible of SEK 300,000. In a normal year, there are 2–4 claims.

\*The company purchases outward reinsurance as a joint contract for General liability and Other property damage.

In the sensitivity analysis performed for the Company's insurance portfolio, the sensitivity has been calculated with regard to point risks, distribution risks and so-called real disaster risks. Point risks refer to the risk of the consequence of a given outcome changing. Distribution risks refer to the risk of an unfavourable outcome, in excess of the expected outcome. Real disaster risks refer to natural disasters or cumulative risks. The analysis has been performed using a stress test, where a given percentage change in the relevant parameter has been assumed or a probability expressed as a percentage has been calculated.

The impact this has on the results and on shareholders' equity is shown below.

#### Point risks

(SEK thousand)	Increase as a percentage	Impact on results and shareholders' equity
Claim frequency	10.0%	-963
Average claim amount	10.0%	-963
Claim inflation	1.0%	-740

Parameter risk refers to the risk of incorrect assessment of the claims outcome for the remaining contract period as a result of incorrect assumptions.

Claim inflation means the indexation of a claim amount.

(SEK thousand)	Increase/decrease as a percentage	Impact on results and shareholders' equity
Assets	1.0%	-850
Technical provisions	-1.0%	-1,933

#### Separate reporting of market risks

A change in the market interest rate of 1% would have the following effect on results and shareholders' equity.

#### Distribution risks

The probability of more than 50 per cent of the capital base being eroded as a result of an unfavourable claims outcome during the reporting period has been deemed negligible following actuarial calculations. The probability of more than the opening premium reserve being used to cover claims during the remainder of the contractual period for current contracts is 1.5 per cent.

#### Real disaster risks

The company is exposed to real disaster risks. The reinsurance is tailored to this, however, and the company's net exposure per individual event is limited to a retention.

#### Concentration of insurance risk

The company's underwriting risks are widely spread geographically. Its customers are located in three different parts of the world.

For example, the largest single insured asset in the property portfolio represents less than 2 per cent of the total insured asset volume. As all of the company's customers are consolidated subsidiaries of TeliaSonera AB, there is a considerable cumulative risk in many cases. The cumulative risk is managed using the internal insurance system. The reinsurance is also fully tailored to bear the cumulative risk.

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This claims triangle shows gross figures for all the branches of insurance combined.

Claims year (SEK thousand)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimated final claims expense at the end of the claims year (Gross)	32,350	34,794	16,357	25,957	44,517	22,915	14,066	18,788	8,235	66,488	284,467
											0
One year later	17,026	20,794	9,916	22,090	15,846	12,397	17,548	12,941	15,735		144,294
Two years later	11,972	16,929	8,372	21,586	13,938	9,897	15,678	10,838			109,210
Three years later	11,628	16,077	4,706	8,716	12,614	9,497	11,946	-			75,184
Four years later	11,159	15,731	5,870	7,697	12,261	9,390	-	-			62,106
Five years later	10,899	15,301	4,284	7,352	12,102	-	-	-			49,939
Six years later	10,490	14,726	4,278	7,352	-	-	-	-			36,846
Seven years later	10,488	14,726	4,278	-	-	-	-	-			29,492
Eight years later	10,490	14,726									
Nine years later	10,490										
											0
Estimated final claims expense at 31/12/2015	10,490	14,726	4,278	7,352	12,102	9,390	11,946	10,838	15,735	66,488	163,344
Acc. claims paid	10,490	14,726	4,278	7,352	12,102	9,244	9,909	10,082	4,077	18,057	100,316
Provisions for outstanding claims	0	0	0	0	0	146	2,037	755	11,658	48,431	63,028
Accumulated surplus/deficit (settlement result)	21,861	20,068	12,078	18,606	32,415	13,526	2,120	7,950	-7,499		121,123
Ditto as a % of initial claims expense	67.6%	57.7%	73.8%	71.7%	72.8%	59.0%	15.1%	42.3%	-91.1%		42.6%

Liquidity risk in relation to insurance operations

The company's liquidity risks are limited, as the premiums are received in advance and the 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. If there is any need for a larger quantity of liquid funds, the company has the option to sell short-term securities.

Credit risks in insurance operations

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 of Directors 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.

**Investment-related risks**

The company has a securities portfolio, which at 31 December 2015 had a value of SEK 64,524,000 (SEK 93,720,000). The portfolio contains the following categories of security:

- Government bonds
- Treasury bills
- Cash, bank (short-term deposit at bank)

For the value of each category, see notes 14 and 23.

Credit risks in relation to investments

The company manages the interest rate risk and the price risk for its investments by following internal investment guidelines and continuously monitoring investment activities. It must be possible for a minimum of SEK 10 million to be made available as liquid funds within 30 days. Investments for the purpose of debt coverage are made predominantly in government bonds. Holdings of this type of security involve a

negligible credit risk, as they are issued by the government. They are recognised under the heading Other financial investments on the assets side on the balance sheet. A smaller proportion of debt coverage is in the form of short-term deposits at banks. These are recognised in the category Cash at bank and in hand. Other investment assets are Intragroup.

Currency risks in relation to investments

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

Exchange rate exposure in relation to investment assets, SEK thousand

	USD	DKK	NOK	EUR
Deposit, bank	23,168	5,186	6,733	16,281

Currency risk, i.e. the impact of a change in the exchange rate of 10%, SEK thousand

+/-	USD	DKK	NOK	EUR
Deposit, bank	2,317	519	673	1,628

Sensitivity analysis in relation to investment risks

In the sensitivity analysis performed for TeliaSonera Försäkring, the sensitivity has been calculated with regard to a change in the market interest rate and the general 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 results and on shareholders' equity is shown in the table below.

SEK thousand	Increase/ decrease in %	Change in income statement & shareholders' equity
Change as a result of:		
- Increased market interest rates	+1%	-579
- General credit risk (change in spread)	+0.5%	-135
- Exchange rates	-10%	5,804

The table below shows how the company is exposed to interest rate risk in relation to the term of interest-bearing assets and liabilities.

Assets

<i>(SEK thousand)</i>	<i>0–2 years</i>	<i>2–5 years</i>	<i>5– years</i>	<i>Total</i>
Bonds	28,796	0	0	28,796
<b>Total assets</b>	<b>28,796</b>	<b>0</b>	<b>0</b>	<b>28,796</b>

Liabilities

<i>(SEK thousand)</i>	<i>0–2 years</i>	<i>2–5 years</i>	<i>5– years</i>	<i>Total</i>
Provisions for claims (undiscounted)	36,035	24,320	2,673	63,028

Reserves for outstanding claims

<i>Currency (translated into SEK thousand)</i>	<i>0–2 years</i>	<i>2–5 years</i>	<i>5– years</i>	<i>Total (undiscounted)</i>
SEK	7,561	5,332	2,618	15,511
EUR	682	457	22	1,162
NOK	1,080	720	0	1,800
DKK	11	11	33	55
GBP	0	0	0	0
USD	26,700	17,800	0	44,500
<b>TOTAL (IN SEK THOUSAND)</b>	<b>36,035</b>	<b>24,320</b>	<b>2,673</b>	<b>63,028</b>

**Operational risks**

Operational risks include administrative risks. These constitute access to competent personnel and to adequate IT support. The company is operated by personnel contracted from TeliaSonera 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 two 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 governance documents and present this to the Board of Directors, 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.

**Capital management**

The company must always have sufficient capital to be able to compensate its policyholders if any insurance event occurs.

The company follows the Group's investment guidelines, which stipulate that investments must be made principally in interest-bearing securities.

The company has reserved capital in the form of a security reserve in accordance with FFFS 2013:8. The insurance company allocates profits to this reserve in order to be able to release funds if subsequently required to address any negative result in the insurance operations.

TeliaSonera Försäkring has an obligation under FRL Chapter 6, Section 3, to prepare a debt coverage register of the assets that will cover the technical provisions for own account. This is compiled monthly and is available if requested by the Swedish Financial Supervisory Authority.

The insurance business is a well-regulated industry with formal rules on minimum capital and capital structure.

The company's financial position is reported regularly to the Swedish Financial Supervisory Authority. The company fulfils the regulatory minimum capital requirements.

The capital base is SEK 252,360,000 (SEK 251,317,000) and the required solvency margin is SEK 34,730,000 (SEK 34,188,000).

## Notes to the company's financial statements

### Note 3. Written premiums before outward reinsurance

	2015	2014
Direct insurance contracts signed in:		
Sweden	16,161	16,555
Other EEA countries	14,882	16,136
Inward reinsurance	21,928	17,549
<b>Total written premiums</b>	<b>52,970</b>	<b>50,240</b>

### Note 4. Premiums ceded to reinsurers

	2015	2014
Premiums ceded to reinsurers	-17,827	-17,214
<b>Total premiums ceded to reinsurers</b>	<b>-17,827</b>	<b>-17,214</b>

### Note 5. Allocated investment return transferred from financing operations

The investment return from insurance operations has been calculated as 0.52% (1.63%) of the average technical provisions for own account. The required rate of return has been calculated as interest income paid during the year relative to the average fair value of investment assets and cash at bank and in hand.

### Note 6. Claims incurred (f.o.a.)

<i>Claims paid</i>	<b>2015</b>	<b>2014</b>
Insurance losses paid	-21,441	-11,877
Claims handling expenses	-760	-519
Reinsurer's share of insurance losses paid	2,302	0
<b>Total</b>	<b>-19,898</b>	<b>-12,397</b>
<i>Change in technical provisions</i>		
Change in provisions for outstanding claims		
Change for the year	-46,662	12,613
of which operating expenses for claims settlement	-447	618
Reinsurer's share of change for the year	36,511	0
<b>Total</b>	<b>-10,598</b>	<b>13,232</b>
<b>Total claims incurred f.o.a.</b>	<b>-30,496</b>	<b>835</b>

The settlement result is SEK -46,732,000, of which SEK -3,548,000 relates to direct Swedish risks, SEK 13,908,000 relates to direct foreign risks and SEK -57,092,000 to inward reinsurance.

## Note 7. Operating expenses

	2015	2014
Acquisition costs	-1,312	-936
Change in prepaid acquisition costs (+/-)	233	-271
Administration expenses	-4,877	-4,739
<b>Total</b>	<b>-5,956</b>	<b>-5,945</b>
<b>Specification of total operating expenses</b>		
Operating expenses for insurance operations as above	-5,956	-5,945
Claims paid, claims settlement as in note 6	-760	-519
<b>Total operating expenses</b>	<b>-6,716</b>	<b>-6,465</b>
<b>Of which:</b>		
Personnel expenses 1)	-37	7
Depreciation/amortisation		
Net commission	-1,079	-1,206
Audit expenses 2)	-109	-77
Other	-4,730	-4,669
<b>Total operating expenses</b>	<b>-5,956</b>	<b>-5,945</b>

1) The company has no employees. SEK -37,000 (SEK 7,000) relates to pension expenses. The pension expenses are attributable to the period when the company's personnel were employed at the insurance company. No remuneration has been paid to the President & CEO or Board members. The salaried employee who is also President & CEO of the company receives a fixed and a variable remuneration for their employment from their employer TeliaSonera AB. The level of remuneration is not linked to the insurance company's revenue or financial results; in other words there is no connection with the insurance company's risk-taking. The variable remuneration is linked to TeliaSonera AB's overall financial targets. There is also a smaller amount of variable remuneration linked to the insurance company's operational goals.

2) Audit expenses

	2015	2014
2) Audit expenses		
Audit fees, Deloitte	-91	-77
Other remuneration to auditor, Deloitte	-19	-
<b>Total</b>	<b>-109</b>	<b>-77</b>

## Note 8. Investment income

	2015	2014
Interest income, bonds and other interest-bearing securities	856	1,502
Interest income, Group companies	369	2,116
Exchange gains, net	3,176	4,951
<b>Total investment income</b>	<b>4,400</b>	<b>8,569</b>



## Note 9. Unrealised gains on investment assets

	2015	2014
Bonds	-	3,687
<b>Total</b>	<b>-</b>	<b>3,687</b>

## Note 10. Investment expenses

	2015	2014
Interest expenses, Group companies	-17	-18
Other interest expenses	-118	-185
Capital losses, net	-690	-4,373
Exchange losses, net	-	-
<b>Total investment expenses</b>	<b>-825</b>	<b>-4,576</b>

## Note 11. Unrealised losses on investment assets

	2015	2014
Bonds	-89	-
<b>Total</b>	<b>-89</b>	<b>0</b>

## Note 12. Appropriations

	2015	2014
Dissolution/Provision of security reserve	-1,083	1,974
<b>Total</b>	<b>-1,083</b>	<b>1,974</b>

## Note 13. Tax on profit/loss for the year

	2015	2014
Tax on profit/loss for the year	-3	-9,915
Tax in respect of prior years	-37	-33
<b>Tax expense for the year</b>	<b>-40</b>	<b>-9,948</b>
	<b>2015</b>	<b>2014</b>
Reported income before taxes	0	45,036
Tax expense at applicable tax rate	0	-9,908
Tax effect of non-deductible expenses	-4	-8
Tax effect of non-taxable income	0	1
Tax in respect of prior years	-37	-33
<b>Tax on profit/loss for the year according to the income statement</b>	<b>-41</b>	<b>-9,948</b>
	<b>2015</b>	<b>2014</b>
<b>Current tax recognised in shareholders' equity for the year amounts to</b>		
Tax effect of Group contributions	1	-9,471
Tax on profit/loss for the year	-41	-477
<b>Total</b>	<b>-40</b>	<b>-9,948</b>

## Note 14. Interest-bearing securities, issued and loans from Group companies

	2015	2014
<i>Receivables at TeliaSonera AB, Treasury.</i>		
Group loans	0	185,000
<i>Cash pool:</i>		
Handelsbanken	215,754	78,964
<b>Total interest-bearing, Group companies</b>	<b>215,754</b>	<b>263,964</b>

## Note 15. Bonds and other interest-bearing securities

	2015	2014
<b>Amortised cost</b>	28,275	28,476
Of which Swedish government	28,275	28,476
Of which foreign governments	-	-
<b>Fair value</b>	28,796	29,564
of which Swedish government	28,796	29,564
Of which foreign governments	-	-
<b>Nominal value</b>	28,000	28,000
Value in excess of book value		
Positive difference as a result of book value exceeding nominal value	796	1,564

All securities are listed.

## Note 16. Other receivables

	2015	2014
Tax assets	774	569
Receivables from Group contributions	5	
Other receivables, external	494	661
<b>Total</b>	<b>1,273</b>	<b>1,229</b>

## Note 17. Prepaid expenses and accrued income

	2015	2014
Accrued interest income, external	342	462
Accrued interest income, Intragrupp	0	184
Prepaid acquisition costs, external	1,109	979
<b>Total</b>	<b>1,451</b>	<b>1,625</b>

## Note 18. Unearned premium reserve

	2015	2014
<b>Change for the year</b>		
Opening balance, premium reserve	21,423	21,423
Closing balance, premium reserve	-21,617	-21,865
<b>Change in premium reserve</b>	<b>-194</b>	<b>-441</b>
Exchange effect on premium reserve	-995	1,229
<b>Change in premium reserve, excluding foreign exchange differences</b>	<b>-1,189</b>	<b>788</b>

## Note 19. Provisions for outstanding claims

	2015	2014
Claims incurred and reported	57,060	11,792
Claims incurred but not reported	4,695	4,724
Provisions for claims handling expenses	1,273	826
<b>Total</b>	<b>63,028</b>	<b>17,342</b>

## Note 20. Pensions and similar obligations

	2015	2014
Pension liability	2,828	2,865
<b>Total</b>	<b>2,828</b>	<b>2,865</b>

## Note 21. Other liabilities

	2015	2014
Trade payables, external	1,091	301
Tax liabilities	48	235
Other liabilities, external	25	17
Group contributions	0	43,050
<b>Total</b>	<b>1,164</b>	<b>43,603</b>

## Note 22. Accrued expenses and prepaid income

	2015	2014
Special payroll tax	74	51
Accrued premium taxes	124	38
Accrued expenses and prepaid income, external	365	529
<b>Total</b>	<b>563</b>	<b>618</b>

## Note 23. Pledged assets and equivalent securities

	2015	2014
Bonds and other interest-bearing securities	28,796	29,564
Cash at bank and in hand	51,459	34,959
<b>Total</b>	<b>80,254</b>	<b>64,524</b>

## Note 24. Contingent liabilities

	2015	2014
Liability to FPG	64	64
<b>Total</b>	<b>64</b>	<b>64</b>

The above liabilities have been made for the benefit of Group companies.

## Note 25. Information about agreements with related parties

The company purchases administrative services from TeliaSonera AB and the cost of these during the year was SEK 2,956,000 (SEK 2,900,000).

## Note 26. Financial instruments by category

2015-12-31

<b>Assets</b>	Loan and trade receivables incl. items related to insurance contracts	Financial assets at fair value through profit or loss <i>Via identification</i>	Total fair value	Total cost
Bonds		28,796	28,796	28,787
Financial investment assets	215,754		215,754	215,754
Other receivables	1,273		1,273	1,273
Cash at bank and in hand	51,459		51,459	51,459
Accrued interest income	342		342	342
<b>Total</b>	<b>268,828</b>	<b>28,796</b>	<b>297,623</b>	<b>297,615</b>

<b>Liabilities</b>	Other financial assets, incl. assets related to insurance contracts	Assets at fair value through profit or loss	Total fair value	Total cost
Trade payables	1,164		1,164	1,164
Liabilities for Group contributions	0		0	0
<b>Total</b>	<b>1,164</b>	<b>0</b>	<b>1,164</b>	<b>1,164</b>

2014-12-31

<b>Assets</b>	Loan and trade receivables incl. items related to insurance contracts	Financial assets at fair value through profit or loss <i>Via identification</i>	Total fair value	Total cost
Bonds		29,564	29,564	28,787
Financial investment assets	263,964		263,964	263,964
Other receivables	1,474		1,474	1,474
Cash at bank and in hand	34,959		34,959	34,959
Accrued interest income	647		647	647
<b>Total</b>	<b>300,799</b>	<b>29,564</b>	<b>330,608</b>	<b>329,830</b>

<b>Liabilities</b>	Other financial assets, incl. assets related to insurance contracts	Assets at fair value through profit or loss	Total fair value	Total cost
Trade payables	588		588	588
Liabilities for Group contributions	43,050		43,050	43,050
<b>Total</b>	<b>43,638</b>	<b>0</b>	<b>43,638</b>	<b>43,638</b>

### Fair value calculation

Information is provided about the valuation at fair value at the level in the following fair value hierarchy.

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability other than the quoted prices included in level 1, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices (level 2)).
- Data for assets or liabilities that is not based on observable market data (i.e. non-observable data) (level 3).

The following table shows the company's assets and liabilities measured at fair value as at 31 December 2015.

<b>Total assets</b>	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
Bonds	28,796	-	-	28,796

## Note 27. Net gain or loss for the year for each category of financial instrument

	Financial assets at fair value through profit or loss				Loan and trade receivables	
	Via identification		Via trade		2015	2014
	2015	2014	2015	2014		
Bonds	4,031	6,453	-	-	-	-
Cash at bank and in hand	-	-	-	-	351	2,098
<b>Total</b>	<b>4,031</b>	<b>6,453</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>2,098</b>

## Note 28. Information about items in the income statement

<b>Total non-life insurance</b>	<b>2015</b>	<b>2014</b>
Gross written premiums	52,970	50,240
Gross earned premiums	51,781	51,028
Gross claims incurred	-30,496	835
Gross operating expenses	-5,956	-5,945
Result of outward reinsurance	21,035	-18,501
<i>Broken down by insurance category</i>		
<b>Transport</b>	<b>2015</b>	<b>2014</b>
Gross written premiums	1,483	1,799
Gross earned premiums	1,520	1,736
Gross claims incurred	-245	-1,229
Gross operating expenses	-118	-144
Result of outward reinsurance	-499	-616
<b>Fire and other damage to property</b>	<b>2015</b>	<b>2014</b>
Gross written premiums	21,454	22,222
Gross earned premiums	21,771	22,965
Gross claims incurred	-4,750	712
Gross operating expenses	-1,738	-1,796
Result of outward reinsurance	-5,615	-8,522
<b>General liability</b>	<b>2015</b>	<b>2014</b>
Gross written premiums	8,106	8,670
Gross earned premiums	8,346	8,975
Gross claims incurred	-241	2,160
Gross operating expenses	-631	-682
Result of outward reinsurance	-1,953	-3,349
<b>Inward reinsurance</b>	<b>2015</b>	<b>2014</b>
Gross written premiums	21,928	17,549
Gross earned premiums	20,144	17,351
Gross claims incurred	-25,259	-808
Gross operating expenses	-3,468	-3,323
Result of outward reinsurance	29,103	-6,013

## Signatures

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Stockholm, 24 March 2016

.....  
Håkan Jansson  
Chairman of the Board of Directors

.....  
Christina Wik

.....  
Agneta Wallmark

.....  
Michael Åslund

.....  
Mats Lundbäck

.....  
Håkan Kvarnström

.....  
Mats Gregorson  
President and CEO

Our Auditors' Report was submitted on 24 March 2016.

Deloitte AB

.....  
Jan Palmqvist  
Authorised public accountant