



TELIA FÖRSÄKRING AB

FINANCIAL STATEMENTS
June 30, 2018

TELIA FÖRSÄKRING AB

FINANCIAL STATEMENTS
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TELIA FÖRSÄKRING AB

COMMENTARY
June 30, 2018
 (EXPRESSED IN SEK)

<u>FINANCIAL RESULTS</u>		<u>2018-06-30</u>	<u>2017-06-30</u>
Gross Premiums Written	SEK	268,993,419	50,321,036
Net Premiums Earned	SEK	251,256,302	20,154,435
Losses Incurred	SEK	75,122,170	-4,624,148
Net Income before Taxes	SEK	42,531,135	11,200,966
Assets	SEK	435,552,028	344,360,333
Shareholder's Equity	SEK	247,027,874	215,744,627

Commentary

The June net technical result is positive by 42.5 MSEK. Losses incurred is no longer comparable with last year and business plan due to the new affinity business in July 2017.

There has been low movement in the claims reserve in June.

The OPEX is 0.3 KSEK lower than estimated in business plan and 0.3 higher than last year mostly due to timing of the invoices.

Affinity Sweden (text from WTW)

The year has offered some challenges and both negative and positive trends, surprises and elements. This will be my attempt to summarise them. You can see below a first draft of the discussion points to the quarterly meeting.

In terms of sales, things have been a bit tougher over the past year and we are at roughly the same levels as two or three years ago. 2016-2017 was exceptionally good and it is understandable that during that time ambitions were built of half a million insurances in the stock. However, we must note that if sales are not increased, the stock is mature. Unfortunately we do not have good figures for HitRate in Sweden, so we cannot see how much the changes are due to price increases/competing insurance and how much is due to differences in device sales.

The stock size peaked in July last year at a total of 413,000 insurances. After this there was a price increase in new business and existing iPhone (ITC1) stock, which resulted in

1. an estimated loss of 15-17,000 insurances.
2. (not entirely unexpected) fewer insurances sold.

Since the beginning of the year, the stock has stabilised around 410,000 insurances, with continued increases in SME and slight decrease in HaleBop. The HaleBop price was not changed, which makes it difficult for us to find any explanation for the very clear and simultaneous loss in conversion rate (to paying) in this stock. Telia and SME lost out somewhat in conversion in connection with the price increase but have returned to high and stable levels.

As far as the claims frequency is concerned, we have been positively surprised two years in a row by a downward trend, the opposite of what we have seen in previous years. One explanation for this is the movement from more fragile models to more shock resistant ones (especially from iPhone 6 to newer models), but we also see a general downturn, both between models and between claim types. The general downturn is harder to explain, but it may have to do with:

1. Declining awareness of insurance.
2. Use of other insurance (home insurance, insurance from the manufacturer or other competing insurance).
3. The introduction of routines that make it impossible or very difficult to gain from provoking an insurance claim, the results of which are starting to become established in the market.

The average claim has not unexpectedly trended upwards during the year. We assumed a year ago about 10% increase with an average of 5% over the year, and we are now seeing a result of about 11%, or 4% on average over the year.

In terms of results we are at 82.5% loss ratio at present. Seasonal effects from previous years have given the best forecasts with an average forecast of 82.2%. Throughout the year, all portfolios have performed above expectations thanks to the good claim frequency and the matured portfolios. (Portfolio maturity means a higher premium payment factor.)

Other notes:

1. During most of 2017 and 2018, we have had major problems with the invoice flow that has lagged behind. After deciding and agreeing that WTW helps Telia to close accepted claims, the problem has decreased and we are almost there with the delay regarding Chubb. However, we still see a large backlog regarding Telia Försäkring. The proportion of unpaid claims on SMEs is extremely high (around 30%).
2. The movement of the claims flow to DST has caused some problems, including the closure of many accepted claims incorrectly as guarantees by the repairer when replacing Samsung batteries. This is corrected when invoicing but means that many claims that will be paid have a zero reserve. This is something that may well worsen the previous year's performance in the months ahead.
3. There has been some work on reconciliation/cross-checking of insurance stocks between Telia/WTW during the year. Partly to correct premiums but also to improve the claims flow and give customers a better experience. Despite efforts by Göran Åkerström and Markus Wiborn at Telia, and Victor Gillberg and Göran Rosendahl at WTW, we were unfortunately not finished before the holidays. The current plan is to have the functionality at WTW in place at the end of August and then make a new data selection and final reconciliation.

It is also time for any net premium adjustments. WTW will get back with proposals that are presented in August. What is most likely is that we arrive at a premium reduction in view of this year's performance, but in our calculations we will also take into account:

1. Expected sales and premium payment factor.
2. Expected increase in average claim.
3. Zero reserves in the DST flow.
4. High proportion of unpaid claims in the SME flow.

Affinity Estonia (text from WTW)

The functionality for claims costs is, as noted, still marked by its absence, but if we look in liquid terms, the programme is currently at a 160% loss ratio. This obviously does not include claims that are still in the pipeline or IBNR, but is an indication that the standardised reserve I put is somewhat high.

TELIA FÖRSÄKRING AB
**BALANCE SHEET
June 30, 2018
(EXPRESSED IN KSEK)**

	<u>2018</u>	<u>2017</u>
	Year-to-Date	Year-to-Date
<u>ASSETS</u>		
Financial Assets		
Cash at bank	309,996	271,100
Bonds and Other Securities	0	9,043
Deposits with Willis	1,400	0
	<u>311,396</u>	<u>280,143</u>
R/I share of technical provision		
R/I share of premium reserve	11,243	11,404
R/I share of claims reserve	4,035	0
	<u>15,278</u>	<u>15,372</u>
Receivables, prepayment and accrued income		
Insurance Receivables	106,238	46,089
Accounts Receivables Group	1	1
Prepayments	2,639	2,458
Accrued Income	0	298
	<u>108,877</u>	<u>48,845</u>
TOTAL ASSETS	<u><u>435,552</u></u>	<u><u>344,360</u></u>
<u>LIABILITIES</u>		
Shareholders Equity		
Subscribed capital 2 000 000 á nom 100 SEK	200,000	200,000
Profit brought forward	4,497	4,544
Profit for the period	42,531	11,201
	<u>247,028</u>	<u>215,745</u>
Untaxed reserve	<u>70,428</u>	<u>45,000</u>
	70,428	45,000
Technical provisions		
Premium Reserve	30,093	38,322
Claims and Claims Handling Reserve	56,109	19,150
	<u>86,202</u>	<u>57,471</u>
Payables, accruals and deferred income		
Payables Group Contribution	0	0
Insurance Payables	28,592	22,792
Other Creditors	2,787	2,790
Accruals	467	460
Taxes Payable	49	102
	<u>31,894</u>	<u>26,145</u>
TOTAL LIABILITIES	<u><u>435,552</u></u>	<u><u>344,360</u></u>

TELIA FÖRSÄKRING AB

STATEMENT OF INCOME AND RETAINED EARNINGS June 30, 2018 (EXPRESSED IN KSEK)

	<u>2018</u>	<u>Business</u>	<u>2017</u>	<u>Business plan</u>
	Year-to-Date	Plan 2018	Year-to-Date	2018
		Year-to-Date		Full year
Earned premiums net of reinsurance				
Earned Premiums	257,403	236,000	27,697	472,000
R/I Premium Cost	-6,147	-6,000	-7,542	-12,000
	<u>251,256</u>	<u>230,000</u>	<u>20,154</u>	<u>460,000</u>
Other Technical Income				
	312	1,000	580	0
	<u>312</u>	<u>1,000</u>	<u>580</u>	<u>0</u>
Claims net of reinsurance				
Claims paid & payable	-71,718	-48,500	-11,053	-97,000
R/I share of claims paid	0	0	0	0
Change in IBNR claims reserve	-2,294	0	0	0
Change in claims reserve	-1,226	-48,500	7,068	-97,000
Change in r/i share of claims reserve	116	0	-639	0
	<u>-75,122</u>	<u>-97,000</u>	<u>-4,624</u>	<u>-194,000</u>
Operating expenses				
Commission expenses	-133,987	-115,000	-691	-230,000
Operating expenses	-3,301	-3,600	-3,013	-7,200
Depreciation	0	0	0	0
Bonus	0	0	0	0
	<u>-137,288</u>	<u>-118,600</u>	<u>-3,704</u>	<u>-237,200</u>
Net technical result	39,158	15,400	12,406	28,800
Investment result				
Investment Income	6	0	187	0
Pension related costs	-63	0	-63	0
Unrealized Gain/Loss - Investments	0	0	-212	0
Gain/Loss on Foreign Exchange	3,431	0	-1,118	0
	<u>3,373</u>	<u>0</u>	<u>-1,205</u>	<u>0</u>
Appropriations	0	0	0	0
Result before taxes	42,531	15,400	11,201	28,800
Taxes	0	0	0	0
NET INCOME	<u>42,531</u>	<u>15,400</u>	<u>11,201</u>	<u>28,800</u>

TELIA FÖRSÄKRING AB
UNDERWRITING ANALYSIS
June 30, 2018

(EXPRESSED IN KSEK)

	Direct insurance				Received reinsurance		Total
	Affinity*	Leasing	Property damage	Liability	Property damage	Liability	
Earned premiums net of reinsurance							
Gross premiums written	231,012	6,953	18,476	5,503	6,517	532	268,993
Outward reinsurance premium cost	0	-140	-6,919	-2,507	-2,441	-243	-12,250
Change in premium reserve	0	0	-8,248	-1,904	-1,255	-184	-11,590
Change in r/i share of premium reserve	0	71	3,480	1,207	1,227	117	6,103
	231,012	6,884	6,789	2,299	4,049	223	251,256
Other technical income	0	0	173	71	61	7	312
Incurred claims net of reinsurance							
Claims paid & Payable	-63,370	-3,568	-1,556	-1,934	-56	-1,234	-71,718
R/I share of claims paid	0	0	0	0	0	0	0
Change in IBNR claims Reserve	-2,294	0	0	0	0	0	-2,294
Change in claims reserve	-9,111	-1,049	4,463	4,857	-483	96	-1,226
Change in r/i share of claims reserve	0	0	116	0	0	0	116
	-74,776	-4,617	3,023	2,923	-539	-1,137	-75,122
Net operating expenses							
Commission expenses	-133,131	0	-593	-50	-209	-5	-133,987
Other operating expenses	-1,155	-730	-720	-244	-429	-24	-3,301
Depreciation	0	0	0	0	0	0	0
Bonus	0	0	0	0	0	0	0
Other technical expenses	0	0	0	0	0	0	0
NET TECHNICAL RESULT	21,950	1,538	8,673	4,999	2,933	-936	39,158

TELIA FÖRSÄKRING AB

UNDERWRITING REPORT

June 30, 2018

(EXPRESSED IN ORIGINAL CURRENCY)

Currency	Premium Reserve	Claims Reserve	Comm. Reserve	Other Reserves	Total to be matched	Financial Investm	R/I Premium Reserve	R/I Claims Reserve	Comm. Reserve	Premium Receiv.	Total Assets	Deviation in Curr	Deviation in SEK	Currency Risk
KSEK	-11,389	-43,545	-553	0	-55,487	261,218	11,243	372	0	85,029	357,861	302,374		
KDKK	-1,962	-549		0	-2,511	2,478		26		2,149	4,653	2,143	2,996	300
KEUR	-625	-637		0	-1,262	1,413		3	0	869	2,285	1,023	10,657	1,066
KGBP	-11	-2		0	-13	52		0	0	12	65	52	608	61
KNOK	-2,506	-716		0	-3,221	3,864		107		3,244	7,215	3,994	4,394	439
KPLN	-14	-2		0	-16			0		0	0	-16	-38	4
KUSD	-728	-485		0	-1,213	3,027		388	109	607	4,131	2,918	26,145	2,615
														4,484

Technical Provision	
	KSEK
Technical Provisions	86,202
R/I share of Technical Provisions	-15,278
Technical Provisions net	70,924
Assets used for balancing Technical provisions	77,896
Debt coverage	110%

Closing rates	
SEK	1.0000
DKK	1.3984
EUR	10.4213
GBP	11.7518
NOK	1.1002
PLN	2.3910
USD	8.9599

TELIA FÖRSÄKRING AB

Details on Affinity Business
June 30, 2018
(EXPRESSED IN ORIGINAL CURRENCY)

Company	Gross Premiums Written	Reserve for unexpired risks	Commission Telia	Commission Willis	Net Written Premium	Claims Paid	Change in Outstanding g loss reserve	Change in IBNR	Total	Outstanding Loss Reserve	IBNR	Loss Ratio
HaleBop 2017-07	3,399,361		1,298,988	87,945	2,012,427	2,045,937	220,850	2,158	-256,518	220,850	2,158	113%
HaleBop 2017-08	3,440,134		1,283,256	104,850	2,052,028	1,816,503	410,086	5,430	-179,990	410,086	5,430	109%
HaleBop 2017-09	3,510,555		1,316,931	106,207	2,087,417	1,535,145	368,538	6,536	177,198	368,538	6,536	92%
HaleBop 2017-10	3,565,098		1,346,129	107,852	2,111,117	1,425,835	332,553	10,497	342,232	332,553	10,497	84%
HaleBop 2017-11	3,627,601		1,362,119	109,725	2,155,757	1,473,181	263,252	11,976	407,348	263,252	11,976	81%
HaleBop 2017-12	3,590,901		1,348,888	108,606	2,133,407	1,277,747	352,954	15,344	487,361	352,954	15,344	77%
Total HaleBop 2017	21,133,649	0	7,956,311	625,184	12,552,154	9,574,348	1,948,234	51,942	977,631	1,948,234	51,942	93%
HaleBop 2018-01	3,578,430		1,451,943		2,126,486	1,060,995	381,650	16,706	667,135	381,650	16,706	69%
HaleBop 2018-02	3,571,996		1,448,821		2,123,175	923,796	243,223	20,169	935,987	243,223	20,169	56%
HaleBop 2018-03	3,613,160		1,355,541	109,102	2,148,518	922,342	310,048	36,455	879,672	310,048	36,455	59%
HaleBop 2018-04	3,673,072		1,377,515	110,874	2,184,683	1,110,216	233,997	54,107	786,363	233,997	54,107	64%
HaleBop 2018-05	3,676,633		1,378,805	110,965	2,186,863	1,218,653	568,825	159,456	239,929	568,825	159,456	89%
HaleBop 2018-06	3,678,431		1,379,379	110,987	2,188,064	235,751	1,125,091	566,691	260,531	1,125,091	566,691	88%
Total 2018	21,791,721	0	8,392,005	441,928	12,957,789	5,471,753	2,862,836	853,584	3,769,616	2,862,836	853,584	71%
Telia Consumer 2017-07	26,373,151		12,354,972	957,076	13,061,103	14,053,974	870,588	27,146	-1,890,605	870,588	27,146	114%
Telia Consumer 2017-08	26,493,477		12,280,469	1,121,835	13,091,173	12,287,841	2,214,650	41,096	-1,452,413	2,214,650	41,096	111%
Telia Consumer 2017-09	25,861,135		12,022,575	1,093,960	12,744,600	9,907,520	2,358,527	39,654	438,900	2,358,527	39,654	97%
Telia Consumer 2017-10	29,896,747		15,951,710	1,102,507	12,842,530	9,188,747	2,059,418	50,138	1,544,227	2,059,418	50,138	88%
Telia Consumer 2017-11	30,246,342		17,301,207		12,945,135	9,330,405	1,136,527	61,436	2,416,767	1,136,527	61,436	81%
Telia Consumer 2017-12	30,275,266	0	16,261,511	1,107,586	12,906,169	8,526,314	1,365,529	78,158	2,936,168	1,365,529	78,158	77%
Total Consumer 2017	169,146,118	0	86,172,443	5,382,965	77,590,710	63,294,801	10,005,238	297,627	3,993,044	10,005,238	297,627	95%
Telia Consumer 2018-01	30,259,456		17,400,882		12,858,575	7,780,065	1,604,844	105,721	3,367,944	1,604,844	105,721	74%
Telia Consumer 2018-02	30,271,303		17,439,674		12,831,629	6,355,202	1,480,436	141,843	4,854,148	1,480,436	141,843	62%
Telia Consumer 2018-03	30,506,923		16,524,188	1,104,423	12,878,312	6,680,530	1,832,442	238,961	4,126,379	1,832,442	238,961	68%
Telia Consumer 2018-04	30,639,298		16,649,732	1,104,505	12,885,062	6,983,830	1,256,395	362,673	4,282,163	1,256,395	362,673	67%
Telia Consumer 2018-05	30,542,367		16,637,640	1,098,204	12,806,523	7,136,057	2,776,359	870,217	2,023,890	2,776,359	870,217	84%
Telia Consumer 2018-06	30,435,652		16,627,389	1,090,656	12,717,607	1,231,068	6,625,168	3,348,056	1,513,314	6,625,168	3,348,056	88%

Total 2018	182,654,999	0	101,279,503	4,397,788	76,977,708	36,166,752	15,575,645	5,067,471	20,167,839	15,575,645	5,067,471	74%
Small and Medium Enterprises 2017-07	3,169,199		2,101,926	106,611	960,662	703,263	203,382	1,855	52,161	203,382	1,855	95%
Small and Medium Enterprises 2017-08	3,298,344		2,168,729	129,810	999,806	758,919	299,919	2,166	-61,199	299,919	2,166	106%
Small and Medium Enterprises 2017-09	3,405,422		2,239,813	133,954	1,031,655	557,168	302,428	1,759	170,300	302,428	1,759	83%
Small and Medium Enterprises 2017-10	3,489,823		2,296,343	137,128	1,056,352	549,996	224,895	2,492	278,969	224,895	2,492	74%
Small and Medium Enterprises 2017-11	3,556,802		2,342,619	139,427	1,074,755	554,880	227,711	3,364	288,800	227,711	3,364	73%
Small and Medium Enterprises 2017-12	3,660,363		2,416,725	142,861	1,100,778	551,637	241,141	5,113	302,887	241,141	5,113	72%
Total SME 2017	20,579,952	0	13,566,154	789,792	6,224,007	3,675,863	1,499,476	16,750	1,031,918	1,499,476	16,750	84%
Small and Medium Enterprises 2018-01	3,786,251		2,658,697		1,127,555	571,291	194,255	6,590	355,418	194,255	6,590	68%
Small and Medium Enterprises 2018-02	3,934,178		2,776,389		1,157,789	485,124	153,090	11,859	507,716	153,090	11,859	56%
Small and Medium Enterprises 2018-03	4,166,957		2,802,948	156,827	1,207,182	496,101	211,409	20,098	479,574	211,409	20,098	60%
Small and Medium Enterprises 2018-04	4,326,221		2,926,479	160,939	1,238,804	555,531	166,692	36,978	479,603	166,692	36,978	61%
Small and Medium Enterprises 2018-05	4,443,296		3,018,887	163,775	1,260,633	542,122	299,694	96,974	321,843	299,694	96,974	74%
Small and Medium Enterprises 2018-06	4,566,153		3,114,785	166,829	1,284,539	173,607	483,971	363,751	263,209	483,971	363,751	80%
Total 2018	25,223,055	0	17,298,185	648,370	7,276,501	2,823,776	1,509,111	536,250	2,407,363	1,509,111	536,250	67%
Telia Eesti 2017-12	23,332		12,113	1,050	10,169	0	41,974	353	-32,158	41,974	353	416%
Total SME 2017	23,332	0	12,113	1,050	10,169	0	41,974	353	-32,158	41,974	353	416%
Telia Eesti 2018-01	53,870		27,993	2,424	23,453	0	75,363	867	-52,777	75,363	867	325%
Telia Eesti 2018-02	72,598		37,067	3,267	32,264	0	147,777	2,257	-117,770	147,777	2,257	465%
Telia Eesti 2018-03	160,912		82,186	7,241	71,485	0	241,825	4,713	-175,053	241,825	4,713	345%
Telia Eesti 2018-04	291,211		149,390	13,104	128,716	0	301,279	7,005	-179,567	301,279	7,005	240%
Telia Eesti 2018-05	393,313		199,466	17,699	176,148	0	526,125	31,619	-381,595	526,125	31,619	317%
Telia Eesti 2018-06	506,911		253,888	22,811	230,212		487,057	118,095	-374,940	487,057	118,095	263%
Total 2018	1,478,815	0	749,990	66,547	662,278	0	1,779,426	164,557	-1,281,704	1,779,426	164,557	326%
Total all companies 2017	210,883,051	0	107,707,021	6,798,991	96,377,039	76,545,012	13,494,921	366,672	5,970,435	13,494,921	366,672	94%
Total all companies 2018	231,148,591	0	127,719,683	5,554,633	97,874,275	44,462,281	21,727,018	6,621,861	25,063,114	21,727,018	6,621,861	74%
Total UWY	442,031,642	0	235,426,704	12,353,624	194,251,314	121,007,293	35,221,939	6,988,533	31,033,549	35,221,939	6,988,533	84%