TRYGG-HANSA FÖRSÄKRINGSAKTIEBOLAG (publ)

ANNUAL REPORT 2013*

TRYGG HANSA

*) This document is an unofficial translation of the Swedish original.

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BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Trygg-Hansa Försäkringsaktiebolag (publ), reg. no. 516401-7799 ("Trygg-Hansa"), herewith submit their annual report for the financial year 1 January–31 December 2013.

Operations

In 2013 Trygg-Hansa with subsidiaries conducted general insurance business primarily in Sweden. Operations are conducted in the Personal and Commercial business areas and mostly involve sales of general insurance to individuals, companies and public sector entities. Trygg-Hansa offers a comprehensive range of general insurance, including a broad offering of disability and accident insurance.

Operations of the wholly owned subsidiary Holmia Livförsäkring AB consist of insurance to cover mortality risks in disability and accident insurance portfolios. This business is conducted in cooperation with Trygg-Hansa. The subsidiary Sveland Sakförsäkringar AB previously conducted general insurance business with sales to private individuals in southern Sweden. Sveland Sakförsäkringar AB was merged with Trygg-Hansa in December 2013.

Apart from the subsidiaries Holmia Livförsäkring, NIS A/S and a few dormant subsidiaries, Trygg-Hansa has a branch office in the USA and one in Norway. The branch in the USA is a small run-off operation, which is fully reinsured. The branch in Norway handles some administration of Codan's Norwegian insurance business.

Group structure

Trygg-Hansa is a wholly owned subsidiary of Codan A/S, Copenhagen (Codan), which in turn is a subsidiary of RSA Insurance Group plc, London (RSA), one of the world's leading multinational insurance groups.

RSA prepares consolidated financial statements, including Trygg-Hansa and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS) as adopted for application within the European Union (EU). Trygg-Hansa applies so-called legally limited IFRS in the preparation of its annual report. Since RSA prepares consolidated financial statements, the Trygg-Hansa Group has not prepared consolidated financial statements of its own, pursuant to Ch. 7 § 2 of the Swedish Annual Accounts Act.

Profit for the year

Trygg-Hansa reported a profit before tax and appropriations of SEK 1,295 m (2,429). A contributing factor to the decrease was a lower investment return associated with higher interest rates. This gave rise to unrealised losses in the bond portfolio. Profit for the year amounted to SEK 1,055 m (1,622). Profit includes dissolutions SEK 140 m (-140) in tax allocation reserves. No Group contributions were made (SEK -180 m). Profit was also affected by taxes totalling SEK -380 m (-487).

The merger with Sveland gave rise to a positive merger difference in equity of SEK 58 m. A goodwill item arose, which amounted to SEK 80 m at year-end. Of this amount, SEK 13 m was amortised during the year.

<u>Premiums</u>

Gross written premiums rose 4% during the year, to SEK 10,757 m (10,349). Compared with a year earlier, written premiums increased for disability and accident business, householders' and homeowners' insurance, motor insurance and commercial & property insurance, while motor third-party liability premiums decreased slightly.

After deducting premiums for ceded reinsurance, totalling SEK -983 m (-1,307), net written premiums amounted to SEK 9,774 m (9,042). The company's reinsurance programme has been slightly modified, resulting in a decrease in ceded premiums. Net earned premiums rose 4% to SEK 9,348 m (8,947).

<u>Allocated investment return transferred from the non-technical account</u>

Part of the investment return is transferred to the general insurance operations; the amount of this transfer is based on average technical provisions for own account during the year. The allocated investment return for 2013 was SEK 379 m (302).

Claims incurred

Claims incurred for own account amounted to SEK 5,997 m (6,291) and consisted of net claims paid, totalling SEK 7,268 m (-6,692), and of a change in the provision for claims outstanding, totalling SEK 1,271 m, net (401). The net claims ratio was 64.2% (70.3%). The improvement in claims ratio was primarly due to change in discounting.

Discounting of technical provisions increased, which had a positive effect on claims incurred of SEK 690 m (-92), mainly owing to higher interest rates in 2013. At year-end, the company began using a discount rate for life annuities that is adapted to Solvency II, in accordance with the Financial Supervisory Authority's guidelines. This had a slightly positive effect on discounting. The total change of SEK 690 m was countered by negative changes in the value of the bond portfolio as a result of higher interest rates. In disability and accident business, discounting increased by SEK 126 m (-251), while discounting of life annuities increased by SEK 564 m (159).

The total run-off result, including life annuities, claims handling costs and the change in discounting, increased to SEK 942 m (167). The main reason for the positive run-off result was the change in discounting. Motor third-party liability insurance, and accident and disability insurance made substantial contributions to the run-off result while householders' and homeowners' and other motor insurance had small run-off losses.

The result for 2013 (excluding the run-off result) was hurt by commercial and property large claims during the first quarter of the year. The claims ratio for 2013 increased to 74.2% (72.2%). The claims ratio improved for disability and accident, and householders' and homeowners' lines of insurance.

Operating expenses

Operating expenses for general insurance amounted to SEK 1,680 m (-1,416), which corresponds to 18.0% (15.8%) in relation to net earned premiums. During the year, the company incurred higher costs for marketing and sales, and higher amortisation of developed IT systems. Operating expenses were favourably affected by reinsurance provisions totalling SEK 308 m (304).

Underwriting result

The underwriting result for general insurance amounted to SEK 2,048 m (1,538). Overall, the combined ratio decreased from 86.1% to 82.2%.

Investment return

The investment return decreased to SEK -362 m (1,191), mainly due to unrealised losses. Total unrealised losses amounted to SEK -1,179 m (-4), of which SEK -1,152 m (–) pertained to the bond portfolio as a result of higher interest rates. The equities portfolio grew in value by SEK 133 m, compared with SEK 153 m a year ago. Investment income, totalling SEK 1,136 m (1,098), consisted largely of interest income on bonds. The investment return also an investment charge of SEK -322 m (–) pertaining to a realised loss on the sale of the Brädstapeln 15 property to the subsidiary Brädstapeln Fastighets AB.

See also below under "Asset management" for further comments.

Balance sheet, financial position and cash flow

Total assets decreased to SEK 34,376 m (34,919). Investments, including cash and bank balances, amounted to SEK 28,308 m (28,514). The company's solvency capital before the proposed dividend amounts to SEK 7,827 m (6,784), and the required solvency margin amounts to SEK 1,588 m (1,546). The solvency ratio thus continues to be at a safeguard level. During the year, Trygg-Hansa invested SEK 1.2 billion in interest-bearing loans to the parent company Codan A/S and SEK 1.6 billion in the newly started wholly owned subsidiary NIS 2 A/S.

Cash flow from operating activities amounted to SEK 190 m (-245). Cash flow for the preceding year was affected by tax payments in the amount of SEK -1,113 m, compared with paid tax for the year of SEK -219 m.

Managements assessement is that new or changed accounting standards & interpretations have not had any impact on the assets for covering technical liabilities during 2013. The impact in the Annual report has been some additional disclosures for financial instruments..

Dividend for 2013

The Board of Directors proposes a dividend of SEK 2,700 m for 2013. No dividend was paid for 2012. See the comments under “Proposed distribution of profit”. The proposal will be taken up for a decision by the Annual General Meeting on 29 April 2014.

Asset management

The weak economic trend both in Europe and the rest of the world had an adverse impact on the Swedish economy in 2013. However, Swedish market interest rates rose during the year, in contrast with the trend in 2012, when interest rates fell slightly. During the year, the Swedish 5-year government bond rate rose from a level of around 1.0% on 1 January to a level slightly higher than 1.7% as per 31 December 2013.

Trygg-Hansa continues to have a conservative investment strategy, where bonds account for a large share of total investments. The majority of bond holdings are Swedish, and the company continues to have a relatively even distribution between government bonds and other bonds, such as mortgage bonds, other government-backed bonds and corporate bonds. The share of equities was roughly the same as a year ago.

Higher market interest rates in 2013 resulted in negative changes in value in Trygg-Hansa’s bond portfolio, compared with slightly positive changes a year ago. The higher interest rates gave rise to unrealised losses. At the same time, rising equity prices led to positive changes in value in the company’s equities portfolio.

Total return for Trygg-Hansa:

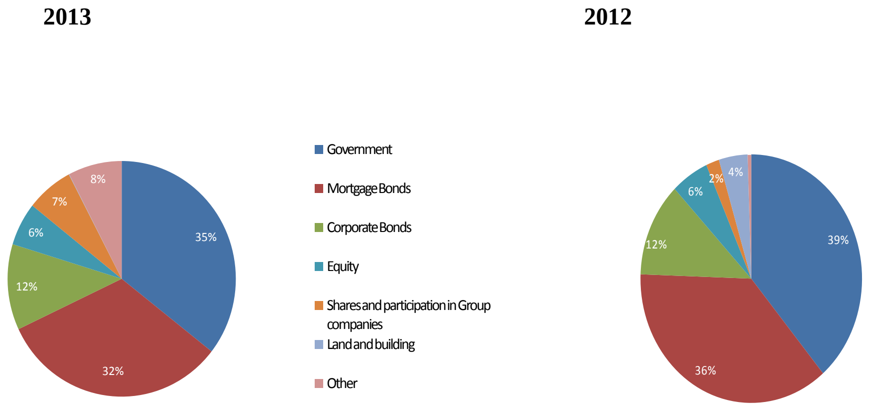
SEK m *)	**2013**	**2012**
Land and buildings	25	28
Shares and participations	60	93
Shares and participations in Group companies	3	6
Bonds	721	843
Other	-2	- 15
Direct investment income	807	955
Land and buildings	-349	-4
Shares and participations	210	89
Shares and participations in Group companies	46	26
Bonds	-1,077	122
Other	1	3
Change in value	-1,169	236
Total return	**-362**	**1,191**

‘) The above tables includes both unrealized and realized gains.

The direct yield was 2.8% (3.2%), a decrease that is partly attributable to lower interest income. The total return was -1.3% (4.0%). The decrease is mainly attributable to negative changes in the value of the bond portfolio in 2013 and to the effect of the sale of the Brädstapeln 15 property.

Trygg-Hansa’s investments:

SEK m	**31/12/2013**	**31/12/2012**
Bonds	21,772	23,463
Shares and participations	1,619	1,486
Shares and participations in Group companies	1,815	511
Land and buildings	16	1,116
Other	2,079	125
Total	**27,301**	**26,701**



<u>Bonds</u>
The total bond portfolio decreased as result of investments made in other interest-bearing loans and unrealised changes in value. No major changes were made within the bond portfolio in 2013. Mortgage bonds and corporate bonds are held to achieve a higher yield without significantly rising the level of risk.

Bonds accounted for 80% (88%) of Trygg-Hansa’s total investments as per 31 December 2013. The bond portfolio consists to 45% (45%) of Swedish government bonds, 41% (41%) of Swedish mortgage bonds, 13% (13%) of European credit bonds/corporate bonds and 1% (1%) other. A total of 96% (95%) of the bond portfolio is invested in triple A–rated bonds.

The bond portfolio had a return of SEK -356 m (965), corresponding to a total return of -1.2% (3.2%).

Trygg-Hansa matches interest rate risk on assets and liabilities with the help of a conservative bond portfolio as part of its efforts to mitigate interest rate and inflation risk. Part of Trygg-Hansa’s technical provisions are indexed. To partially protect itself from direct inflation risk, the company has invested SEK 2,310 m (2,234) in inflation-indexed bonds, which account for 11% (10%) of the total bond portfolio.

<u>Equities</u>
Investments in equities were at roughly the same level as a year ago and amounted to SEK 1,619 m (1,486), which generated a positive return of SEK 270 m (182). Equities accounted for 6% (6%) of investments. Of these, SEK 722 m (938) was invested in listed European stocks.

<u>Real estate</u>
In 2013 Trygg-Hansa sold the office building on Fleminggatan to its subsidiary Brädstapeln Fastighets AB. The sale gave rise to a realised loss of SEK -322 m (–), which affected investment charges. As part of the Group’s investment strategy, in 2013 work was begun on an external sale of the shares in Brädstapeln Fastighets AB. This external sale will take place in 2014.

The market value of real estate is SEK 16 m (1,116) and pertains to a remaining property in Kolvik.

<u>Derivatives</u>
Most of Trygg-Hansa’s investments are in bonds. In accordance with the Board’s investment policy, derivatives may be used to mitigate inflation and currency risk. In 2013 a small foreign exchange hedge was used to hedge currency risks in SEK/EUR that arose in connection with an investment in euro bonds.

Risks and uncertainties

Trygg-Hansa is exposed to various types of risks, of which insurance risks, financial risks and operational risks are the most prominent. Insurance risks pertain primarily to underwriting risk and reserve-setting risk. Financial risks consist primarily of market risks and the impact of changes in interest rates, particularly in the bond portfolio and technical provisions. Operational risks include defects include the risk of loss from inadequate or failed internal processes, people and systems, or from external events. The company's management of these risks is described below and in more detail in Note 2.

Risk management at Trygg-Hansa

Trygg-Hansa's strategy and guidelines are set by the company's Board of Directors. The Board of Directors decides the limits the company shall adhere to; monitoring the compliance with these limits is performed continuously and is reported back to the Board of Directors together with an assessment of the most material risks through the Risk Management Forum, an advisory committee to the CEO. For further information on risk management, see Note 2.

Trygg-Hansa has implemented necessary and relevant measures and controls to ensure proper risk management. The most material risks for Trygg-Hansa are outlined below:

Underwriting risk

Trygg-Hansa's underwriting risk comprises:

- Underwriting risk and risk in setting premiums
- Counterparty risk
- Reserve-setting risk

The level of insurance risk that the company can accept is ultimately steered by the Risk Acceptance Guidelines, which are set by the Board of Directors. In these guidelines, the Board clearly describes the risk appetite per insurance class and specifies the maximum acceptable limits that the Board is prepared to allocate to the various risks that have been evaluated, priced and accepted by the company's underwriters.

The Reinsurance Policy steers how reinsurance protection is to be structured to reduce Trygg-Hansa's insurance risks to acceptable levels. Reinsurance is purchased to protect the company from major, individual claims and against Natural Catastrophes and other Catastrophe events that could impact many different lines of business. The Reinsurance Policy also stipulates, per insurance class, clear demands on what credit ratings the reinsurance companies are to have in order for Trygg-Hansa to enter into contracts with them.

The company's method for setting premiums is defined through an underwriting process that takes into account various individual risks, which products are to be insured, and in some cases also risk management, in order to arrive at the right premiums for different customers. In both the Private and Commercial business units, a majority of the customers are given a premium that is set according to tariffs that are calculated by price actuaries, while for major commercial customers, premiums are based on the respective companies' operations and claims history. The authority exercised by the respective underwriters is steered by a personal underwriting licence.

Technical provisions for future payment of claims that have been incurred are calculated using standard actuarial methods.

The claims trends and reserve levels are reviewed quarterly by the actuarial reserving department and is addressed in a process which involves both the claims department and the Portfolio Heads/Product Directors. The Chief Actuary is responsible for setting reserves and produces reserve reporting to the Reserving Committee and the Board.

The Reserving Committee meets at least once a quarter and has an advisory role that is designed to provide both challenge and a more in-depth look at the Chief Actuary's report. The committee reports to the CEO.

Financial risks

Financial risks consist of market risks, credit risks and liquidity risks. The most significant of these risks is market risks, since investments in various assets make up a large part of the company’s operations. Market risk is the risk that movements in the financial markets will affect the market value of assets and the investment return, and thus the company's profit and solvency capital.

Most of Trygg-Hansa's investments are in Swedish government bonds and Swedish mortgage bonds. The vast majority of bonds are liquid and can be sold on short notice near their market value.

Since some of Trygg-Hansa's technical provisions are indexed and have long durations, it is important that the company manages financial risks in order to avoid incurring large, undesirable fluctuations in profit and equity. The company's strategy for managing financial risk is grounded in having a conservative investment portfolio with a high reliance on high quality bonds with an average duration that broadly matches the technical provisions. Each year the company prepares an investment plan that is put to the Board for approval. This plan also includes a matching of assets and liabilities.

Market risks

Interest rate risk
Changes in interest rates are among the chief factors regarding Trygg-Hansa's financial risks. If interest rates fall, then the value of the company's bond portfolio rises. At the same time, technical provisions would rise due to changes in the discount rate. Changes in interest rates thus have an opposite effect on assets and liabilities. One of the objectives in the investment guidelines is to ensure effective matching of risks between assets and liabilities

Equities risk
The value of the equities portfolio fluctuates along with movements in the stock markets. Trygg-Hansa's equities portfolio consists mainly of direct investments in listed European equities.

Spread risk (risk for differences in interest rates)
The risk of a decrease in the value of bonds with a certain level of credit risk associated with an increase in the interest rate spread is called spread risk. This can arise, for example, when investors in the market try to avoid credit risk in their bonds. Trygg-Hansa is exposed to this risk through its investments in mortgage and corporate bonds. However, the risk is limited, since the company's holdings consist of mortgage and corporate bonds with high ratings and high creditworthiness.

Real estate risk
Trygg-Hansa has only small, direct real estate holdings. Apart from direct investments in real estate, the company has a small exposure in the real estate market through holdings in listed property companies.

Currency risk
Currency risk arises due to a mismatch of assets and liabilities in the same foreign currency. Trygg-Hansa has limited currency risk, since the majority of asset investments and technical provisions are in Swedish kronor. Trygg-Hansa's currency risk is mainly associated with the company's shareholdings is euros.

Inflation risk
Inflation risk pertains to the risk of an increase in future claims payments, given an increase in inflation, attributable to the indexing of cash flows for claims. A large share of Trygg-Hansa's technical provisions are inflation-indexed, which gives rise to an exposure to inflation. To partially protect itself against inflation risk, the company has invested in inflation-linked bonds.

Liquidity risk

Most of Trygg-Hansa's investments are in liquid, listed bonds that can be sold on short notice near their fair market value. Should a need arise, a credit facility can be secured from the Group's main banks on account of the company's rating.

Credit risk

Credit risk is the risk of loss in the event a counterparty cannot meet its obligations. Trygg-Hansa's investment portfolio consists primarily of AAA-rated Swedish government and mortgage bonds, where the credit risk is considered to be very low. Roughly 95% of Trygg-Hansa's investment portfolio consists of AAA-rated bonds. In addition, Trygg-Hansa has holdings of European corporate bonds, where the credit rating must be BBB at a minimum. Trygg-Hansa's counterparty-related credit risks are primarily associated with holdings of cash and deposits in banks, and exposures to reinsurers.

Operational risk

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.
Trygg-Hansa manages operational risks on an ongoing basis in line with risk appetite and quarterly assess, document and report operational risks to the Board of Directors. Where the risk exposure is judged to be unacceptable (outside risk appetite), actions are taken to mitigate and/or manage the risk. An annual assessment is performed of the direct and indirect financial impact that could arise in various risk scenarios.

Employees and the company's community involvement

Focus on capabilities and engagement

Trygg-Hansa invests considerable resources on developing the right capabilities for the future. We believe that the company's future success is dependent on ensuring that our employees and leaders have knowledge and expertise to always be able to deliver the best possible solutions for our customers. The company supports and encourages capability development in order to strengthen both personal and technical development, and thereby add value to the business. This is done through a combination of internal and external training.

Through 2013 we have had a particular focus on increasing leadership skills. We have delivered the "Leading Change" programme to improve our leaders' ability to lead the people side of change in our business. We have also delivered a new introduction programme for new leaders to ensure that our new leaders get a strong basic foundation as leaders in our business. For employees we have offered development opportunities that have focused on increasing general business skills such as presentation skills, influencing skills and basic project management skills.

The company has a strong focus on employee commitment, which is measured yearly in a commitment survey. Based on the results of this, focused activities are defined, and the company takes active steps to increase employee commitment. The "Unlocking your full potential" programme for leaders and employees has been integrated into the company culture and provides a variety of tools and techniques for working with development and the company culture throughout the organisation.

Trygg-Hansa's work with corporate social responsibility

Trygg-Hansa has chosen to work strategically with corporate social responsibility (CSR), since corporate responsibility is a prerequisite for the company's ability to attract top talent, customers, suppliers and other partners, which in turn creates the conditions for a profitable and sustainable business. Trygg-Hansa has published a CSR report, which is accessible to the public on the company's website: www.trygghansa.se/csr. The information provided in the report is reported in accordance with the international GRI standard, level B. The report describes how the Codan/Trygg-Hansa group adheres to the AA1000 principles (inclusivity, materiality and responsiveness), and all data has been examined by an independent auditing firm.

The policies for Trygg-Hansa's CSR work that have been approved by the Board of Directors and CEO are posted on www.trygghansa.se/csr. Trygg-Hansa's CSR policies serve as general guidelines for the responsibility that the company takes in various areas, including human rights, the environment, donations and volunteer work. The website also includes information about the company's values and business principles, which strengthen the work with CSR throughout the organisation.

In addition, the Trygg-Hansa/Codan Group has introduced an internal guide to Business Conduct, which all employees must complete an e-learning course on. The Group also has a whistleblowing policy in place that clearly lays out the steps employees need to take and who they should contact if they bear suspicions about fraud, corruption, embezzlement or non-compliance with the Group's own business principles.

Trygg-Hansa/Codan work strategically with three themes that have been determined to be important for society, the company's customers and the Group's operations: the Climate, Safety and Health.

Climate

The Trygg-Hansa/Codan Group has noted a large rise in weather-related claims in recent years. In the near term, the Group recognises the need to contribute to preventive work, such as by providing information to customers in an effort to reduce the risk for losses caused by extreme weather conditions. Over the long term, however, the Group is working to help reverse the negative trend of the ongoing climate changes and the effects of these. Toward this end, the company has partnered with WWF in Sweden and Denmark, and supports various projects, such as the Baltic Sea Project and the Earth Hour campaign. Together with RSA, Trygg-Hansa/Codan have set a global target of reducing the Group's CO_2 emissions by 20% by 2018, compared with 2012 levels.

Safety

All accidents, whether they occur in the home, at work, in traffic or on vacation, are unpleasant experiences that everyone would rather do without. The same applies for us as an insurer. As an insurance company we therefore view accident prevention with utmost importance.

In Sweden, Trygg-Hansa has a long tradition of providing life buoys to harbours and cities throughout the country. During the summer, the company carried out a "life buoy hunt" campaign in an effort to replace broken and worn-out life buoys. As a result of this campaign, during the year Trygg-Hansa replaced 2,000 life buoys that were in ill repair. Over the years more than 80,000 Trygg-Hansa life buoys have been placed out at harbours and beaches throughout Sweden.

At Trygg-Hansa we work actively for traffic safety, which the year's "reflector day" is a good example of. In 2013 we handed out 180,000 reflectors in the Nordic countries through the voluntary efforts of more than 400 employees. In Sweden we reached out to more than 110 schools throughout the country.

Within the Group, during the year we also focused on reducing the number of burglaries. In Sweden and Denmark we launched instructional videos showing homeowners how they can prevent break-ins, and a special report that provides concrete tips was also produced. In Sweden, we also focused strongly on preventing fire accidents.

Health

Illnesses and prolonged periods on sick leave give rise to unforeseeable consequences for the individuals concerned, for companies, and for the healthcare system.

A strong focus on employee health is maintained throughout the Nordic organisation. This includes, among other things, an annual health week during which all employees are invited to participate in a range of activities, health profiles, and inspirational lectures. Since 2008 health has been a priority area, and we are now beginning to see the results of this focus, with a reduced number of days spent on sick leave and greater employee influence.

In addition to internal health promotion initiatives, Trygg-Hansa also has a unique rehabilitation process for customers who suffer from particularly severe personal accidents. Through this process, Trygg-Hansa offers, among other things, psychological support and opportunities for career and job training advice.

For further information on Trygg-Hansa's reports along with goals and results of various health initiatives, please visit: www.trygghansa.se/csr.

Senior executives

For disclosures and principles for remuneration of senior executives, see Note 37. See also information on Trygg-Hansa's remuneration policy in the document "Employee remuneration" at www.trygghansa.se, in the section "Financial information".

Events after 31 December 2013

In January 2014 Trygg-Hansa entered into an agreement with an external buyer on the sale of all of the shares in the previously wholly owned subsidiary Brädstapeln Fastighets AB. Through this sale, the Group has sold its office building on Fleminggatan.Trygg-Hansa has at the same time entered into a lease agreement regarding the office building on Fleminggatan.

On 4 March 2014 the company informed about current CEO Mike Holliday-Williams leaving RSA Group and Patrick Bergander will be interim CEO.

No other events with a material effect the company's operations or financial position have occurred after 31 December 2013. See also note 43.

Expectations ahead of 2014

Trygg-Hansa continues to focus on delivering sustainable profitability in its insurance business based on continued strong, risk-based pricing and underwriting. Trygg-Hansa's diversified portfolio, well structured reinsurance programme and conservative reserving policies ensure stability of the underwriting result. The company expects to continue delivering stable earnings from its insurance operations, provided that weather-related claims stay at a normal level in 2014.

Preparations ahead of Solvency II

Solvency II is a regulatory regime for the insurance market based on an EU directive that aims to strengthen the relationship between an insurance company's risks and solvency requirements. The regulatory framework is extensive and is designed to provide better consumer protection through greater demands for governance and control, in addition to contributing to a uniform European insurance market. The Solvency II Directive was adopted in 2009.

Omnibus II is a directive that will entail certain amendments to the original Solvency II Directive, including the implementation date, among other things.

Trygg-Hansa started its Solvency II project in 2009, which is focused on adapting the company's operations to the forthcoming regulatory regime.

Work on Trygg-Hansa's Solvency II programme is being conducted in collaboration with the RSA Group's Solvency II project. To facilitate coordination and communication within the Group, the structure of Trygg-Hansa's project is a reflection of the RSA Group's programme.

In cooperation with the RSA Group, Trygg-Hansa intends to apply for permission to use an internal Group model for calculating its solvency capital requirement.

During the year, Trygg-Hansa participated in the Financial Supervisory Authority's preliminary review of the internal model. In the course of this, work was intensified on regulatory adaptation and development of the internal model and its coupling to the business activities. The Board's influence in this project, including development of the internal model, is ensured through the CFO, who is a member of the steering committee for the Solvency II project and regularly reports on the progress of this work to the Board of Directors. Trygg-Hansa's board and management have participated in in-depth Solvency II training.

FIVE-YEAR SUMMARY

Five-year summary

In five-year summary below financial result and financial position is disclosed.

SEK m	2013*)	2012	2011	2010	2009
Result					
Written premiums (gross)	10,757	10,349	9,901	9,790	9,667
Allocated investment return transferred	379	302	608	645	742
Claims incurred, net of reinsurance	-5,997	-6,291	-6,175	-5,181	-5,865
Operating expenses	-1,680	-1,416	-1,389	-1,404	-1,449
Other technical charges	-1	0	-1	3	-22
Balance on the technical account, property&casualty insurance business	2,048	1,538	2,106	3,588	3,160
Profit for the year	**1,055**	**1,622**	**2,737**	**2,908**	**2,139**
Financial position					
Investment at fair value	27,301	26,701	29,353	31,685	33,715
Technical provisions, net	23,203	23,808	24,112	24,754	26,314
Reinsurers' share of technical provisions	1,679	1,941	1,391	1,247	1,313
Capital base after proposed dividend	5,127	6,784	5,123	5,175	5,300
Solvency requirement	1,588	1,546	1,577	1,481	1,710
Solvencyquota after proposed dividend	3.2	4.4	3.3	3.5	3.1
Capital base for insurancegroup after proposed dividend**)	5,283	6,816	5,001	5,188	
Solvency requirement for insurancegroup **)	1,706	1,714	1,766	1,699	
Net asset value after proposed dividend	5,537	7,642	5,503	5,447	5,492
-of which the deferred tax asset/liability	27	-350	26	48	13
Consolidation ratio after proposed dividend, %	57	85	61	57	58
Key ratios property & caualty insurance					
Claims ratio, net %	64.2	70.3	68.1	54.4	60.1
Expence ratio, net %	18.0	15.8	15.3	14.7	14.9
Combined ratio, net %	82.2	86.1	83.4	69.1	75.0
Key ratios investments					
Direct yield %	2.8	3.2	4.3	3.5	3.3
Total yield %	-1.3	4.0	6.8	3.0	1.8

*) Figures for 2013 have been affected by the merger of Sveland Sakförsäkringar AB.
**) The insurance group consits of Trygg-Hansa Försäkrings AB, Holmia Livförsäkring AB.
For the years 2008 and 2009 the group had a dispensation from consolidated reporting.

PROPOSED DISPOSITION OF PROFIT

The following amounts are at the disposal of the Annual General Meeting (amounts in SEK):

Profit brought forward	1,721,028,165
Profit for the year	1,054,883,615
Total	2,775,911,780

The Board of Directors and CEO propose that the amount be disposed of as follows:

Payment of dividend to the owner	2,700,000,000
To be carried forward	75,911,780

The proposed dividend takes into account the rules on coverage of the company's restricted equity and the precautionary rule in Ch. 18 § 4 of the Swedish Companies Act. The Board has taken into consideration 1) the requirements on equity posed by the nature, scope and risks of the business, and 2) the company's funding needs, liquidity and position in general. Consideration has also been given to the subsidiaries' position.

These considerations have been made in view of the rules in the Insurance Business Act on solvency capital, liability coverage and also buffer capital in the Traffic Light system. The company's solvency ratio after the proposed dividend is 3.23, and calculations according to the Traffic Light show a continued green light. The requirement for liability coverage is met by a satisfactory margin, with assets that are coupled with low financial risk. The insurance group's solvency ratio after the proposed dividend is 3.10. Of equity at the start of the year, SEK 633 m, net, consists of unrealised gains on investments in assets that can be easily liquidated. Our opinion is that, even including these unrealised gains, the entire amount of unrestricted equity can be regarded as available for distribution in view of the size of the contingency reserve, the company's conservative investment orientation, and the expectations for continued favourable earnings. The Board has also taken into account future requirements and regulations, and has stress-tested the company's capital requirement under various scenarios.

The company's financial position does not give rise to any other opinion than that the company can be expected to meet its obligations in the short and long term. The Board is of the opinion that the company's equity is sufficiently large in relation to the scope and risks of the operations.

Stockholm, 23 April 2014

David Weymouth
Chairman of the Board

Vanessa Evans
Director

Richard Houghton
Director

Fabrizio Moscone
Director

Synnöve Trygg
Director

Lena Darin
Employee representative

Claes Hansson
Employee representative

Lola Telin
Employee representative

Patrick Bergander
CEO
Director

Our audit report was submitted on 29 April 2014.
KPMG AB

Mårten Asplund
Authorised Public Accountant

INCOME STATEMENT

Note	SEKm	2013	2012
	Technical account, property & casualty insurance business		
3	Written premiums (gross)	10,757	10,349
	Premiums for ceded reinsurance	-983	-1,307
	Change in Provision for unearned premiums and unexpired risks	-133	-188
	Reinsurers' share of Change in provision for unearned premiums and unexpired risks	-293	93
		9,348	**8,947**
	Allocated investment return transferred from the non-technical account	379	302
4	***Claims incurred, net of reinsurance***		
	Claims paid		
	Gross	-7,974	-7,167
	Reinsurers' share	706	475
	Change in provision for claims outstanding		
	Gross	1,307	-95
	Reinsurers' share	-36	496
		-5,997	**-6,291**
	Bonuses and rebates	-1	-4
5	***Operating expenses***	**-1,680**	**-1,416**
	Other technical expenses	-1	-
	Balance on the technical account, property & casualty insurance business	**2,048**	**1,538**
	Non-technical account		
	Underwriting result, property & casualty insurance business	2,048	1,538
	Investment return		
6	Investment income	1,136	1,098
7	Unrealised gains on investments	129	203
8	Investment expenses	-448	-106
9, 10	Unrealised losses on investments	-1,179	-4
		-362	**1,191**
	Allocated investment return transferred from the non-technical account	-379	-302
	Other income	1	2
11	***Other expenses***	-13	-
	Result before appropriations and tax	**1,295**	**2,429**
	Appropriations		
12	Group contributions	-	-180
13	Provision to tax allocation reserve	140	-140
	Result before tax	**1,435**	**2,109**
14	Tax on profit for the year	-380	-487
	PROFIT FOR THE YEAR	**1,055**	**1,622**

STATEMENT OF COMPREHENSIVE INCOME

SEKm	2013	2012
Profit for the year	1,055	1,622
NET TOTAL PROFIT FOR THE YEAR	**1,055**	**1,622**

BALANCE SHEET

Note	SEKm	31/12/2013	31/12/2012
	Assets		
15	**Intangible assets**		
	Goodwill	80	-
	Intangible assets	357	507
		437	507
	Investments		
16	Land and buildings	16	1,116
	Investments in Group companies and associates		
17	Shares and participations in Group companies	1,815	511
	Loans to Parent company	1,200	-
	Loans to Group companies	848	96
18	Shares and participations in associates	15	15
		3,878	622
	Other financial investments		
	Shares and participations	1,619	1,486
19	Bonds and other fixed-income securities	21,772	23,463
	Derivatives	9	6
		23,400	24,955
	Deposits with ceding undertakings	7	8
		27,301	26,701
	Reinsurers' share of technical provisions		
20	Provision for unearned premiums and unexpired risks	29	322
21	Provision for claims outstanding	1,650	1,619
		1,679	1,941
	Debtors		
22	Debtors arising out of direct insurance operations	2,750	2,601
	Debtors arising out of reinsurance operations	215	65
25	Other receivables	215	22
		3,180	2,688
	Other assets		
26	Tangible assets and inventories	24	32
23	Deferred taxes	27	-
24	Taxes receivable	-	470
	Cash and bank balances	1,007	1,813
		1,058	2,315
	Prepayments and accrued income		
	Accrued interest and rent	371	398
27	Deferred acquisition costs	313	329
28	Other prepayments and accrued income	37	40
		721	767
	TOTAL ASSETS	**34,376**	**34,919**

BALANCE SHEET

Note	SEKm	31/12/2013	2012-12-31
	Equity, provisions and liabilities		
	Equity		
29	Share capital	170	170
	Profit brought forward	1,721	41
	Profit for the year	1,055	1,622
		2,946	1,833
	Untaxed reserves		
13	Tax allocation reserve	-	140
	Contingency reserve	5,318	5,318
		5,318	5,458
	Technical provisions, gross		
30	Provision for unearned premiums and unexpired risks	4,333	4,144
31	Provision for claims outstanding	20,549	21,605
		24,882	25,749
	Other provisions		
32	Pensions and similar obligations	122	145
23	Deferred taxes	-	350
	Other provisions	35	57
		157	552
	Deposits from reinsurers	6	20
	Creditors		
33	Creditors arising out of direct insurance operations	94	118
	Creditors arising out of reinsurance operations	-	140
24	Taxes payable	78	-
34	Other liabilities	423	556
		595	814
	Accruals and deferred income		
35	Other accruals and deferred income	472	493
		472	493
	TOTAL EQUITY, PROVISIONS AND LIABILITIES	**34,376**	**34,919**
	Memorandum items		
39	Pledged assets	28,843	29,925

STATEMENT OF CHANGES IN EQUITY

	Restricted equity	Unrestricted equity		
SEKm	**Share Capital**	**Profit brought forward**	**Profit for the year**	**Total equity**
Equity at start of 2012	**170**	**4**	**2,737**	**2,911**
Distribution of profit	-	2,737	-2,737	-
Total changes in net worth reported directly against equity, excl. transactions with owners	-	2,737	-2,737	-
Profit for the year	-	-	1,622	1,622
Total changes in net worth, excl. transactions with owners	**-**	**2,737**	**1,622**	**1,622**
Dividend	-	-2,700	-	-2,700
Equity at year-end 2012	**170**	**41**	**1,622**	**1,833**
Equity at start of 2013	**170**	**41**	**1,622**	**1,833**
Distribution of profit	-	1,622	-1,622	-
Merger difference, Sveland		58		58
Total changes in net worth reported directly against equity, excl. transactions with owners	-	1,680	-1,622	-
Profit for the year	-	-	1,055	1,055
Total changes in net worth, excl. transactions with owners	**-**	**1,680**	**1,055**	**1,055**
Dividend	-	-	-	-
Equity at year-end 2013	**170**	**1,721**	**1,055**	**2,946**

CASH FLOW STATEMENT

SEKm	2013	2012
Operating activities		
Paid-in premiums	10,617	10,139
Premiums paid to reinsurers	-1,318	-1,247
Claims payments	-7,964	-7,110
Claims payments from reinsurers	728	456
Operating expenses	-1,430	-1,324
Other incoming and outgoing payments	-224	-46
Paid tax	-219	-1,113
Cash flow from operating activities	**190**	**-245**
Investing activities		
Direct investment income	822	985
Net investments in:		
- land and buildings	771	22
- financial investments	-2,488	2,863
Net investments in intangible assets	-84	-171
Net investments in tangible assets	-6	-13
Other	9	-2
Cash flow from investing activities	**-976**	**3,684**
Financing activities		
Group contributions paid	-55	-40
Dividend payout	-	-2,700
Cash flow from financing activities	**-55**	**-2,740**
Cash flow for the year	**-841**	**699**
Cash and cash equivalents at start of year	1,813	1,114
Merger	35	-
Cash flow for the year	-841	699
Cash and cash equivalents at end of year	**1,007**	**1,813**

For further information, see Note 40, Specification of cash flow statement.

PERFORMANCE ANALYSIS

SEK m	Total	Direct insurance in Sweden Disability and accident	House and home	Business and property	Motor third-party liability	Motor, other classes	aviation and transport	Total	Direct insurance foreign risks	Re-insurance accepted
Premiums earned, net of reinsurance										
Written premiums, gross………………………………………………	10,757	2,953	1,786	1,788	1,485	2,547	106	10,665	0	92
Premiums for ceded reinsurance……………………………………	-983	-206	-135	-319	-111	-170	-14	-955	0	-28
Change in provision for unearned premiums and unexpired risks…	-133	-56	-59	7	39	-68	3	-134	0	1
Reinsurers' share of change in provision for unearned premiums and unexpired risks…………………………………………………	-293	-83	-56	-40	-33	-77	-3	-292	0	-1
Premiums earned………………………………………………………	**9,348**	**2,608**	**1,536**	**1,436**	**1,380**	**2,232**	**92**	**9,284**	**0**	**64**
Allocated investment return transferred from the non-technical accou	379	119	21	31	187	19	1	378	0	1
Other technical income, net of reinsurance……………………………	0	0	0	0	0	0	0	0	0	0
Claims incurred, net of reinsurance										
Claims paid, gross…………………………………………………	-7,974	-1,628	-1,483	-1,607	-1,312	-1,775	-69	-7,874	0	-100
Reinsurers' share of claims paid ……………………………………	706	71	144	250	103	153	5	726	0	-20
Change in provision for claims outstanding										
Gross…………………………………………………………………	1,307	345	82	168	757	-19	-1	1,332	0	-25
Reinsurers' share……………………………………………………	-36	59	-27	-56	2	1	-4	-25	0	-11
Claims incurred………………………………………………………	**-5,997**	**-1,153**	**-1,284**	**-1,245**	**-450**	**-1,640**	**-69**	**-5,841**	**0**	**-156**
Operating expenses, net of reinsurance………………………………	-1,680	-485	-225	-402	-194	-336	-18	-1,660	0	-20
Bonuses and rebates……………………………………………………	-1	0	0	0	0	-1	0	-1	0	0
Other technical charges, net of reinsurance……………………………	-1	0	0	-1	0	0	0	-1	0	0
Balance on the technical account, property & casualty insurance.	**2,048**	**1,089**	**48**	**-181**	**923**	**274**	**6**	**2,159**	**0**	**-111**
Run-off result, in accordance with Ch. 5, § 4, pt. 6 of Annual Act for	942	292	-20	27	701	-42	-3	955	0	-13
Result, ceded reinsurance……………………………………………	-606	-159	-74	-165	-39	-93	-16	-546	0	-60
TECHNICAL PROVISIONS										
Gross……………………………………………………………………										
Provision for unearned premiums and unexpired risks………………	4,333	1,216	792	646	568	1,049	40	4,311	0	22
Provision for claims outstanding……………………………………	20,549	6,298	856	1,703	10,391	417	67	19,732	0	817
	24,882	**7,514**	**1,648**	**2,349**	**10,959**	**1,466**	**107**	**24,043**	**0**	**839**
Reinsurers' share……………………………………………………										
Provision for unearned premiums and unexpired risks………………	-29	0	0	-20	0	0	0	-20	0	-9
Provision for claims outstanding……………………………………	-1,650	-220	-76	-348	-253	-44	-9	-950	0	-700
	-1,679	**-220**	**-76**	**-368**	**-253**	**-44**	**-9**	**-970**	**0**	**-709**
Net of reinsurance……………………………………………………										
Provision for unearned premiums and unexpired risks………………	4,304	1,216	792	626	568	1,049	40	4,291	0	13
Provision for claims outstanding……………………………………	18,899	6,078	780	1,355	10,138	373	58	18,782	0	117
	23,203	**7,294**	**1,572**	**1,981**	**10,706**	**1,422**	**98**	**23,073**	**0**	**130**

NOTES

Note 1 Accounting policies

Company information

This annual report for Trygg-Hansa Försäkringsaktiebolag (publ) is submitted as per 31 December 2013. Trygg-Hansa is a Swedish, public limited liability company with registered office in Stockholm and its headquarters in Stockholm. Trygg-Hansa conducts general insurance business.

The annual report was approved for issuance by the Board of Directors and CEO on 23 April 2014. The income statement and balance sheet are subject to adoption by the Annual General Meeting on 29 April 2014.

Conformity with norms and laws

The annual report documents have been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL) and in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:26 with amended guidelines.In accordance with the Financial Supervisory Authority's general guidelines, so-called legally limited IFRS is applied. By legally limited IFRS is meant application of International Financial Reporting Standards and accompanying interpretations that have been adopted by the European Commission, with the departures from such application as indicated by the Financial Supervisory Authority. These departures entail, among other things, that Swedish Financial Accounting Board recommendation RFR 2, Accounting for Legal Entities, has been applied.

Basis of consolidation

Trygg-Hansa is a wholly owned subsidiary of Codan A/S, Copenhagen, which is turn is a subsidiary of RSA Insurance Group plc, London (RSA), reg. no. 233 98 26 (see www.rsagroup.com). RSA prepares consolidated financial statements, including Trygg-Hansa and its subsidiaries, in accordance with IFRS as adopted for application within the European Union. Trygg-Hansa applies so-called legally limited IFRS in the preparation of its annual report. In view of the fact that RSA prepares consolidated financial statements, the Trygg-Hansa Group has not prepared consolidated financial statements, in accordance with exemption rule 7:3 of the Swedish Annual Accounts Act for Insurance Companies.

Estimations and assessments in the financial statements

Preparing the financial statements in accordance with so-called legally limited IFRS requires that the insurance company's management makes estimations and assessments as well as assumptions that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimations and assumptions are based on historical experience and a number of other factors that are considered to be reasonable given the prevailing conditions. The result of these estimations and assessments is then used to assess the reported values of assets and liabilities that otherwise are not clearly shown from other sources. The actual outcome may deviate from these estimations and assessments.

The estimations and assumptions are reviewed on a regular basis. Changes in estimations are reported in the period that the change was made if the change affects only that period, or in the period that the change is made and in future periods if the change affects both the current period and future periods. Estimations made by company management that have a material impact on the financial statements, and assessments made that can entail significant adjustments in subsequent years' financial statements, are described in more detail in note 42.

Bases of valuation applied in the preparation of the financial statements

Assets and liabilities are stated at historical cost, except for financial assets and liabilities, and land and buildings, which are carried at fair value. Financial assets and liabilities that are carried at fair value consist of derivative instruments and financial assets at fair value through profit or loss.

The accounting policies described below have been applied consistently in all periods presented in the financial statements unless otherwise indicated below.

New and amended IFRSs and interpretations applied in 2013

The following new and amended standards and interpretations took effect and apply for the 2013 financial year:

Standards

IFRS 13 Fair Value Measurement – entails a new, uniform standard for measuring fair value and improved disclosure requirements.

Interpretations

No new interpretations have taken effect for the 2013 financial year.

In the opinion of company management, other new and amended IFRSs and interpretations have not had any effect on the company's assets covering its obligations in 2013. The effect on the annual report has been certain expanded interpretations.

New and amended standards and interpretations that have not yet taken effect

The International Accounting Standards Board (IASB) has issued the following new and amended standards, which have not yet taken effect:

Standards	**To be applied in financial years beginning:**
IFRS 9 Financial Instruments and subsequent amendments in IFRS 9*	1 January 2018 or later

** Not yet approved for application within the EU*:

Other new and amended standards and interpretations have not had any material impact on this annual report.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rate in effect on the transaction date.

Trygg-Hansa's functional currency is Swedish kronor (SEK), and in valuations of assets and liabilities in foreign currency, the closing rates on the balance sheet date are used. Exchange rate movements are reported net in the income statement on the line Investment income or Investment charges.

Monetary items are recalculated to the exchange rate in effect on the balance sheet date, while non-monetary items are recalculated to the exchange rate in effect on the historical acquisition date.

Foreign operations' financial statements

Assets and liabilities in foreign operations (branches), including goodwill, are translated from the functional currency of the foreign operation to Swedish kronor at the exchange rate in effect on the balance sheet date. Income and expenses in a foreign operation are translated to Swedish kronor at the average exchange rate, which is an approximation of the exchange rates that applied on the respective transaction dates.

Insurance contracts

Operations reported as insurance contracts are reported in accordance with IFRS 4. Insurance contracts are reported and valued in the income statement and balance sheet according to their economic significance and not according to their legal form, in cases where these differ. Contracts that transfer significant insurance risk from the policyholder to Trygg-Hansa and where Trygg-Hansa agrees to compensate the policyholder or other beneficiary are reported as insurance contracts if a predefined, insured event should occur.

Reporting of insurance contracts

Recognition of income/Written premiums

Written premiums refer to total gross premiums for direct insurance and reinsurance accepted that is paid in or can be credited to Trygg-Hansa for insurance contracts where the insurance period has started prior to the end of the financial year. Written premiums also include premiums for insurance periods that have not begun until after the end of the financial year, if by contract they are due for payment during the financial year.

By gross premiums is meant the contractual premiums for the entire insurance period less customary customer rebates.

Renewal premiums that are not confirmed by the policyholder and premiums for newly contracted insurance contracts are calculated in the amounts at which they are estimated to be received. Surrenders reduce written premiums as soon as the amount is known. Supplemental premiums are calculated in the amounts at which they are expected to be received. Written premiums are reported exclusive of taxes and other public charges that are charged against the insurance premium.

Earned premiums correspond to the portion of written premium that is earned. Unearned premiums are reserved in the provision for unearned premiums.

Technical provisions

Technical provisions consist of the provision for unearned premiums and unexpired risks and the provision for claims outstanding. These provisions correspond to the insurance company’s obligations under insurance contracts in force.

Provision for unearned premiums and unexpired risks

This is a balance sheet item that consists of provisions that correspond to Trygg-Hansa’s liability for insurance events, management expenses and other expenses during the remainder of the contract period for insurance contracts in force. By insurance contracts in force is meant insurance under existing contracts regardless of whether these entirely or partly pertain to future insurance periods. In this calculation, an estimation is made of the anticipated cost for claims that may occur during the remaining term of these insurance policies as well as management expenses during this time. The cost estimates are based on Trygg-Hansa’s experience, however, consideration is also given to the observed as well as forecast trend in relevant costs.

The provision for unearned premiums is reported on an aggregated basis for Trygg-Hansa’s total operations. By unexpired risks is meant the risk that claims for indemnification and expenses for insurance contracts will not be sufficiently covered by unearned and anticipated premiums after the end of the financial year.

For insurance policies with premiums paid over several years, the provision for unearned premiums is calculated based on an estimation of the insurance company’s liability for contracts in force as well as on the anticipated claims payment pattern. The provision for unearned premiums is estimated with the help of the unearned portion of the premium for policies in force, i.e., on a pro rata temporis basis.

If the premium level of insurance policies in force is judged to be insufficient, a provision for unexpired risks is made. The change during the period in the provision for unearned premiums and unexpired risks is reported in the income statement.

Changes resulting from translation of the provisions at the exchange rate in effect on the balance sheet date are reported as a foreign exchange gain or foreign exchange loss under the item Investment income.

Provision for claims outstanding

The provision for claims outstanding is a balance sheet item consisting of estimated, undiscounted cash flows pertaining to final costs for satisfying all claims arising from events that have occurred prior to the end of the financial year less amounts already paid out in claims for indemnification. The amount includes calculated, undiscounted cash flows pertaining to future operating expenses for settling claims that have been incurred but not finally settled as per the balance sheet date and bonuses that have fallen due for payment. The item also includes provisions for property and casualty annuities and disability annuities as well as provisions for future, special employer's payroll tax on benefits from disability pension insurance during the early retirement period. These provisions are also based on estimated, undiscounted cash flows.

The provision for claims outstanding is not discounted, with two exceptions. Discounting is done using generally accepted actuarial methods and is justified by the long period of time that passes from when the level of indemnification has been determined and the claims have been finally settled. The provision for claims outstanding for disability and accident insurance, where the duration of the provision is estimated to be more than four years, has been discounted using the current interest rate curve for the period. Trygg-Hansa discounts this provision based on a euro swap–based interest curve adjusted for the difference between the interest rate for Swedish and German government bonds, which is then compared with the lower of the company's direct yield during the past year and the yearly average for the last five years (in accordance with FFFS 2008:26).

The provision for property and casualty annuities has been discounted using the current interest rate curve for the period. This calculation is made in accordance with the Financial Supervisory Authority's directive governing insurance companies' choice of interest rate for calculating technical provisions (FFFS 2013:23). As per 31 December 2013, the Financial Supervisory Authority's instructions have been adapted to Solvency II, entailing among other things that the discount rate curve used by Trygg-Hansa is based on market quotations for interest rate swaps and a modelled, long-term forward contract rate. Deduction for credit risk is also made from this interest rate curve.

The provision for incurred but not reported (IBNR) claims covers costs for claims that have been incurred but are still unknown and the estimated trend in reported claims. The amount is an estimation based on historical experience and claims experience.

The change in claims outstanding for the period is recognised in the income statement. This item also includes the period's change in discounted provisions. Changes that are explained by translation of the provision items to the exchange rate in effect on the balance sheet date are reported as a foreign exchange gain or foreign exchange loss under the item Investment income.

Bonuses and rebates

These consist of provisions for bonuses and rebates to policyholders or other beneficiaries.

Liability adequacy test

The company's applied accounting and valuation policies for the balance sheet items Deferred acquisition costs and Provision for unearned premiums and unexpired risks automatically entail a test to ensure that the provisions are adequate with respect to anticipated future cash flows.

Deferred acquisition costs for insurance contracts

Acquisition costs that have a clear connection with the purchase of insurance contracts are reported as an asset. Deferred acquisition costs consist of operating expenses that are directly or indirectly attributable to purchases of or renewals of insurance contracts, such as commissions, marketing outlays, and salaries and overhead for sales staff. Acquisition costs are deferred only for insurance contracts or homogenous groups of contracts that can be monitored and that are judged to generate a margin that as a minimum covers the acquisition costs. Deferred acquisition costs are amortised over a 12-month period in a way that corresponds to the apportionment of earned premiums for the insurance in question. The amortisation schedules takes anticipated surrenders into account. The asset is tested for impairment every year to ensure that the contracts are judged to generate a margin that, as a minimum, covers the asset. Other costs for insurance contracts are reported as expenses when they arise.

Operating expenses

All operating expenses are distributed in the income statement according to the following functions: acquisition, claims settlement, administration, commissions and profit participations in ceded reinsurance, investment charges, and in certain cases other technical charges.

Claims incurred

The change in technical provisions for insurance contracts is recognised through profit or loss under the respective headings. Payments to policyholders during the financial year as a result of insurance contracts or insurance claims that have been incurred are reported as claims paid, regardless of when the claim was incurred.

Incentive-based remuneration

The RSA Group has established an employee option programme, which is settled with shares in RSA Insurance Group plc. The fair value of the benefit of options or shares is reported as an expense and is distributed over the vesting period and booked as a liability until the grant is carried out. The total amount including social security charges that is expensed during the vesting period is determined on the basis of the fair value of options or shares on the balance sheet date.

Ceded reinsurance

Amounts paid out during the financial year or amounts recognised as a liability to reinsurance companies that have accepted reinsurance business under reinsurance contracts in force are reported as premiums for ceded reinsurance. The premiums are allocated in such a way that the cost is apportioned to the period that the reinsurance cover pertains to.

The reinsurers' share of technical provisions corresponds to the reinsurers' liability for technical provisions for contracts in force. Trygg-Hansa estimates the need to recognise impairment of assets pertaining to reinsurance contracts each quarter. If the value of the receivable from the reinsurance company is judged to be lower than the carrying amount of the asset, the asset is written down to the corresponding value and the impairment is recognised in the income statement.

Accepted reinsurance

For accepted reinsurance, the same rules apply as for ceded reinsurance, except conversely.

Reporting of investment return

Allocated investment return transferred from the non-technical account for property & casualty insurance

Investment income is transferred from non-technical account to the technical account based on average technical provisions for own account after deducting net receivables in the insurance operations.

The investment return that is transferred is calculated using an interest rate that corresponds to the interest rate for government bonds with a duration that essentially corresponds to the duration of the technical provisions. The interest rate for 2013 was 1.56 % (1.21%).

Investment income

The item "investment income" pertains to income from investments and includes rents from land and buildings, dividends from shares and participations (including dividends from shares in Group companies and associates), interest income, foreign exchange gains (net), reversed impairment charges and capital gains (net).

Investment charges

The item "investment charges" pertains to costs for investments and includes operating expenses for land and buildings, asset management costs, interest expenses, foreign exchange losses (net), depreciation and impairment charges, and capital losses (net).

Realised and unrealised changes in value

For investments carried at cost, the capital gain consists of the positive difference between the sales price and book value. For investments carried at fair value, the capital gain consists of the positive difference between the sales price and cost. For fixed-income securities, cost consists of amortised cost, while for other investments it consists of the historic cost. Upon the sale of investments, previously unrealised changes in value are entered as an adjustment item under unrealised gains on investments and unrealised losses on investments, respectively. Capital gains on other assets than investments are reported as Other income.

Unrealised gains and losses are reported net per asset class. Changes attributable to exchange differences are reported as a foreign exchange gain or foreign exchange loss under Investment income.

Taxes

Income tax

Income taxes consist of current tax and deferred tax. Income taxes are reported in the income statement except for when the underlying transaction is reported directly against equity, whereby the related tax effect is reported in equity.

Current tax is tax that is to be paid or received for the current year, with application of the tax rates that have been set or essentially been set as per the balance sheet date. This also includes adjustments of current tax pertaining to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences between reported and tax values of assets and liabilities. Temporary differences are not taken into account for differences that have arisen upon initial recognition of goodwill, nor for initial reporting of assets and liabilities that are not business combinations which at the time of the transaction do not affect the reported or taxable profit. Additionally, nor are temporary differences taken into account that are attributable to shares in subsidiaries and associates that are not expected to be reversed in the foreseeable future. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated using the tax rates that are set or in practice set as per the balance sheet date.

Deferred tax assets pertaining to deductible temporary differences and loss-carryforwards are reported only to the extent that it is likely that these will be utilised. The value of deferred tax assets is reduced when it is no longer judged likely that they can be utilised. Any additional income tax that arises in connection with dividends is reported at the same point in time as when the dividend is reported as a liability.

Contingency reserve

The contingency reserve is reported as an untaxed reserve. Changes are recognised through profit or loss. The basis for calculation is based on a directive from the Financial Supervisory Authority on a so-called normal plan for calculating the contingency reserve (FFFS 2013:8). The directive indicates the maximum amount that may be allocated to the contingency reserve, based on written premiums and the provision for claims outstanding in certain lines of insurance. Trygg-Hansa continuously calculates the maximum scope for provisions. At year-end the company had not utilised the maximum scope.

Group contributions and shareholder contributions for legal entitles

Shareholder contributions are recognised directly against equity of the recipient and are capitalised in shares and participations of the rendering party, to the extent it is not necessary to recognise impairment. Group contributions are reported in accordance with the alternative rule under RFR 2. Group contributions rendered and received are reported as appropriations in the income statements of the rendering and receiving entities.

Intangible assets

Goodwill and acquired insurance portfolios

Goodwill represents the difference between the cost of a business combination and the fair value of acquired, identified assets, assumed liabilities and contingent liabilities. Goodwill with an indefinite life is amortised, in accordance with the Annual Accounts Act. This entails an amortisation schedule of five years for normal cases.

Intangible assets attributable to acquisitions of insurance portfolios are amortised over a period of 10 years.

IT development

IT development is capitalised as an intangible asset when the project meets all requirements for capitalisation. The requirements entail, among other things, that there is an adequate degree of certainty that the respective activity will give rise to economic benefit that exceeds the costs.

Completed development projects are taken up at accrued cost less accumulated amortisation and impairment. Amortisation is recognised through profit or loss and is calculated on a straight-line basis over the anticipated utilisation of the project, which normally amounts to 3 years, but can be 5-7 years.

Development projects that are not completed are tested at the accounting date for impairment.

Amortisation principles
Amortisation is recognised through profit or loss on a straight-line basis over the estimated useful life of the intangible asset. Useful life is reconsidered annually. Eligible intangible assets are amortised from the date that they are available for use. The periods of calculated useful life are as follows:

Development costs brought forward, ordinarily 3 years, but can be	5-7 years
Acquired insurance portfolios	10 years
Other intangible assets	5 years

Land and buildings
Investment properties are properties held for the purpose of generating rental income and/or value appreciation. Owner-occupied properties are properties held for use in the company's own operations. Investment properties as well as owner-occupied properties are carried at fair value on the balance sheet. All changes in value are recognised through profit or loss. Fair value is based on appraisals performed by independent appraisers. Appraisals are normally performed once a year.

Fair value is determined through a combination of the local price comparison method, which is based on comparative purchases, and the return method. The return method is based on the present value of discounted future cash flows and an estimated residual value for each respective property.

Realised as well as unrealised changes in value are recognised through profit or loss. Rents are reported under Investment income, and property costs are reported under Investment charges.

Shares and participations in Group companies and associates
Participations in subsidiaries and associates are carried at cost. Capital contributions are booked as an increase in the value of the participation. If the participations have a lower value on the balance sheet date than their cost, and the decrease in value is judged to be permanent, then the holding is written down to that value.

Financial instruments
Financial instruments reported on the balance sheet include, on the assets side, trade accounts receivable, equities, loan receivables, fixed-income securities and derivatives. Among liabilities and equity are trade accounts payable, loan liabilities and derivatives. Acquisitions and sales of financial assets are reported as per the transaction date, which is the date that Trygg-Hansa commits itself to acquiring or selling the asset.

Classification and valuation
Financial instruments that are not derivatives are initially carried at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments except for those that belong to the category financial assets at fair value through profit or loss, which are carried at fair value excluding transaction costs.

A financial instrument is classified upon initial accounting based on the purpose for which the instrument was acquired. This classification determines how the financial instrument is valued after the first accounting occasion, as described below.

Derivatives that are not identified as a hedge are classified as held for trading. These are stated at fair value, and changes in fair value along with realised gains and losses, and interest income and expenses, are recognised through profit or loss. Contracts used for hedging purposes but which do not qualify for hedge accounting according to IAS 39 are treated as derivatives held for trading.

Financial assets at fair value through profit or loss
This category consists of two sub-groups: financial assets held for trading and other financial assets that Trygg-Hansa has initially opted to place in this category (according to the Fair Value Option). Financial instruments in this category are continuously measured at fair value with changes in value recognised through profit or loss. The first sub-group includes derivatives with a positive value, with the exception of derivatives that are identified as an effective hedge instrument.

As a matter of principle, Trygg-Hansa classifies all investments that are financial instruments and that are not shares in subsidiaries in the category "financial assets at fair value through profit or loss", since Trygg-Hansa continuously evaluates the asset management activities on the basis of fair value.

Calculation of fair value

Fair value is the amount for which an asset could be transferred to, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Following is a summary of the methods and assumptions that are primarily used to determine the fair value of financial instruments.

Financial instruments quoted in an active market

For financial instruments that are quoted in an active market, fair value is determined based on the asset's quoted purchase price on the balance sheet date excluding transaction costs (e.g., brokerage fees) associated with the acquisition. A financial instrument is considered to be quoted in an active market if quoted prices are easily available on a stock exchange, from a trader, broker, trade organisation, or company that provides current price information or oversight authority, and these prices represent actual and regularly occurring market transactions at market terms. Any future transaction costs associated with a sale are not taken into account. For financial liabilities, fair value is determined based on the quoted selling price. Financial instruments quoted in an active market are included among the balance sheet items "shares and participations", and "bonds and other fixed-income securities". The greatest share of Trygg-Hansa's financial instruments are ascribed a fair value based on prices that are quoted in an active market.

Financial instruments that are not quoted in an active market

If the market for a financial instrument is not active, Trygg-Hansa determines fair value by employing a valuation technique. The valuation techniques used are based to the greatest extent possible on market data, while company-specific data is used as little as possible. Trygg-Hansa calibrates the valuation technique at regular intervals and tests its validity by comparing the outcome of the valuation technique with prices from observable, current market transactions with the same type instrument. Valuation techniques are used for the following classes of financial instruments:

Derivatives

Derivative instruments are initially stated at fair value based on the value received from the counterparty. Fair value in subsequent valuations is calculated using a valuation model that is established in the market for assessing the value of the type of derivative instrument in question.

Shares and fixed-income securities

The fair value of financial instruments that are not derivatives is calculated based on the future cash flows of principal and interest discounted to current market interest rates on the balance sheet date. In cases where discounted cash flows have been used, future cash flows are calculated based on company management's best estimates. The discount rate that is used is a market-based interest rate for similar instruments on the balance sheet date. Where other valuation models are used, the input data is based on market-related data on the balance sheet date.

Other interest-bearing assets and liabilities

Fair value of loan receivables has been calculated by discounting anticipated future cash flows, where the discount rate has been set based on the current lending rate that is used.

For receivables and liabilities with a remaining life of less than six months, the carrying amount reflects the fair value. Receivables and liabilities with a lifetime exceeding six months are discounted in connection with the determination of fair value.

Loans to Group companies

Loan receivables are reported at amortised cost.

Loan receivables and trade accounts receivable

Loan receivables and trade accounts receivable are financial assets that are not derivatives, which have fixed or determinable payments and which are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined according to the effective interest rate that was calculated at the date of acquisition. Trade accounts receivable and loan receivables are carried at the amounts at which they are expected to be paid-in, i.e., after deducting for impaired receivables.

Financial liabilities at fair value through profit or loss

This category consists of financial liabilities held for trading. The category includes the insurance company's derivatives with a negative fair value, with the exception of derivatives that are identified as an effective hedge instrument. Changes in fair value are reported through profit or loss.

Other financial liabilities

Borrowings and other financial liabilities, such as trade accounts payable, are included in this category. The liabilities are stated at amortised cost.

Impairment of financial instruments

On each reporting occasion, Trygg-Hansa performs a measurement to determine if there is objective evidence that indicates a need to recognise impairment for an asset or group of assets as a result of one or more events (loss events) that have occurred after the asset was initially reported and that these loss events have an impact on the estimated future cash flows from the asset or group of assets. If there is objective evidence that indicates a need to recognise impairment, then the assets are to be regarded as impaired. Objective evidence consists in part of observable conditions that have occurred and which have a negative impact on the ability to recover the asset's cost and in part of a significant or prolonged decline in the fair value of an investment in a financial instrument classified as an available-for-sale financial asset.

Upon recognising impairment of an equity instrument that is classified as an available-for-sale financial asset, the previously reported accumulated profit or loss in equity is re-entered through profit or loss. The carrying amount after impairment of assets belonging to the categories "held-to-maturity investments", "loan receivables" and "trade accounts receivable", which are stated at amortised cost, is calculated as the present value of future cash flows discounted using the effective interest rate that applied upon initial reporting of the asset. Assets with short durations are not discounted. Impairment charges are reported in profit or loss.

Reversal of impairment losses

An impairment charge is reversed if there is both evidence that the need to recognise impairment no longer exists and a change has taken place in the assumptions that served as the basis for the calculation of the impaired amount. Impairment of held-to-maturity investments or loan receivables and trade accounts receivable that are stated at amortised cost is reversed if a subsequent increase in the recoverable value can objectively be attributed to an event that has occurred after the impairment charge was made.

Impairment of equity instruments that are classified as available-for-sale financial assets that were previously recognised through profit or loss is not reversed through profit or loss. The impaired amount is the value from which subsequent valuations are made and is reported directly against equity. Impairment of fixed-income instruments classified as available-for-sale financial assets is reversed through profit or loss if the fair value increases and the increase can be objectively attributed to an event that occurred after the impairment charge was made.

Tangible assets

Tangible assets are carried as an asset on the balance sheet if it is likely that future economic benefit will be generated and the cost of the asset can be calculated in a reliable manner.

Tangible assets are carried at cost after deducting accumulated depreciation and any impairment plus any revaluations.

The carrying amount of property, plant and equipment is eliminated from the balance sheet in connection with obsolescence or the sale of the asset, or when no economic benefit is expected from use or in connection with the disposal/sale of the asset. The profit or loss that arises upon the sale or disposal of an asset consists of the difference between the sales price and the asset's carrying amount less direct selling costs.

Depreciation is booked on a straight-line basis over the asset's estimated useful life. The residual value and useful life of assets are reviewed annually.

Estimated useful life:

Machinery and other technical plant	3-10 years
Equipment, tools and installations	3-10 years

Impairment testing of tangible and intangible assets, and of shares in subsidiaries, associates, etc.

The carrying amounts of assets are tested for impairment at every balance sheet date. If there is an indication of a need to recognise impairment, the asset's recoverable amount is calculated in accordance with IAS 36 (see below).
For goodwill and intangible assets that are not ready for use, the recoverable amount is calculated annually. If it is not possible to determine materially independent cash flows for an individual asset, when testing for impairment the assets are grouped at the lowest level at which it is possible to identify materially independent cash flows – in a cash-generating unit.

An impairment loss is recognised when an asset's or cash-generating unit's (group of units) carrying amount exceeds the recoverable amount. Impairment losses are recognised in profit or loss. Impairment of assets attributable to a cash-generating unit (group of units) is primarily allocated to goodwill. Thereafter, a proportional impairment loss is recognised for other assets included in the unit (group of units). The recoverable amount is the higher of the fair value less selling costs and value in use. When calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the specific asset.

Reversal of impairment losses

An impairment loss is reversed if there is both an indication that the need to recognise impairment no longer exists and a change has taken place in the assumptions that formed the basis for the calculation of the recoverable amount. However, impairment of goodwill is never reversed. Reversals are only made to the extent that the asset's carrying amount, after reversal, does not exceed the carrying amount that would have been recognised, less a deduction for amortisation where applicable, if no impairment loss had been recognised.

Leasing

Finance leases are leases in which the economic risks and benefits associated with ownership of the leased asset are transferred in all significant aspects from the lessor to the lessee. All other leases are classified as operating leases.

All leases have been classified as operating leases are reported in accordance with the rules for operating leases. Costs for operating leases are expensed on a linear basis over the lease period.

Dividends

Dividends are reported as a receivable or liability after the Annual General Meeting has approved the dividend.

Other provisions

A provision differs from other liabilities in that there is uncertainty regarding the date of payment or the amount required to settle the provision. A provision is recognised on the balance sheet when the insurance company has an existing legal or constructive obligation as a result of an event that has occurred, if it is probable that an outflow of economic resources will be required to settle the obligation, and if a reliable estimation of the amount can be made. When the effect of when in time payment is made is significant, provisions are calculated by discounting the anticipated future cash flow using an interest rate before tax that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

Pensions and similar obligations

Pensions secured through insurance

Trygg-Hansa's occupational pension plans under collective bargaining agreements are secured through insurance contracts. The pension plan for Trygg-Hansa's employees has been judged to be a multi-employer defined benefit plan. However, Trygg-Hansa is of the opinion that UFR 6 Pension Plans, which covers multi-employer arrangements, is applicable also for the company's pension plan. Trygg-Hansa lacks adequate information that would enable reporting in accordance with IAS 19 and therefore classifies these pension plans as defined contribution plans in accordance with UFR 6.

Trygg-Hansa's obligations pertaining to charges for defined contribution plans are reported as an expense in the income statement in pace with the employees' earnings of such contributions, as the employees perform services for the company during a given period.

Pensions under own management

In addition to the occupational pension plans secured through insurance contracted under collective bargaining agreements, Trygg-Hansa has also made special agreements with certain employees. Under such agreements, employees who conclude their service from 62 years of age, according to previous collective agreements, receive benefits from the company corresponding to a certain percentage of their final salary.

Actuarial gains and losses are reported in accordance with the Pension Obligations Vesting Act (*Tryggandelagen*). Actuarial gains and losses are recognised in profit or loss.

Contingent liabilities

A contingent liability is reported when there is a possible obligation that arises from past events and whose existence is confirmed only by one or more uncertain future events or when there is an obligation that is not recognised as a liability or provision due to the fact that it is not probable that an outflow of resources will be required.

Short-term remuneration

Short-term remuneration of employees is calculated without discounting and is reported as an expense when the related services have been performed.

A provision is reported for the anticipated cost of profit-sharing and bonus payments when the Group has an applicable formal or constructive obligation to make such payments in exchange for services performed by employees and obligation can be calculated in a reliable manner.

Cash flow statement

The cash flow statement is prepared in accordance with the direct method. The reported cash flow covers only transactions that entail incoming or outgoing payments.

Note 2 Disclosures of risks

Risk management and control

For Trygg-Hansa as an insurance company and company that accepts risk, it is important that risks are managed in a controlled manner. This puts demands on structured risk management. Risk management encompasses all circumstances that could affect the company's future operation and development.

The Board of Directors is responsible for ensuring that the company is financially strong, taking into account the company's funding needs, liquidity, financial position and generally accepted business practice.

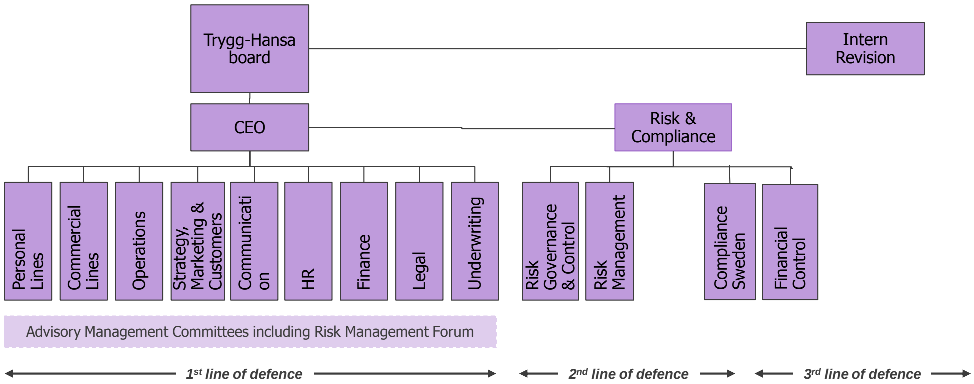
The Board of Directors is ultimately responsible for risk management and internal control, including setting framework for risk management and risk control. The company's risk management shall permeate the organisation, and accountability and transparency is strived for in terms of clear ownership of risks and the management of these within the Risk Appetite.

For a number of years, Trygg-Hansa has been working with a uniform process to identify, assess and monitor risks.

Trygg-Hansa operates a three-layered defence model. The operative activities make up the first line of defence. Risk & Compliance units make up the second line of defence, and Internal Audit makes up the third line of defence.

Risk & Compliance ensures that relevant risk information is discussed and challenged by the management of Trygg-Hansa to analyse the risk exposure. One of the main activities of the function is the capability building, challenge and control of the of risk assessment from the first line of defence, with input from the Insurance Risk team that reports to Underwriting & Insurance with a dotted line to the Chief Risk & Compliance Officer. Risk & Compliance also monitors the risk management system maturity in the organization and suggests developments of the governance in terms of risk i.e. risk strategy and appetite to be adopted by the Board of Directors. Furthermore, the Financial Control Framework is embedded in the business and continuously monitored. The Financial Control Framework applies to the most critical processes leading to the financial reports and is built to ensure that no material misstatements are reported. In addition, Risk & Compliance serves in a supporting role to ensure that operations are conducted in accordance with applicable rules and monitors regulatory compliance. With regards to financial risks, the Risk function within Risk & Compliance presents independent views to relevant committees, which are in turn challenged and reviewed at the Risk Management Forum.

Internal Audit performs independent assessments of risk management on a regular basis in accordance with the agreed Internal Audit year plan and verifies that controls are suited for their purpose. Internal Audit reports to the Board of Directors on a quarterly basis.



The Risk Management Forum ensures that the CEO and management receive adequately prepared and detailed material as a basis for their respective decisions. The committee serves in an advisory role and reports to the CEO. The outcome of the Risk Management Forum forms the basis of risk reporting to the Board of Directors.

Business risks

Insurance Risk

The Risk Acceptance Guidelines, issued by the Board of Directors, outline the risk the company can accept. These guidelines clearly describe the Risk Appetite and the acceptance limits the Board allocates to the various risks that have been evaluated, priced and accepted by the company's underwriters.For example the guidelines describe that the following insurance risks are outside the company´s risk apetite, alternatively requires Board approval; political risks, aviation, space, nuclear and financial guarantees. It is also stated that the company can accept risks in Scandinavia. Risks outside Scandinavia can in certain circumstances be accepted if there is a Scandinavian “company-interest”or if the risk is accepted via a branch, subsidiary or cross-board business.

Trygg-Hansa places a premium on its underwriting capability as one of the key drivers for delivery of sustainable profitable performance. To support the sound operation of the Risk Acceptance Guidelines issued, an underwriting framework outlines the classes and nature of insurance risks Trygg-Hansa prefers to underwrite, how these are to be priced and the levels of capital that are acceptable to put at risk.

The focus of Trygg-Hansa’s underwriting activity is to ensure that premiums charged are sufficient to the cost of claims, expenses and a suitable margin to deliver a sustainable return for shareholders. We place our major focus on risk selection and risk quality alongside a disciplined approach to pricing to deliver these objectives. A majority of the customers are given a premium that is set according to tariffs and risk factors calculated by price actuaries. For major commercial customers, premiums are based on the respective companies' operations and Claims history. The authority exercised by the respective underwriters is Steered by a personal underwriting licence.

Trygg-Hansa places great emphasis on portfolio management to provide oversight to its front line underwriting activities and ensure a clear strategy is defined for each class of business and at an aggregate level across the portfolio. Each portfolio manager reviews and communicates an annual Portfolio Strategy Statement which outlines the direction of the portfolio, establishes a clear underwriting risk appetite and sets clear financial targets for the coming years. As a part of the Trygg-Hansa Risk Management Framework, the portfolio manager makes regular assessments against a standard set of key Risk indicators on a quarterly basis. These are reported to the Board via the Insurance Risk Function in an effort to monitor the portfolio performance, illuminate areas of interest and plan risk mitigation actions.

The company´s ability to plan a diversified portfolio of business is another key control on our insurance risks. An annual operational business plan is adopted by the Board of Directors. This plan lays out the operating targets for each line of business. The business plan is implemented in the organisation via Portfolio Strategy Statements and underwriting guidelines that are issued to the company's underwriters.

The Board also stipulates, through the Insurance Technical Guidelines the framework for the actuarial review of rates and for calculating tariff-based pricing. In order to ensure that tariffs remain up to date our dedicated personal and commercial pricing teams follow a structured pricing process to ensure our tariffs are positioned to deliver our results set in our business plan, dedicated personal and commercial pricing teams follow a structured pricing process. There is robust challenge and interaction between the pricing and portfolio management team to ensure that there is a clear link between portfolio strategy and pricing actions. All insurance contracts are written for specified terms. The ability to alter the terms of a contract is controlled via the Delegated Authority Framework. All insurance policies have a built-in right for the insurance company to decline a renewal or to amend the terms and conditions in connection with renewal. Exceptions are handled through Executive Licence Extensions or Special High Risk Licences.

Trygg-Hansa reviews its contracted insurance risks on a regular basis and assesses these in relation to the company's underwriting, reinsurance and capital policies.

Concentration of risks in the insurance operations

The Reinsurance Strategy Risk Appetite Statement outlines what reinsurance protection is to be purchased to protect the company´s balance sheet. To ensure that the company's exposure to underwriting risk and its capital base remain appropriate, a structured reinsurance programme is in place to protect the business against individual large losses on risks, as well as Natural catastrophe events such as weather related events.

Insurance risk is concentrated in Sweden, which accounts for most of Trygg-Hansa's written premium. Of the company's total premium income SEK 10,757 m (10,349) around 99 (99) % concist of direct insurance in Sweden. As shown by the performance analysis on page 18, the company's premium income is relatively evenly distributed (between 10-30%) on the main lines of disability & accident, house & home business & property, Motor TPL and Motor other. This provides a diversification in the insurance portfolio.

Non-catastrophic risks

The Trygg-Hansa reinsurance program for 2013 was an excess-of-loss program. All reinsurance contracts are purchased on a Nordic or Global basis which has lead to substantial cost savings. The net retention for individual Property risks was SEK 125 millions. The net retention was SEK 30 millions for Liability risks, SEK 40 millions for Motor third-party liability risks, USD 15 millions for Cargo risks and USD 15 millions for Renewable Energy risks. Above Net Retentions were reduced 10% by way of Quota Share cessions to RSA Reinsurance (Ireland) Limited.

Trygg-Hansa is also often requested to provide its customers with Property insurance against acts of terrorism. Coverage for such events can be provided within the reinsurance purchased by Trygg-Hansa. During 2013, specific facultative reinsurance was purchased for one single large terrorism exposure to minimize the exposure to Trygg-Hansa.

Storm and catastrophic risks

In 2013, Trygg-Hansa had a shared reinsurance contract with other companies in the RSA Group to cover for Property Natural Catastrophe events. This reinsurance was designed to provide protection against natural catastrophe events with an occurrence probability of up to at least a 1:200 event, which is the equivalent of a likelihood of once every 200 years or a 0.5% probability. In 2013 Trygg-Hansa had a maximum net retention of GBP25 millions per event.

For Personal Accident and Life Catastrophe events of a sudden nature, like a ferry accident or a tsunami, Trygg-Hansa had a shared reinsurance contract with the rest of the Codan Group companies. In 2013 Trygg-Hansa had a maximum net retention of DKK100 millions per event.

Reinsurance contracts are associated with a certain level of credit risk. This is described in more detail under the section on financial risks below. Reinsurers' credit worthiness is monitored on a regular basis to ensure that the contracted reinsurance cover is maintained. This is reported to the Board of Directors on a quarterly basis.

Reserve-setting risk

Reserve-setting risk, i.e., the risk that technical provisions will not be sufficient to settle incurred claims, is managed primarily through developed actuarial methods and through careful, continuous monitoring of reported claims. These calculations are performed quarterly during the year using relevant information that is obtained from the claims department and the business units. The claims trend and reserve levels are reviewed on a continuous basis and form the documentation for reserve reporting. A Reserve Committee reviews the reserve methodology and monitors the development of reserves. The Reserve Committee, which is headed by the CFO, serves in an advisory role and reports to the CEO and holds meetings at least once every quarter. The entire reserve-setting process is grounded in a set of governance documents, including the Actuarial guidelines, calculation documentation, and complementary reserving policy.

The documentation for determining the level of provisions to cover future risks is based on Trygg-Hansa's experience from previous and similar claims experience. The knowledge and experience that is obtained from the claims department as well as information obtained from the business units about contracted business are also important in this regard. Trygg-Hansa generally uses statistical methods and analyses to determine the likely outcome of future claims payments. A relatively large share of Trygg-Hansa's reserves are for life annuities currently in disbursement. These reserves are based on methods that resemble a life insurance company's calculations. The size of the reserves depends on the age and estimated life of the claimant, among other things.

These methods and analyses are affected by the uncertainty that exists in estimating future payments while taking into account the amount and date of payment.

Risk limitation is also conducted through reinsurance. Insurance business is by nature exposed to major fluctuations. By ceding business to reinsurers, the consequences of large claims can be limited, and thus the size of exposures can be managed and the company's equity can be protected. Reinsurance is purchased partly in proportion to the total risk that the company is exposed to in various areas and partly as an upper limit to how large the risk may be in a given area. Reinsurance can also be purchased on a facultative basis for large, individual contracts. The company's own cost per claim event – its net retention – and the upper limit to which the reinsurance protection covers costs per claim event, vary from product to product. The amount of net retention is decided on by the Board of Directors for the various types of insurance risks. The level is reviewed annually by the Board to ensure that is acceptable.

Property & casualty insurance

The insurance risks that the company is exposed to are directly related to the risks in the insurance contracts that are purchased. In the area of property & casualty insurance, insurance risks are managed and monitored per defined risk area (insurance classes/lines). The table below shows a progression of the original claim cost over time.

2013

Loss development tables gross of reinsurance	**2005 and prior SEKm**	**2006 SEKm**	**2007 SEKm**	**2008 SEKm**	**2009 SEKm**	**2010 SEKm**	**2011 SEKm**	**2012 SEKm**	**2013 SEKm**	**Total SEKm**
Estimate of cumulative claims										
At end of accident year	17,497	4,236	4,612	4,273	4,520	4,195	3,828	4,079	4,013	
1 year later	20,040	4,176	4,379	3,988	4,286	4,405	3,988	4,196		
2 years later	20,221	4,138	4,241	3,869	4,051	4,230	3,927			
3 years later	19,712	3,968	4,031	3,663	3,872	4,137				
4 years later	19,486	3,772	3,808	3,557	3,863					
5 years later	18,449	3,505	3,752	3,519						
6 years later	17,398	3,470	3,714							
7 years later	17,290	3,497								
8 years later	16,908									
Claims paid										
1 year later	2,770	1,582	2,142	1,961	1,893	2,190	2,068	2,192		
2 years later	1,851	567	598	497	508	553	645			
3 years later	1,545	237	188	197	275	253				
4 years later	1,288	120	186	137	174					
5 years later	983	100	63	101						
6 years later	977	73	45							
7 years later	911	104								
8 years later	796									
Cumulative claims paid	11,121	2,783	3,222	2,893	2,850	2,996	2,713	2,192		
2013 redundancy/(deficiency)	382	(27)	38	38	9	93	61	(117)		477
Reconciliation to the statement of financial position										
Current year provision before discounting	**5,787**	**714**	**492**	**626**	**1,013**	**1,141**	**1,214**	**2,004**	**4,013**	**17,004**
Exchange adjustment to closing rates										**2**
Discounting										**(3,095)**
Annuity reserves										**6,638**
Present value recognised in the statement of financial position										**20,549**

2013

Loss development tables net of reinsurance	**2005 and prior SEKm**	**2006 SEKm**	**2007 SEKm**	**2008 SEKm**	**2009 SEKm**	**2010 SEKm**	**2011 SEKm**	**2012 SEKm**	**2013 SEKm**	**Total SEKm**
Estimate of cumulative claims										
At end of accident year	15,628	4,200	4,357	4,110	4,508	3,929	3,645	3,550	3,630	
1 year later	18,309	4,138	4,002	3,882	4,273	4,107	3,743	3,636		
2 years later	18,517	4,060	3,846	3,780	4,038	3,946	3,665			
3 years later	17,894	3,895	3,604	3,571	3,859	3,881				
4 years later	17,637	3,702	3,360	3,466	3,849					
5 years later	16,620	3,440	3,304	3,448						
6 years later	15,507	3,405	3,266							
7 years later	15,327	3,431								
8 years later	14,956									
Claims paid										
1 year later	2,634	1,569	1,856	1,895	1,891	2,064	1,943	1,909		
2 years later	1,704	523	504	495	508	541	584			
3 years later	1,411	235	186	197	273	237				
4 years later	1,047	120	120	135	173					
5 years later	766	100	63	101						
6 years later	801	73	45							
7 years later	835	103								
8 years later	759									
Cumulative claims paid	9,957	2,723	2,774	2,823	2,845	2,842	2,527	1,909		
2013 redundancy/(deficiency)	371	(26)	38	18	10	65	78	(86)		468
Reconciliation to the statement of financial position										
Current year provision before discounting	**4,999**	**708**	**492**	**625**	**1,004**	**1,039**	**1,138**	**1,727**	**3,630**	**15,362**
Exchange adjustment to closing rates										**(6)**
Discounting										**(3,095)**
Annuity reserves										**6,638**
Present value recognised in the statement of financial position										**18,899**

Explanation run-off result as shown in Note 4 and Performance Analysis:	2013
claims develepment table	**468**
run-off annuities	-88
run-off discounting	574
currency adjustment	-12
run-off result in Note 4 and Performance Analysis	**942**

.

2012

Loss development tables gross of reinsurance	**2005 and prior**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
	SEKm	**SEKm**	**SEKm**	**SEKm**	**SEKm**	**SEKm**	**SEKm**	**SEKm**	**SEKm**
Estimate of cumulative claims									
At end of accident year	17,457	4,236	4,612	4,273	4,520	3,779	3,732	4,035	
1 year later	19,992	4,175	4,379	3,987	4,285	3,927	3,880		
2 years later	20,225	4,136	4,240	3,868	4,050	3,782			
3 years later	19,666	3,966	4,030	3,662	3,872				
4 years later	19,433	3,769	3,807	3,555					
5 years later	18,449	3,503	3,750						
6 years later	17,348	3,468							
7 years later	17,275								
Claims paid									
1 year later	2,746	1,582	2,141	1,959	1,892	1,947	1,999		
2 years later	1,846	567	598	497	508	515			
3 years later	1,540	237	188	197	275				
4 years later	1,283	120	185	136					
5 years later	987	100	63						
6 years later	969	73							
7 years later	911								
Cumulative claims paid	10,282	2,679	3,175	2,789	2,675	2,462	1,999		
2012 redundancy/(deficiency)	73	35	57	107	178	145	(148)		447
Reconciliation to the statement of financial position									
Current year provision before discounting	**6,993**	**789**	**575**	**766**	**1,197**	**1,320**	**1,881**	**4,035**	**17,556**
Exchange adjustment to closing rates									**(24)**
Discounting									**(2,404)**
Annuity reserves									**6,477**
Present value recognised in the statement of financial position									**21,605**

2012

Loss development tables net of reinsurance	2005 and prior SEKm	2006 SEKm	2007 SEKm	2008 SEKm	2009 SEKm	2010 SEKm	2011 SEKm	2012 SEKm	Total SEKm
Estimate of cumulative claims									
At end of accident year	15,628	4,200	4,357	4,110	4,508	3,657	3,553	3,508	
1 year later	18,314	4,137	3,996	3,877	4,273	3,823	3,644		
2 years later	18,502	4,058	3,845	3,779	4,037	3,681			
3 years later	17,887	3,893	3,606	3,571	3,859				
4 years later	17,629	3,700	3,361	3,464					
5 years later	16,625	3,437	3,304						
6 years later	15,494	3,402							
7 years later	15,322								
Claims paid									
1 year later	2,632	1,567	1,856	1,894	1,889	1,934	1,882		
2 years later	1,699	523	504	495	508	511			
3 years later	1,411	235	186	197	273				
4 years later	1,048	120	120	134					
5 years later	765	100	63						
6 years later	798	73							
7 years later	841								
Cumulative claims paid	9,194	2,618	2,729	2,720	2,670	2,445	1,882		
2012 redundancy/(deficiency)	172	35	57	107	178	142	(91)		600
Reconciliation to the statement of financial position									
Current year provision before discounting	**6,128**	**784**	**575**	**744**	**1,189**	**1,236**	**1,762**	**3,508**	**15,926**
Exchange adjustment to closing rates									**(13)**
Discounting									**(2,404)**
Annuity reserves									**6,477**
Present value recognised in the statement of financial position									**19,986**

Explanation run-off result as shown in Note 4 and Performance Analysis:	2012
claims develepment table	**600**
run-off annuities	-252
run-off discounting	-191
currency adjustment	10
run-off result in Note 4 and Performance Analysis	**167**

Financial risks

Market risks and investment strategy

The purpose of the company's investment strategy is to maximise returns after tax, safeguard the policyholders' interests and comply with laws and rules in Sweden. The Board of Directors adopts Investment Guidelines yearly, aiming at ensuring that the company can at all times meet its requirements for liability coverage. Through regular monitoring and control, the company ensures:

Compliance
- Ensure that the asset allocation and investments meet statutory requirements
- Ensure that full compatibility exists with the investment guidelines issued by the Board
- Ensure that the portfolio is consistent with the risk policy

Effectiveness
- Ensure that the maturity structure of the provisions will affect the structure of the investment portfolio
- Ensure that rules for investment management are in place
- Ensure that the investment management costs are under control

Investment management
Trygg-Hansa has chose to outsource the management of the company's investments. The external asset managers have been approved by the Board, and their mandate is regulated by Trygg-Hansa's investment policy, which is issued by the Board. In 2013 most of the portfolio was managed by SEB.

Trygg-Hansa's investment guidelines stipulates the criteria for limiting and controlling risk for individual investments and for concentrations of risks. The Investment Committee monitors compliance with the investment strategy. The committee serves in an advisory role, reports to the CEO, and holds meetings at least once a quarter and when required by circumstances. In the investment guidelines, the Board has set minimum and maximum limits for the share of the respective asset classes in relation to the total investment portfolio. For example, the maximum limit for bonds is 100%. The year-end reporting showed that all investments were within the limits stipulated in the investment guidelines.

The Board has issued liability coverage instructions, which also affect the company's investment strategy. The statutory requirements for liability coverage must always be met. In addition, the Board has set an internal, target liability coverage ratio of 105%, which was met in 2013.

Liquidity and interest rate risk
Most of Trygg-Hansa's investments are in liquid, listed bonds. The company's investment guidelines are very conservative, with a large share of investments in government bonds and securities with high ratings. Should the need arise, a credit facility can be obtained from Group's primary banks in view of the Group's rating.

Monitoring of Trygg-Hansa's short term liquidity is done continuously through cash management supported by monthly liquidity reports that include an overview of the risk situation in relation to market and credit risks. Long-term liquidity management is conducted through Asset Liability Management (ALM), among other things. Changes in interest rates are among the risk factors regarding Trygg-Hansa's financial risks. A significant aspect of Trygg-Hansa's risk management is to have a portfolio of fixed-income securities with fixed interest rates that balance the two opposing effects of interest rate movements on assets and liabilities.

The company is exposed to interest rate risk, whereby the market value of assets with fixed interest rates decreases as market interest rates rise. This risk is limited in the company by maintaining an average duration in the bond portfolio of 5 years. At the same time, the company is exposed to interest rate risk in the technical provisions that are discounted using current market rates of interest. Discounting has been done of the provision for claims outstanding for disability and accident insurance and of provisions for property and casualty annuities. The provision for property and casualty annuities has been discounted using the current interest rate curve for the period, in accordance with the new method prescribed by the Financial Supervisory Authority. This new method is an adaptation to Solvency II and entails that interest rate risk in the technical provisions will decrease.

The company has opted to not fully match interest rate fixing periods for assets and liabilities, in order to instead be able hold a more short-term and highly liquid portfolio. At the same time, liability coverage is good. The company's exposure to financial assets and various liabilities with fixed interest rates is shown in the table below:

2013

Terms of fixed interest for assets and liabilities **SEKm**

Interest exposure	**Max. 1 yr**	**Longer than 1 yr but max 5 yrs**	**Longer than 5 yrs**	**Without interest**	**Total**
Assets					
Cash and bank balances	1,007	-	-	-	1,007
Bonds and other fixed-income securities	1,872	7,970	11,930	-	21,772
	2,879	7,970	11,930	-	22,779
Creditors					
Technical provisions	5,437	6,929	12,517	-	24,882
	5,437	6,929	12,517	-	24,882

2012

Terms of fixed interest for assets and liabilities **SEKm**

	Max. 1 yr	**yr but max 5 yrs**	**Longer than 5 yrs**	**Without interest**	**Total**
Cash and bank balances	1,813	-	-	-	1,813
Bonds and other fixed-income securities	3,151	8,282	12,030	-	23,463
	4,964	8,282	12,030	-	25,276
Creditors					
Technical provisions	5,631	7,065	13,053	-	25,749
	5,631	7,065	13,053	-	25,749

Currency risk

Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If the company's currency exposure increases to levels outside of certain predetermined limits, it is to be minimised through currency derivatives. Net assets in foreign currency are primarily matched with bond holdings in the respective currencies. Trygg-Hansa's net exposure to currency risk is limited and pertains to certain EUR-denominated bonds. According to the company's investment guidelines, the assets used for liability coverage are to match the technical provisions per currency by at least 90%.

The company's currency risk exposure before any hedging with derivatives is shown in the table below:

2013

Currency exposure **SEKm**	**MSEK**	**MDKK**	**MEUR**	**MGBP**	**MNOK**	**MUSD**	**Other**	**Totalt**
Shares and participations (including shares in associated compani	488	139	721	-	123	14	149	1,634
Bonds and other fixed-income securities	21,209	-	547	-	-	16	-	21,772
Cash and bank balances	990	1	8	2	4	2	-	1,007
Receivables	2,564	269	22	17	8	79	3	2,962
Other assets	4,850	28	10	1	3	2	-	4,894
Total assets	**30,101**	**437**	**1,308**	**20**	**138**	**113**	**152**	**32,269**
Technical provisions, net	-23,212	-1	18	-15	-	6	-	-23,204
Other liabilities and provisions	-716	-56	-1	-1	-1	-7	-	-782
Total liabilities and provisions	**-23,928**	**-57**	**17**	**-16**	**-1**	**-1**	**-**	**-23,986**
Net exposure before financial hedging with derivatives	**6,173**	**380**	**1,325**	**4**	**137**	**112**	**152**	**8,283**

2012

Currency exposure **SEKm**	**MSEK**	**MDKK**	**MEUR**	**MGBP**	**MNOK**	**MUSD**	**Other**	**Totalt**
Shares and participations (including shares in associated compani	94	-	1,222	-	-	34	151	1,501
Bonds and other fixed-income securities	22,893	-	553	-	-	17	-	23,463
Cash and bank balances	1,793	1	15	0	2	2	-	1,813
Receivables	2,377	194	23	14	8	77	3	2,696
Other assets	2,421	27	16	-	1	2	-	2,467
Total assets	**29,578**	**222**	**1,829**	**14**	**11**	**132**	**154**	**31,940**
Technical provisions, net	-23,806	-	-2	-	-	-	-	-23,808
Other liabilities and provisions	-886	-77	-32	-15	-1	-24	-1	-1,036
Total liabilities and provisions	**-24,692**	**-77**	**-34**	**-15**	**-1**	**-24**	**-1**	**-24,844**
Net exposure before financial hedging with derivatives	**4,886**	**145**	**1,795**	**-1**	**10**	**108**	**153**	**7,096**

* All amounts presented in Swedish kronor (SEK)

Share price risk
Trygg-Hansa has opted to invest a limited portion of its other financial assets in equities. The amount of these investments was SEK 1,619 m (1,486) as per 31 December 2013. The investment guidelines stipulate that the equities portfolio shall be highly diversified both with respect to sectors and individual companies. The guidelines were adhered to in 2013.

Inflation risk
Some of Trygg-Hansa's technical provisions are indexed, which gives rise to Trygg-Hansa's exposure to inflation. Exposure to inflation risk is partly mitigated through investments in inflation-linked bonds. In addition, investments in nominal, short-term bonds, short-term fixed income securities and real estate (rents are indexed against inflation) provide some protection against inflation.

Real estate risk
Trygg-Hansa has only small direct investments in real estate, amounting to SEK 16 m (1,116) as per 31 December 2013. The company has a small exposure to real estate through holdings of listed real estate funds. Overall, real estate risk is considered to be low.

Credit risk
Trygg-Hansa has a policy for direct insurance holdings as well as for receivables from reinsurers. To mitigate this risk, reinsurance contracts are only entered into with selected, financially strong reinsurers. The credit risk towards reinsurers is monitored on a continuous basis. Normally a minimum rating of A- (Standard & Poor's) or the equivalent is required in order for a reinsurer to be considered, as stipulated by the Board's guidelines. Reports are submitted to the Board on a quarterly basis as part of the monitoring and evaluation of reinsurance exposure.

Credit risk relating to investments
Trygg-Hansa's investment portfolio consists mainly of government and mortgage bonds with AAA credit ratings. European corporate bonds with lower credit ratings, but not lower than BBB, are also included in the investment portfolio. These investments are made to enhance the return and create a more diversified portfolio. Credit spread risk is limited through holdings in securities with good credit ratings and the strategy to hold many bonds to maturity.

Maximum credit risk exposure	**SEKm**	**2013**	**2012**
Bonds and other fixed-income securities		21,772	23,463
Derivatives		9	6
Other financial investments		1,619	1,486
		23,400	**24,955**

The credit risk that Trygg-Hansa is exposed to based on Standard & Poor's ratings is shown in the following table:

2013 Credit quality of classes of financial assets	SEKm	AAA	AA	A	BBB	No rating	Total
Bonds and other fixed-income securities							
Swedish government		9,710	-	-	-	-	9,710
Swedish mortgage institutionst		8,849	-	-	-	-	8,849
Other Swedish issuers		-	316	66	5	-	387
Foreign governments		27	-	-	-	-	27
Other foreign issuers		2,267	131	344	57		2,799
Equities		-	-	-	-	1,619	1,619
Derivates		-	-	-	-	9	9
		20,853	447	410	62	1,628	23,400

2012 Credit quality of classes of financial assets	SEKm	AAA	AA	A	BBB	No rating	Total
fixed-income securities							
Swedish government		10,412	105	-	-	-	10,517
Swedish mortgage institutionst		10,173	-	-	-	-	10,173
Other Swedish issuers		-	204	62	-	-	266
Foreign governments		28	-	-	-	-	28
Other foreign issuers		1,706	101	611	53	8	2,479
Equities		-	-	-	-	1,486	1,486
Derivates		-	-	-	-	6	6
		22,319	410	673	53	1,500	24,955

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.

Trygg-Hansa focuses on maintaining good internal control, among other things through suitable routines and instructions, clearly defined responsibility and division of duties for employees, IT support with automated reconciliations, controls and authorisation systems, and internal information and reporting processes to meet management's requirements for information on the company's risk exposure.

Responsibility for management of risks rests with the risk owner in the relevant business function.

It is the risk owners’ responsibility to assess and report to the Enterprise Risk Management function on the size and nature of the risks and related controls, with the supporting rationale of the assessments including gauging against prevailing risk appetite. This information is reported periodically to the Risk Management Forum and subsequently provided to the Board of Directors with risk reporting.

Emerging risks

Emerging risks are identified in the discussions with each business function with input from industry surveys and reports, and reported to the Board of Directors and Risk Management Forum on a quarterly basis.

Compliance Risk

Compliance risk is the risk of non-compliance of laws, regulations and internal rules as well as good practice or generally accepted good business standard regarding the regulated activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Trygg-Hansa focusses on maintaining good internal control by appropriate routines and instructions and clearly defined roles and responsibilities for the employees. To follow up that the business remains compliant, a compliance function, Regulatory Risk & Compliance, has been established as part of Risk & Compliance.

The responsibility to manage compliance risk lies with the risk owners in the respective businesses. It is the responsibility of the risk owner to evaluate and manage the risk, with support from Regulatory Risk & Compliance. Regulatory Risk & Compliance deliver periodical reports on compliance risks to the CEO and the Board of Directors.

Sensitivity analysis

Trygg-Hansa uses a number of methods to judge sensitivity regarding the impact of various risks on the company's result of operations and financial position. The table below shows indications for how factors can affect the company's result and equity.

Sensitivity analysis	SEKm	Change	2013 Exposure	2012 Exposure
Gross premiums		1%	108	103
Operating expenses		1%	17	14
Insurance provisions, net		1%	232	238
Claims %		1 percentage point	93	89
Payroll costs		5%	86	86
Real rate of interest		1 percentage point	234	250
Change interest rate*			101	128
Credit spread risk		Increase in creditspread	778	728
Share price decrease		12%	-194	-178
Currency risk net exposure		10%	29	26
Real estate decrease		8%	-1	-89

*Calculation according to traffic light report: assets and liabilities including the provisions sensitivity to changes in the real Swedish Crown rate is calculated as the change in value of those assets and liabilities of a change in the base points of interest corresponding to 30% of the market rate on the longest Swedish benchmarkbond. Changes in interest rates are made by a so-called parallel shift in interest curve.

Capital and solvency

Trygg-Hansa calculates and monitors both external and internal capital adequacy requirements. External capital adequacy requirements include reported equity and solvency capital in accordance with the Financial Supervisory Authority's rules and Traffic Light oversight model. Internal capital adequacy requirements include economic capital, which is calculated using internal models that have been developed in accordance with the RSA Group's own rules and rating agency capital requirements. Currently, the outcome of the internal model is monitored – for information purposes – in connection with the preparations ahead of Solvency II.

Capital is the difference between relevant assets and relevant liabilities. What constitutes a relevant asset and relevant liability is determined by applicable rules. For solvency capital, it is currently equity and untaxed reserves. Assessments of economic capital are prospective and take future cash flows into account, without a coupling to assets and liabilities on the IFRS balance sheet. Capital requirements made by rating agencies are of significance, even though Trygg-Hansa's credit ratings in essential respects are dependent on the RSA Group's credit ratings.

The Board has established two different warning levels for several of the capital adequacy requirements. If the yellow level is reached, the Board must immediately be informed, and if the red level is reached, measures must be taken immediately. The red level has been determined based on the company's assessment of which capital strength the Financial Supervisory Authority in its oversight practice has determined that a general insurance company should have. The red level entails a solvency ratio of less than 2.0, while the Traffic Light method entails a solvency ratio of less than 1.25. The yellow level has been determined based on an aggregate risk assessment and is to provide scope to manoeuvre so that the red level will never be reached. In 2013 these ratios were in the green zone and the external requirements have been fulfilled.

The capital adequacy instruction set by the Board prescribes a desirable minimum liability coverage margin. In addition, a monthly calculation is performed of a reasonable liability coverage margin taking into account the risks coupled to the current technical provisions.

Trygg-Hansa has a process for continuously monitoring the capital metrics referred to above and has established an advisory Capital Management Committee. A Capital Scorecard is used as a tool in this process. The capital adequacy requirement is currently met by a satisfactory margin for all categories of capital.

The Solvency II rules may lead to changed requirements in the future. The company is closely monitoring these rules, however, future rules are too uncertain in order for them to be taken into account at present in the same way as the requirements according to the current solvency rules.

Trygg-Hansa formally started a Solvency II project in 2009. This project is being conducted through a Scandinavian project organisation that reflects the RSA Group's structure for its work with Solvency II. For a further description of the Solvency II project, see page 10.

Note 3 Written premiums

SEKm	Direct insurance	Reinsurance accepted	Total 2013	Total 2012
Written premiums, gross				
Written premiums per geographical area				
Direct insurance in Sweden	10,665	-	10,665	10,266
Direct insurance in other countries	-	-	-	1
Reinsurance accepted	-	92	92	82
	10,665	**92**	**10,757**	**10,349**

Note 4 Claims incurred

2013 SEKm	Gross	Ceded	Net
Claim costs attributable to the year's operations	**Gross**	**Ceded**	**Net**
Claims paid	-3,039	302	-2,737
Change in provision for incurred and reported claims	-2,557	280	-2,277
Change in provision for incurred but not reported (IBNR) claims	-1,339	114	-1,225
Claims handling costs	-700	-	-700
Total claim costs attributable to the year's operations	**-7,635**	**696**	**-6,939**
Claim costs attributable to previous years' operations			
Claims paid	-4,082	404	-3,678
Change in provision for incurred and reported claims	3,724	-368	3,356
Change in provision for incurred but not reported (IBNR) claims	1,479	-62	1,417
Claims handling costs	-153	-	-153
Total claim costs attributable to the previous years' operations	**968**	**-26**	**942**
Total claims paid			
Claims paid	-7,121	706	-6,415
Claims handling costs	-853	-	-853
Total claims paid	**-7,974**	**706**	**-7,268**
Change in provision for claims outstanding			
Change in provision for incurred and reported claims	1,167	-88	1,079
Change in provision for incurred but not reported (IBNR) claims	140	52	192
Total change in provision for claims outstanding	**1,307**	**-36**	**1,271**

2012			
Claim costs attributable to the year's operations	**Gross**	**Ceded**	**Net**
Claims paid	-2,709	277	-2,432
Change in provision for incurred and reported claims	-2,545	422	-2,123
Change in provision for incurred but not reported (IBNR) claims	-1,391	119	-1,272
Claims handling costs	-631	-	-631
Total claim costs attributable to the year's operations	**-7,276**	**818**	**-6,458**
Claim costs attributable to previous years' operations			
Claims paid	-3,634	198	-3,436
Change in provision for incurred and reported claims	2,169	-27	2,142
Change in provision for incurred but not reported (IBNR) claims	1,672	-18	1,654
Claims handling costs	-193	-	-193
Total claim costs attributable to the previous years' operations	**14**	**153**	**167**
Total claims paid			
Claims paid	-6,343	475	-5,868
Claims handling costs	-824	-	-824
Total claims paid	**-7,167**	**475**	**-6,692**
Change in provision for claims outstanding			
Change in provision for incurred and reported claims	-376	396	20
Change in provision for incurred but not reported (IBNR) claims	281	100	381
Total change in provision for claims outstanding	**-95**	**496**	**401**

Note 5 Operating expenses

Operating expenses	**SEKm**	**2013**	**2012**
Acquisition costs		-1,172	-1,055
Change in deferred acquisition costs		-16	5
Administrative expenses		-800	-670
Commissions and profit participations in ceded reinsurance		308	304
		-1,680	**-1,416**

Specification of total operating expenses:		
Claims handling costs	-853	-824
Property management costs	-1	-
Investment charges	-46	-33
Operating expenses in insurance operations as above	-1,680	-1,416
	-2,580	**-2,273**

of which:	**2013**	**2012**
- costs of personnel	-1,720	-1,719
- cost of premises	-88	-86
- depreciation/impairment charges	-231	-81
- other	-525	-392
- change in deferred acquisition costs	-16	5
	-2,580	**-2,273**

of which, fees to accounting firms		
KPMG 2013 (Deloitte 2012)		
Auditing	3.4	4.0
Tax advisory service	0.2	0.4
Audit-related consulting	-	1.0
Other consulting	0.3	2.8
Other accounting firms		
Tax advisory service	1.9	1.1
Other consulting	7.4	1.6

By audit assignment is meant review of the annual report and bookkeeping, as well as of the Board's and CEO's administration and other work duties that is incumbent on the company's auditor to perform; also includes consulting or other assistance prompted by observations in connection with such review or performance of such other work duties. Everything else is classified as other assignments.

Note 6 Investment income

Investment income	**SEKm**	**2013**	**2012**
Rents from land and buildings		22	27
Dividends received shares and participations		65	99
Interest income			
Bonds and other fixed-income securities		755	844
Other interest income		18	22
		773	866
Foreign exchange gain, net			
Foreign exchange gain, unrealised		85	-
Foreign exchange gain, realised		-44	-
		41	-
Capital gain, net			
Shares and participations		187	17
Fixed-income securities		48	89
		1,136	**1,098**

Note 7 Unrealised gains on investments

Unrealised gains on investments	**SEKm**	**2013**	**2012**
Other financial assets			
Shares and participations		129	147
Bonds and other fixed-income securities		-	56
		129	**203**

Note 8 Investment charges

Investment expenses	SEKm	2013	2012
Operating expenses for land and buildings		-1	-
Asset management charges		-46	-33
Interest expenses			
Other interest expenses		-5	-4
		-5	-4
Foreign exchange loss, net			
Foreign exchange loss, unrealised		-	-83
Foreign exchange loss, realised		-	16
		-	-67
Capital losses, net			
Land and buildings		-322	-
Shares and participations		-74	-2
		-396	-2
		-448	**-106**

Note 9 Unrealised losses on investments

Unrealised losses on investments	SEKm	2013	2012
Land and buildings		-27	-4
Other financial assets			
Bonds and other fixed-income securities		-1,152	-
		-1,179	**-4**

Note 10 Net profit or net loss per category of financial instruments

Net profit or net loss per category of financial instruments

2013	SEKm	Financial asset at fair value through p/l		
Financial assets		**Assets determined to belong to the category**	**Loans**	**Total**
Shares and participations		270	-	270
Bonds and other fixed-income securities		-356	-	-356
Shares and participations in group companies		-	35	35
Shares and participations in associates		-	14	14
Derivatives		-13	-	-13
Other financial assets		-	39	39
Total net profit/ loss		**-99**	**88**	**-11**

2012

Total financial assets	Assets determined to belong to the category	Loans	Total
Shares and participations	182	-	182
Bonds and other fixed-income securities	965	-	965
Shares and participations in group companies	-	32	32
Derivatives	-6	-	-6
Other financial assets	-	2	2
Total net profit/ loss	**1,141**	**34**	**1,175**

Note 11 Other expenses

Other expenses	SEKm	2013	2012
Amortisation of goodwill		-13	-
Other expenses		-	0
		-13	0

Note 12 Group Contribution rendered

Group Contribution rendered	SEKm	2013	2012
Sveland Sakförsäkringar AB		-	-115
Codan Forsikring A/S, filial Sverige		-	-55
WLI Insurance AB		-	-10
Brädstapeln Fastighets AB		-	0
		-	**-180**

* Group contribution of SEK 142 m were recognised directly against equity previous year.

Note 13 Tax allocation resereve

Tax allocation reserve	SEKm	2013	2012
Tax allocation reserv at the beginning of the year		-140	-
Provision for 2013 tax year		-	-140
Resolved 2014 tax year		140	-
		-	**-140**

Note 14 Tax

Current tax for the year	SEKm	2013	2012
Tax charge for the period		-755	-112
Tax abroad		-7	-4
Adjustment of tax charge for previous years		3	5
		-759	**-111**
Deferred tax			
Deferred tax due to taxable revaluation of investments		365	-363
Deferred tax pertaining to other temporary differences		14	-13
		379	**-376**
Total reported tax charge		**-380**	**-487**
Adjustment of tax charge according to previous years' specification:			
Final tax in previous years		3	4
Other adjustments		-	1
		3	5
Reconciliation of effective tax			
Profit before tax		1,435	2,109
Tax according to applicable tax rate, 22.0% (26,3%)		-316	-555
Non-deductible expenses		-12	-8
Tax-exempt revenues		1	0
Other adjustments for filing of taxes		-49	7
Tax abroad		-7	-4
Tax effect of a change in tax rate		-	68
Calculated tax		**-383**	**-492**
Adjustment pertaining to previous years		**3**	**5**
Reported tax charge		**-380**	**-487**

As per 31 December 2013, financial assets have been valued at fair value for both tax and accounting purposes, in contrast to at 31 December 2012, when cost value was used for tax value

Not 15 Intangible non-current assets

Intangible assets	**SEKm**	**2013**	**2012**
Goodwill			
Cost at start of year		457	457
Merger Sveland		93	-
Cost at end of year		**550**	**457**
Previous years' amortisation/impairment charges		-457	-457
Amortisation for the year		-13	-
Amortisation and impairment charges at end of year		**-470**	**-457**
Book value at end of year		**80**	**-**

	SEKm	**2013**	**2012**
IT development costs brought forward			
Cost at start of year		877	718
Capitalised costs during the year		84	159
Cost at end of year		**961**	**877**
Previous years' amortisation/impairment charges		-389	-338
Amortisation for the year		-92	-51
Impairment for the year		-122	-
Depreciation and impairment at end of year		**-603**	**-389**
Acquisitions of portfolios			
Acquisitions at start of year		27	27
Merger Sveland		-13	-
Cost at end of year		**14**	**27**
Previous years' amortisation/impairment charges		-8	-
Amortisation for the year		-7	-8
Cost at end of year		**-15**	**-8**
Book value at end of year		**357**	**507**

Note 16 Land and Buildings

Land and buildings	**SEKm**	**2013**	**2012**
Cost at start of year		1,096	1,092
Additional capitalisation		-87	4
Disposal of Land and Building		-986	-
Cost at end of year		**23**	**1,096**
Value adjustments from previous years		20	24
Value adjustments for the year		-27	-4
Value adjustment at end of year		**-7**	**20**
Book value at end of year		**16**	**1,116**
Tax assessment value			
Land		5	511
Buildings		10	263
		15	774

Municipality address, Property designation	**Street**	**Year built/renovated**	**Tax assessment value SEK 000**	**Leasable area sq.m. (excl. garage)**	**Commercial share, %**	**Garage sq.m.**
Owner-occupied property						
Värmdö						
Kolvikstrandsvägen 12, Hemmesta 11		1910/2004	15,100	-	-	-

Note 17 Shares and participations in Group companies

Shares and participations in Group companies	**SEKm**	**2013**	**2012**
In Sweden		201	511
Abroad		1614	0
		1,815	**511**

companies

Unlisted	**SEKm** **Domicile**	**Reg. no.**	**Ownership, %**	**Number**	**Fair value***)**	**2013**	**2012**
Holmia Livförsäkring AB	Stockholm	516401-6510	100	60000	356	200	200
Brädstapeln Fastighets AB	Stockholm	556767-9716	100	100000	13	1	1
Sveland Sakförsäkringar AB **)	Hässleholm	516406-0229	-	-	-	-	308
WL Insurance AB *)	Stockholm	556629-5969	-	-	-	-	2
Total					**369**	**201**	**511**

Shares and participations in foreign Group companies

Unlisted

NIS 2 A/S	Köpenhamn, Danmark	100	1900000	1 694	1,614	-
Total				**1,694**	**1,614**	**-**

Total shares and participations in Group companies	**1,815**	**511**
Opening balance	**511**	**820**
Acquisition	1,614	-
Merger	-397	-
Liqvidation	-2	-825
Other	-11	-
Reversed impairment charges	100	516
Closing balance	1,815	511

*) The company was liquidated during the financial year
**) The company was merged with Trygg-Hansa during the year
***) Fair value is defined as equity in subsidiaries

Note 18 Shares and participations in associates

SEKm	2013	2012
Shares and participations in associates	**15**	**15**

	Domicile	Reg. no.	Ownership, %	Number	Book value 2013	Book value 2012
Unlisted:						
Consulting AB Lennemark & Andersson	Örebro	556131-2223	27.27	1,500	11	11
Fastighetsaktiebolaget Inedal	Stockholm	556578-6315	20.71	3,107	4	4
Total shares and participations in associates					**15**	**15**

	2013	2012
Opening balance	15	15
Changes during the year	-	-
Closing balance	15	15

Note 19 Bonds and other fixed-income securities

Bonds and other fixed-income securities SEKm	2013	2012
Swedish government	9,710	10,517
Swedish mortgage institutions*	8,849	9,658
Other Swedish issuers	387	266
Foreign governments	27	28
Other foreign issuers	2,799	2,994
	21,772	**23,463**

	Amortized cost	Amortized cost
Listed		
Swedish government	9,131	9,343
Swedish mortgage institutions*	8,716	9,172
Other Swedish issuers	379	257
Foreign governments	26	27
Other foreign issuers	2,876	2,920
Total	**21,128**	**21,719**

	Fair value	Fair value
Listed		
Swedish government	9,710	10,517
Swedish mortgage institutions*	8,849	9,658
Other Swedish issuers	387	266
Foreign governments	27	28
Other foreign issuers	2,799	2,994
Total	**21,772**	**23,463**
Total bonds and other fixed-income securities	**21,772**	**23,463**

	Fair value	Fair value
***Largest issuers**		
Stadshypotek	1,206	1,477
Nordea	1,638	1,642
SCBC	1,058	1,839
SEB Bolån	1,527	2,138
Swedbank Hypotek	1,861	2,207
	7,290	9,303

Financial assets and liabilities per category **SEKm**

2013

Financial assets	**Assets determined to belong to the category at fair value through P&L**	**Loan receivables**	**Total reported value**	**Fair value**	**Cost value**
Shares and participations	1,619	-	1,619	1,619	1,630
Bonds and other fixed-income securities	21,772	-	21,772	21,772	21,128
Other loans	-	2,048	2,048	2,048	2,048
Other financial assets	-	1,830	1,830	1,830	1,830
Derivates	9	-	9	9	9
Receivables	-	3,180	3,180	3,180	3,180
Accrued income	-	371	371	371	371
Total assets	**23,400**	**7,429**	**30,829**	**30,829**	**30,197**

2013

Financial liabilities	**Liabilities determined to belong to the category at fair valute through P&L**	**Held for trading**	**Other financial liabilities**	**Total reported value**	**Fair value**
Deposits from reinsurers	-	-	6	6	6
Other liabilities	-	-	423	423	423
Total liabilities	-	-	**429**	**429**	**429**

SEKm

2012

Financial assets	**Assets determined to belong to the category at fair valute through P&L**	**Loan receivables**	**Total reported value**	**Fair value**	**Cost value**
Shares and participations	1,486	-	1,486	1,486	1,658
Bonds and other fixed-income securities	23,463	-	23,463	23,463	21,719
Other loans	-	96	96	96	96
Other financial assets	-	526	-	-	526
Derivat	6	-	6	6	6
Receivables	-	3,158	3,158	3,158	3,158
Accrued income	-	398	398	398	398
Total assets	**24,955**	**4,178**	**28,607**	**28,607**	**27,561**

2012

Financial liabilities	**Liabilities determined to belong to the category at fair valute through P&L**	**Held for trading**	**Other financial liabilities**	**Total reported value**	**Fair value**
Deposits from reinsurers	-	-	20	20	20
Other liabilities	-	-	556	556	556
Total liabilities	-	-	**576**	**576**	**576**

Disclosures on financial assets at fair value
The valuation is based on information from observable markets.
Level 1- fair value is determined on the basis of prices quoted in an active market
Level 2 - fair value is determined on the basis of direct or indirect market data that is not included in Level 1
Level 3 - fair value is determined on the basis of data that is not observable in the market
Shares in associated companies are valued on the basis of Trygg-Hansa´s share of equity in the respective companies.
Currency forwards are valued according to the spot exchange rate on 31 December.

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares and participations	1,537	-	82	**1,619**
Bonds and other fixed-income securities	21,772	-	-	**21,772**
Derivatives	-	-	9	**9**
Total	**23,309**	**-**	**91**	**23,400**

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Shares and participations	1,418	-	67	**1,485**
Bonds and other fixed-income securities	23,464	-	-	**23,464**
Derivatives	-	-	6	**6**
Total	**24,882**	**-**	**73**	**24,955**

Note 20 Reinsurers' share of provision for unearned premiums and unexpired risks

Reinsurers' share of provision for unearned premiums and unexpired risks SEKm	2013	2012
Provision for unearned premiums		
Opening balance	322	229
Insurance portfolio taken over in the Sveland merger	0	-
Change for the year	-293	93
Exchange difference	-	-
	29	**322**

Note 21 Reinsurers' share of provision for claims outstanding

Reinsurers' share of provision for claims outstanding SEKm	2013	2012
Incurred and reported claims		
Opening balance	1,477	1,120
Insurance portfolio taken over in the Sveland merger	66	
Change for the year	-89	396
Exchange difference	1	-39
	1,455	1,477
Incurred but not reported (IBNR) claims		
Opening balance	142	42
Change for the year	53	100
Exchange difference	-	-
	195	142
Opening balance	1,619	1,162
Insurance portfolio taken over in the Sveland merger	66	
Change for the year	-36	496
Exchange difference	1	-39
	1,650	**1,619**

Note 22 Debtors arising out of direct insurance operations

Debtors arising out of direct insurance operations SEKm	2013	2012
Receivables from policyholders	2,678	2,533
Receivables from insurance brokers	0	-
Receivables from insurance companies	72	68
	2,750	**2,601**

Note 23 Deferred Tax

Deferred tax* SEKm	2013	2012
Deferred tax at start of year	350	-26
Deferred tax at start of year Sveland	1	-
Change in tax depreciation	-18	2
Change in pension agreements	5	8
Change in tax revaluation on investments	-365	363
Change in tax rates	-	3
Deferred tax at year-end	**-27**	**350**
Specification of deferred tax, closing balance		
Land and buildings	0	19
Financial assets	-	363
Pension provisions	-27	-32
	-27	**350**

* (-) is a receivables and (+) is a liability

Trygg-Hansa's have non capitalised loss carryforward.

Note 24 Tax receivable/ Tax payable

Tax assets/ Tax liabilty*	SEKm	2013	2012
		470	-524
Sveland Merger		-2	-
Paid tax for the year		214	589
Paid tax for previous years		3	524
Real Estate Tax		-8	-8
This year's income tax		-755	-111
		-78	**470**

* (+) is a receivables and (-)is a liability

Note 25 Other debtors

Other debtors	SEKm	2013	2012
Receivable from Group companies		10	11
Tax account		188	0
Other		17	11
		215	**22**

Note 26 Tangible assets

Tangible assets	SEKm		
Equipment		**2013**	**2012**
Opening balance		294	281
Purchases		9	13
Sales/disposals			-
Closing accumulated cost		303	294
Opening depreciation		-262	-244
Sales/disposals			-
Depreciation for the year		-17	-18
Closing accumulated depreciation		-279	-262
Closing carrying amount		**24**	**32**

Note 27 Deferred acquisition costs

Deferred acquisition costs	SEKm	2013	2012
Opening balance, before ceded reinsurance		329	324
This year´s capitallisation		313	329
This year's write down		-71	-35
This year´s depreciation		-258	-289
		313	**329**

Note 28 Other prepaid expenses and accrued income

Other prepaid expenses and accrued income	SEKm	2013	2012
Prepaid expenses		37	40
		37	**40**

Not 29 Equity

The share capital is divided among 1,700 shares with a par value of SEK 100,000 per share. The Board of Directors proposes a dividend of SEK 2,700m(-), corresponding to a dividend of SEK 1,588,235 (-) per share.The number of shares was not changed during the year.

Note 30 Provision for unearned premiums and unexpired risks

Provision for unearned premiums and unexpired risks SEKm	2013	2012
Provision for unearned premiums		
Opening balance	4,144	3,957
Insurance portfolio taken over in the Sveland merger	56	
Change for the year	133	188
Exchange difference	-	-1
	4,333	**4,144**

Note 31 Provision for claims outstanding

The provision for claims outstanding is not discounted, with two exceptions. The provision for claims outstanding for disability and accident insurance has been discounted, as has been the provision for life annuities. Future claims payments have been calculated based on an assumption of general, future claims inflation of 1.75% per year.

An average discount rate of 2.28% (1.66%) has been used for discounting disability and accident insurance reserves. Provisions for claims outstanding after discounting disability and accident reserves amount to SEK 16,227 m. The corresponding amount without discounting is SEK 17,006 m.

The reserves for life annuities have been discounted with the interest ratecurve for the period. The calculation is made in accordance with the SFSA regulation (FFFS 2013:231) regarding setting of interest rates for technical provisions.For discounting of reserves for life annuities, an average discount rate of 2.89% (2.08%) has been used. Provisioned reserves for life annuities after discounting amount to SEK 4,322 m. The corresponding amount without discounting is SEK 6,638 m.

Provision for claims outstanding SEKm	2013	2012
Incurred and reported claims		
Opening balance	9,501	9,353
Insurance portfolio taken over in the Sveland merger	159	
Change for the year	-805	184
Exchange difference	0	-36
	8,855	9,501
Incurred but not reported (IBNR) claims		
Opening balance	6,714	6,996
Insurance portfolio taken over in the Sveland merger	83	
Change for the year	-140	-282
Exchange difference	-	-
	6,657	6,714
Provision for property & casualty annuities and disability annuities		
Opening balance	4,725	4,497
Change for the year	-403	228
	4,322	4,725
Provision for claims handling costs		
Opening balance	665	700
Insurance portfolio taken over in the Sveland merger	9	
Change for the year	41	-35
Valutakursförändring	-	-
	715	665
Total		
Opening balance	21,605	21,546
Insurance portfolio taken over in the Sveland merger	251	
Change for the year	-1,307	95
Exchange difference	0	-36
	20,549	**21,605**
Change in provision for claims outstanding during the year		
Undiscounted provisions for claims outstanding at start of year	24,009	24,042
Currency adjustments	0	0
Undiscounted provisions for claims outstanding at start of year, adjusted	**24,009**	**24,042**
Discounting	-2,404	-2,496
Provision for claims outstanding at start of year	21,605	21,546
Insurance portfolio taken over in the Sveland merger	251	
Paid out during the year	-7,974	-7,167
Change in obligations		
- current year	3,896	3,936
- previous years	-5,203	-3,841
Currency adjustments	0	-1
Undiscounted provisions for claims outstanding at end of year	23,643	24,009
Discounting	-3,094	-2,404
Provision for claims outstanding at end of year	**20,549**	**21,605**

Note 32 Provision for pensions and similar obligations

Together with other financial companies in Sweden, Trygg-Hansa has entered into a collective agreement for employee pensions. This pension agreement has been entered into through Försäkringsbranschens Pensionskassa (FPK) and entails that Trygg-Hansa and the other companies each have an obligation to pay their respective employees' pensions in accordance with set rules. The FPK pension plan can be regarded as a defined benefit plan.

Trygg-Hansa does not have access to information that would enable reporting in accordance with IAS 19; therefore, in accordance with UFR 6, these plans are reported as defined contribution plans.

The company has also entered into agreements for defined contribution pension plans, in accordance with collective agreements. For defined contribution plans, the employer is obligated to pay a set contribution (such as a fixed amount or percentage of salary). For such plans, the company bears no risk with respect to future developments in interest rates, inflation, mortality or invalidity. This is the opposite of a defined benefit plan, where the employer is obligated to pay a benefit, such as a fixed amount or a percentage of the employee's final salary.

The company's obligations regarding contributions to defined contribution plans are reported as an expense in the income statement in pace with the employees' earnings of such contributions, as the employees perform services for the company during a given period.

Premiums paid to FPK during the year amounted to SEK 117 m (119). The most recently available disclosures from FPK regarding surplus assets on all subscribed pensions are from the financial statements for the first half of 2013, where solvency amounts to 114% (106% as per 31 December 2012), based on distributable assets in relation to the obligations to employers and insureds (guaranteed obligations and allocated bonuses).

Age 62 pensions
Under collective agreements, Trygg-Hansa employees born in 1955 or earlier have the right to retire at 62 years of age. Employees who elect to exercise this opportunity for the time between the chosen and ordinary age of retirement receive compensation from their employer based on a computation from FPK.

Provision for pensions and similar obligations	**SEKm**	**2013**	**2012**
Opening balance		145	176
	0	-3	-13
Provision/dissolution for the year		9	7
Interest expense		2	3
Actuarial gain and loss		-	3
Paid out during the year		-31	-31
Closing balance		**122**	**145**
Amount at which the provision is expected to be paid after more than 12 months		109	124
The calculated provision for pensions is based on the following assumptions:			
Discount rate		1.5%	1.5%
Anticipated salary increases		3.0%	3.0%
Assumption of the exploitation		85.0%	85.0%

Note 33 Creditors arising out of direct insurance operations

Creditors arising out of direct insurance operations	**SEKm**	**2013**	**2012**
Payable to policyholders		90	109
Payable to insurance brokers		4	4
Payable to insurance companies		0	5
		94	**118**

Note 34 Other creditors

Other creditors	**SEKm**	**2013**	**2012**
Payable to Group companies		12	171
VAT payable		57	40
Trade accounts payable		103	71
Other		251	274
		423	**556**

Not 35 Other accrued expenses and deferred income

Other accrued expenses and deferred income	**SEKm**	**2013**	**2012**
Accrued personnel related costs		315	331
Other accrued expenses		157	155
Deferred income		0	7
		472	**493**

Note 36 Anticipated recovery dates for assets and liabilities

This table shows an analysis of assets and liabilities based on the anticipated dates for recovery or elimination from the books of all assets and liabilities on the balance sheet. No liabilities have anticipated recovery dates in excess of 5 years.

2013

Assets SEKm	**Not more than 1 year**	**More than 1 year**	**Total**
Intangible assest			
Goodwill	13	67	80
Other intangible assets	-	357	357
	13	**424**	**437**
Investments			
Land and buildings	-	16	16
	-	**16**	**16**
Investments in Group companies and associates			
Shares and participations in Group companies	-	1,815	1,815
Loan to Parent company	-	1,200	1,200
Loans to Group companies	848	-	848
Shares and participations in associates and other companies	-	15	15
	848	**3,030**	**3,878**

	Not more than 1 year	**More than 1 year**	**Total**
Other financial assets			
Shares and participations	1,619	-	1,619
Bonds and other fixed-income securities	1,872	19,900	21,772
Derivates	9	-	9
	3,500	**19,900**	**23,400**
Deposits with ceding undertakings	7	-	7
	7	**-**	**7**

2013

Assets SEKm	**Not more than 1 year**	**More than 1 year**	**Total**
Reinsurers' share of technical provisions			
Provision for unearned premiums and unexpired risks	29	-	29
Provision for claims outstanding	314	1,336	1,650
	343	**1,336**	**1,679**
Debtors			
Debtors arising out of direct insurance operations	2,750	-	2,750
Debtors arising out of reinsurance operations	215	-	215
Deferred tax asset	27	-	27
Other debtors	215	-	215
	3,207	**-**	**3,207**
Other assets			
Tangible assets and inventories	24	-	24
Cash and bank balances	1,007	-	1,007
	1,031	**-**	**1,031**
Prepaid expenses and accrued income			
Accrued interest and rental income	371	-	371
Deferred acquisition costs	313	-	313
Other prepaid expense and accrued income	37	-	37
	721	**-**	**721**
Total assets	**9,657**	**24,706**	**34,376**

2012 Assets SEKm	Not more than 1 year	More than 1 year	Total
Intangible assets	-	507	507
	-	**507**	**507**
Investments			
Land and buildings	-	1,116	1,116
	-	**1,116**	**1,116**
Investments in Group companies and associates			
Shares and participations in Group companies	-	511	511
Loans to Group companies	-	96	96
Shares and participations in associates and other companies	-	15	15
	-	**622**	**622**
Other financial assets			
Shares and participations	1,486	-	1,486
Bonds and other fixed-income securities	3,151	20,312	23,463
Derivates	6	-	6
	4,643	**20,312**	**24,955**
Deposits with ceding undertakings	8	-	8
	8	**-**	**8**

2012 Assets SEKm	Not more than 1 year	More than 1 year	Total
Reinsurers' share of technical provisions			
Provision for unearned premiums and unexpired risks	322	-	322
Provision for claims outstanding	440	1179	1,619
	762	**1,179**	**1,941**
Debtors			
Debtors arising out of direct insurance operations	2,601	-	2,601
Debtors arising out of reinsurance operations	65	-	65
Tax asset	470	-	470
Other debtors	22	-	22
	3,158	**-**	**3,158**
Other assets			
Tangible assets and inventories	32	-	32
Cash and bank balances	1,813	-	1,813
	1,845	**-**	**1,845**
Prepaid expenses and accrued income			
Accrued interest and rental income	398	-	398
Deferred acquisition costs	329	-	329
Other prepaid expense and accrued income	40	-	40
	767	**-**	**767**
Total assets	**11,183**	**23,736**	**34,919**

2013 **SEKm**

Liabilities	**Not more than 1 year**	**More than 1 year**	**Total**
Technical provisions before ceded reinsurance			
Provision for unearned premiums and unexpired risks	4,333	-	4,333
Provision for claims outstanding	3,908	16,641	20,549
	8,241	**16,641**	**24,882**
Other provisions			
Pensions and similar obligations	13	109	122
Taxes	0	-	0
Other provisions	35	-	35
	48	**109**	**157**
Deposits from reinsurers	6	-	6
	6	**-**	**6**
Creditors			
Creditors arising out of direct insurance operations	94	-	94
Creditors arising out of reinsurance operations	0	-	0
Tax liability	78	-	78
Other creditors	423	-	423
	595	**-**	**595**
Accrued expenses and deferred income			
Other accrued expenses and deferred income			
Other accrued expenses and deferred income	446	26	472
	446	**26**	**472**
Total provisions and liabilities	**9,336**	**16,776**	**26,112**

2012
Liabilities **SEKm**

	Not more than 1 year	**More than 1 year**	**Total**
Technical provisions before ceded reinsurance			
Provision for unearned premiums and unexpired risks	4,144	-	4,144
Provision for claims outstanding	3,378	18,227	21,605
	7,522	**18,227**	**25,749**
Other provisions			
Pensions and similar obligations	21	124	145
Taxes	350	0	350
Other provisions	57	-	57
	428	**124**	**552**
Deposits from reinsurers	20	-	20
	20	**-**	**20**
Creditors			
Creditors arising out of direct insurance operations	118	-	118
Creditors arising out of reinsurance operations	140	-	140
Other creditors	556	-	556
	814	**-**	**814**
Accrued expenses and deferred income			
Other accrued expenses and deferred income			
Other accrued expenses and deferred income	490	3	493
	490	**3**	**493**
Total provisions and liabilities	**9,274**	**18,354**	**27,628**

Note 37 Average number of employees; wages, salaries and remuneration

Average number of employees	**2013**	**2012**
Sweden		
Salaried employees	1,735	1,725
- of whom, men	937	966
Norway		
Salaried employees	12	12
- of whom, men	7	7
Total	**1,747**	**1,737**

Salaries and other remuneration, and social security cost MSEK	**2013**	**2012**
Salaried employees, salaries and other remuneration	999	1,002
Salaried employees, social security costs*	565	607
Total	1,564	1,609
*- of which, pension costs	258	299
Total	**1,564**	**1,609**

Part-time and special agents, number		
Part-time and special agents, number	32	48
Part-time and special agents, remuneration	0	0

The total expensed amount for severance pay in 2013 was SEK 38 m (17) and pertained to 37 (28) persons
The closing reserve for 2013 amounted to SEK 28 m (12), for 32 (22) persons. A total of SEK 28 m (6) in severance pay was paid out in 2013.

NUMBER AND REMUNERATION, SENIOR EXECUTIVES	**2013**	**2012**
Number of senior executives		
Board*	9	7
CEO and other senior executives**	4	4
Total	13	11
*Of whom, men	5	4
**Of whom, men	4	4

By other senior executives is meant the Group management excluding the CEO.

SEKm

Remuneration of senior executives, 2013	Base salary and benefits	Bonuses***	Other variable remuneration*	pension costs	Total
Board of Directors ****)	0	-	-	-	0
CEO **)	10	-	-	-	10
Other senior executives	8	3	4	1	16
	18	3	4	1	26

* Other variable remuneration is vested share-based payment which are presentaded in detailj page 57.
**) The CEO's remuneration is paid out in Denmark and the UK, and is invoiced and expensed in Sweden.
bonus is reserved by 2 million to the CEO. No bonus will be paid as the CEO's resigns by end of March 2014
***) Bonus not yet paid related to prior year amounts to SEK 5 m.
****)Directors' fees were paid to Anders Ehrling of 0,2 (0,2)SEKm and to Synöve Trygg of 0,2 (0,2) SEKm.
Other Board members are employees of the RSA Group and carries no fees.

Remuneration of senior executives, 2012	Base salary and benefits	Bonuses***	Other variable remuneration*	pension costs	Total
Board of Directors	0	-	-	-	0
CEO	4	2	2	-	8
Other senior executives	8	3	2	1	14
	12	5	4	1	22

Management and Board of Directors

By other senior executives is meant the Group management excluding the CEO. The table above shows only the senior executives who have their employment with Trygg-Hansa. In addition to these persons, the total Group management also consists of 7 (7) persons employed by Codan A/S, Codan Forsikring A/S and RSA.

Board members who are employed within the RSA Group receive no directors' fees. For the other board members, a fee is paid in accordance with a decision by the Annual General Meeting, which in 2013 amounted to SEK 400 thousand (400). Remuneration for the CEO and other senior executives consists of a base salary, bonus, other variable remuneration, and other benefits including pension insurance. By other senior executives is meant the 3 persons in the company management who, together with the CEO, are employed by Trygg-Hansa

For management and the CEO, each year a proposal for salary adjustment and variable remuneration, including bonuses, is presented to RSA's Remuneration Committee. A salary comparison is done with corresponding executives at RSA in addition to an external salary comparison. In addition, RSA's Remuneration Committee presents an approved recommendation for changes to the Chairman of the Board, who decides on execution and payment. The bonus for the CEO may amount to a maximum of 112% of his fixed base salary, and for the other members of management it may amount to a maximum of 106%.

Trygg-Hansa is part of the Codan Group, and the organisation is built up according to a Nordic structure. The respective employees' remuneration is charged to the company in the Group in which the services are performed. The company's CEO has a special employment contract with Trygg-Hansa and Codan A/S. The amounts stated above include only remuneration pertaining to the CEO's employment with Trygg-Hansa. The CEO's total payed remuneration amounts to SEK 13 m (12), as indicated in note 7 of Codan A/S annual report.

The retirement age for senior executives is 65. In addition to benefits under the insurance industry's pension plan, members of the Group management who are employed by Trygg-Hansa receive a supplementary pension benefit, which is a defined contribution solution. The CEO's pension plan is a defined contribution solution in its entirety. Senior executives are covered by a defined benefit pension plan with a level of benefits corresponding to 65% (FTP) plus benefits provided under the supplementary FTPK plan. As a supplement to this, they are covered by a defined contribution so-called management plan with contributions amounting to 30% of salary amounts higher than 30 times the Income Base Amount.

The CEO and management have a six-month notice period for their own initiative and a 12-month notice period in the event the employer serves notice. Salary and benefits are payable during the notice period.

VARIABLE COMPENSATION

Trygg-Hansa has a programme for variable compensation that reward employees in both the short and long term. Trygg-Hansa's programme follow the Swedish Financial Supervisory Authority's general guidelines, FFFS 2011:2.

Bonus Programme
Trygg-Hansa employees have been included in a Bonus Programme since 2006. The Bonus Programme is revised yearly. As a main principle, all employees of Trygg-Hansa are included in the programme. As from 1 January 2010, employees in control functions are excluded from the Bonus Programme. The aim of Trygg-Hansa's bonus programme is to support the company's work with management by objective, reward good work performance, and attract and retain talented employees.

The bonus outcome for individual employees is dependent on two factors: the company's financial performance (profitable growth) and individual performance. Individual performance is measured in relation to the achievement of certain targets and the extent to which the employee works in accordance with the company's values. These factors have different weight, depending on which position the employee has in the organisation. The outcome of bonuses related to the company's financial performance is decided on by the Board with the help of a risk assessment.

Long Term Incentive Plan
The aim of the Long Term Incentive Plan is to encourage focus and stimulate the employees' interest in the company's long-term objectives. The programme's design provides opportunities for different types of share grants. Several of these share grants are conditional upon performance criteria. Group management and managers at certain levels have the opportunity to be covered by share grants.

Voluntary Deferred Shares are purchased by participants from net bonus payable (limited to a maximum value of 33% of net bonus). For management, RSA's Remuneration Committee may recommend deferment of part of an individual's bonus (limited to 33% of the bonus) into an award over shares referred to for the purpose of the plan as the Compulsory Deferred Plan. Deferred Shares are held in trust for three years, and the right to these is normally forfeited when the employee leaves the company.

RSA's Remuneration Committee may recommend an award of additional shares on a matched basis to Voluntary and Compulsory Deferred Shares (Matching Shares). Additionally, RSA's Remuneration Committee may recommend a limited award of Performance Shares. Awards of Performance Shares and Matching Shares related to Compulsory Deferred Shares are subject to a performance condition, consisting of a return on equity target and a total shareholder return target (with performance measured by comparison against other European insurance companies over a single three-year performance period). Matching Shares related to Voluntary Deferred Shares are subject to performance conditions.

Other employees in managerial positions or senior specialist roles are eligible to receive grants of Restricted Shares. Restricted Shares are granted on the basis of the individual's performance and potential. Restricted Shares are not tied to performance targets.

The reported, expensed remuneration for 2013 is based on short-term variable remuneration earned in 2013 (paid out during the first half of 2014), and long-term variable remuneration earned as part of RSA's Long Term Incentive Plan, with grants during the second quarter of 2013. The long-term remuneration component is granted during the second quarter and pertains to 2013. The earnings period pertains to 2013 and represents the best picture of earned long-term remuneration.

The allocation date for all grants is three years from the date of grant.
Sharesave is a share saving program that is open for all employees.

Management participation in share-shave incentive programmes as per 31 december.

SEK m	Executive Share Option Plan *)		Long Term Incentive Plan		Share Saving Option Plan	
	Shares	Price	Shares	Price	Shares	Price
Options outstanding at 1 January	0	-	916,805	-	28,800	6
Granted during the financial year	-	-	332,261	-	-	-
Exercised during the financial year	-	-	-265,724	-	-	-
Forfeited during the financial year	-	-	-	-	-	-
Expired during the financial year	-	-	-199,861	-	-	-
Options outstanding at 31 December	0	-	783,481	-	28,800	6
Possible grant of Matching Shares	-	-	1,168,179	-	-	-
Options exercisable at year-end	-	-	-	-	-	-

*) This plan is not open for the award anymore, it runs until 2017.

Additional, detailed information can be found in RSA's Annual Report, which can be obtained from **www.rsagroup.com**.

Group management and Board of Directors
There are no incentive programmes for the Board of Directors. Group management is covered by the short-term and long-term incentive programmes described above. Trygg-Hansa's board of directors has adopted a remuneration policy.

Disclosure obligation according to the Financial Supervisory Authority's general guideline FFFS 2011:2
A more detailed account of Trygg-Hansa's remuneration is provided in a separate report, which has been published on Trygg-Hansa's website under "Financial information". See **www.trygghansa.se**.

Note 38 Related party disclosures

Owner
Codan A/S owns 100% of the shares in Trygg-Hansa Försäkringsaktiebolag (publ) and thus has control over the company.

Related parties
The company's related parties consist of members of the Board of Directors, management and related entities, the boards, managements and senior executives of these companies, and family members of these individuals. Related parties also include companies in which the above-mentioned individuals have significant interests.

The Board is responsible for identifying and managing potential conflicts of interest within Trygg-Hansa and has established guidelines for dealing with conflicts of interest for the company internally and externally. On 1 February 2010 this responsibility was transferred to a board member who is independent from RSA.

Apart from normal remuneration of management, no transactions, except for those described below, have taken place during the year with the Board of Directors, management, senior executives, shareholders or other related parties.

Agreements have been entered into regarding the day-to-day operations between companies in the RSA Group. These pertain to the operations of Sveland Sakförsäkring, Holmia Livförsäkring, Codan Forsikring and the parent company RSA. Reinsurance contracts have been entered into with companies in the Codan Group and with companies in the RSA Group at market terms.

Related party transactions
The company provides complete or partial administration for its Swedish subsidiaries. This pertains to claims settlement, premium handling, accounting services, legal services, sales, marketing, etc. The company receives market-based compensation for this based on agreements signed by the respective companies' boards.

Trygg-Hansa pays compensation to RSA for certain services that are performed by RSA employees as well as continuing cost compensation for e.g., training programmes in which the company's employees participate, share programmes for the company's employees, etc.

Administrative fees payable to and receivable from companies in the Codan Group are settled on a cost-coverage basis. Rents paid between related operations are settled at market terms. For employees who also perform duties for Codan in Denmark, periodic invoicing is done to Codan based on the share of the respective person's work time and salary cost. In a similar way, Trygg-Hansa is invoiced for employees of Codan who perform work for Trygg-Hansa.

Under the terms of an outsourcing agreement, Trygg-Hansa conducts all premium handling and claims settlement for Holmia Livförsäkring, which entails that these transactions are channelled through Trygg-Hansa.

In November Trygg-Hansa sold the Brädstapeln 15 property to the subsidiary Brädstapeln Fastighets AB. A lease has been signed between Trygg-Hansa and Brädstapeln Fastighets AB.

Trygg-Hansa has loans totalling SEK 848 m to the subsidiary Brädstapeln Fastighets AB for the purpose of financing property purchases. The loans carry a market rate of interest. In other respects, dealings between Trygg-Hansa and Group companies and the parent company are of a continuing character. Dealings between Trygg-Hansa and the subsidiary Holmia Liv, which lacks its own administration, are settled on a regular basis. During the year, Trygg-Hansa invested SEK 1,200 m in interest-bearing loans to the parent company Codan A/S. Also during the year, Trygg-Hansa's wholly owned subsidiary NIS 2 A/S invested in interest-bearing loans totalling DKK 1,400 m to Codan A/S, corresponding to SEK 1,614 m as per 31 December 2013.

Codan and RSA negotiate and administer parts of the company's reinsurance cover. Settlement is conducted on a regular basis and at market terms.

Reinsurance programme
The company has decided to, as per 1 january 2014, not reserve the reinsurance program with RSA Reinsurance Ireland Ltd. Accordingly.

For information on remuneration of senior executives, see Note 37.

SEKm

Related party disclosures with RSA	**2013**	**2012**
Sales of goods and services:		
– Joint group programmes	1	2
Purchases of goods and services:		
– option programs	6	2
– services provided by RSA	52	41
– ceded reinsurance	61	64
Intercompany:		
– receivable	223	-
– liability	-	92

Related party disclosures with Codan A/S and Codan Forsikring A/S	**2013**	**2012**
Sales of goods and services:		
– cost of work performed between Trygg-Hansa and Codan Forsikring A/S	43	117
– provision from Codan Forsikring A/S	5	21
– interest on loans Codan A/S	34	-
Purchases of goods and services:		
– services Codan A/S	6	2
– services Codan Forsikring A/S	49	58
Other		
– Group contribution to Codan Forsikring A/S	-	55
– dividend to Codan A/S, paid	-	2,700
Intercompany:		
– receivable Codan A/S	1,200	13
– receivable Codan Forsikring A/S	50	42

Related party disclosures with subsidiaries	**2013**	**2012**
Holmia Livförsäkring AB		
Sales of goods and services:		
– according to cooperation agreement	37	33
Purchases of goods and services:		
– flow of premiums	167	161
– flow of claims	63	60
Intercompany:		
– liability	5	4
Sveland Sakförsäkring AB*		
Sales of goods and services:		
– service rendered administration	-	18
– flow reinsurance	-	1
Purchases of goods and services:		
– conditional shareholder contribution		115
Intercompany:		
– liability	-	98

Related party disclosures with subsidiaries	**2013**	**2012**
WL Insurance AB*		
Purchases of goods and services:		
– Group contribution	-	10
Intercompany:		
– liability	-	7
Brädstapeln Fastighets AB		
Sales of goods and services:		
– interest on loans	5	2
Purchases of goods and services:		
– Group contribution	-	-
Intercompany:		
– receivable	857	101
Other subsidiries		
Intercompany:		
– liability	-	-

* Sveland Sakförsäkringar AB was merged with Trygg-Hansa Försäkrings AB in 2013. See Note 41 for further information. In addition, during 2013 the company WL Insurance AB was liquidated.

Note 39 Pledged assets

Pledged assets
The following assets are registered to cover liabilities pertaining to technical provisions. In the event of insolvency, the policyholders have preferential rights to the registered assets. During the course of the company's business, the company has the right to transfer assets in and out of the register as long as all insurance obligations are covered in accordance with the Swedish Insurance Business Act.

SEKm	2013	2012
Bonds, State and municipality	13,750	14,232
Other bonds	12,699	13,397
Shares in public limited liability companies	1,537	1,439
Real estate	857	857
	28,843	**29,925**
Assets covered by special preferential rights	**28,843**	**29,925**
Less: required pledging	-23,133	-23,828
Non-required pledging	5,710	6,097
Financial obligations		
Service agreements (IT and telephony)	271	274
Sponsoring agreements	15	14
Fund investment	78	108
Financial obligations	**364**	**396**

Operating lease comitments

Operating lease commitments where Trygg-Hansa is the lessee	**2013**	**2012**
The future aggregate minimum lease payments under non cancellable operating leases are as follows:		
SEKm		
One year or less	49	37
Between one and five years	83	112
After five years	-	-
Total	**132**	**149**

Note 40 Specification of cash flow statement

Specification of cash flow statement

SEKm	2013	2012
Interest and dividends		
Interest received	921	1,040
Interest paid	-5	-4
Dividend received	65	99
Total interest and dividends	**981**	**1,135**

Note 41 Changes in subsidiaries

The subsidiary Sveland Sakförsäkringar (reg. no. 516406-0229) was merged with Trygg-Hansa, in December 2013.

As per 7 May 2013 Trygg-Hansa acquired 100% of the shares in NIS 2 A/S. Trygg-Hansa paid consideration of SEK 1,614 m for 1,900,000 shares.

The total book value of shares in the subsidiary NIS 2 A/S was SEK 1,614 m (–) at year-end.

Other subsidiaries

During the year, the company WL Insurance AB was liquidated.

Merger Sveland

Calculation of merger difference	Sekm
Assets	604
Goodwill	93
Elimination intangible asset	-13
Liabilities	-329
share/acquisition price	-297
Merger difference	58

Sveland Sakförsäkringar AB was merged with Trygg-Hansa Försäkrings AB on 2 December 2013.
The effect on equity in Trygg-Hansa was SEK 58 m (merger difference).

Sveland Sakförsäkringar AB **INCOME STATEMENT** **1/1/2013-2/12/2013**	**Sekm**
Technical account **property & casualty insurance business**	
Premiums earned, net of reinsurance	99
Allocated investment return transferred from the non technical account	2
Claims incurred,net of reinsurance	-69
Operating expenses	-19
Balance on the technical account, property & casualty insurance business	**13**
Investment return	3
Allocated investment return transferred from the non technical account	-2
Result before appropriations and tax	**14**
Tax on profit for the period	-3
Profit for the period	**11**

Sveland Sakförsäkringar AB **BALANCE SHEET** **Assets**	**2/12/2013** **Sekm**	**31/12/2012** **Sekm**
Investments	349	349
Reinsurers share of ínsurance liabilities	34	66
Debtors	128	145
Other assets	22	35
Prepayments and accrued income	9	9
Total assets	**542**	**604**

Sveland Sakförsäkringar AB **BALANCE SHEET** **Equity, provisions and liability**	**2/12/2013** **Sekm**	**31/12/2012** **Sekm**
Equity	286	275
Technical provisions	238	308
Other provisions	1	2
Creditors	16	18
Accruals and deferred income	1	1
Total Equity, provisions and liability	**542**	**604**

Note 42 Important estimations and assessments

Company management has discussed the development, choice and disclosures pertaining to significant accounting policies, estimations and uncertainties, as well as the application of these policies and estimations.

Significant assessments regarding application of the company’s accounting policies
Company management is of the opinion that no significant changes are needed in the applied accounting policies. The most important assessments made during the year pertain to the size of the technical provisions.

With respect to valuation of the investments, fewer assessments were made since the majority of investments are based on observable market prices or, as in the case of land and buildings, external appraisals.

Significant sources of uncertainty in estimations
Following is an account of significant sources of uncertainty in estimations:

Technical provisions
Technical provisions are based on estimations and assumptions regarding future claim costs, which entails that the estimations always have some level of uncertainty. The estimations are based on historical statistics on previous claims that are available at the time the annual financial statements are prepared. The uncertainty concerning estimations is generally greater for estimations of new insurance portfolios or such insurance portfolios in which claims settlement stretches over a long period of years, as complete statistics are still lacking for these. When estimating technical provisions, consideration is given to – among other things – the amount of unpaid claims, the claims trend, changes in legislation, judicial rulings, and the general economic trend.
Insurance risk is commented upon further in yhe note 2 where there is also aLoss Development Table.
A large part of property & casualty insurance pertains to obligatory accident insurance and motor third-party liability insurance. The largest uncertainties regarding these lines of business are the assumptions on inflation, mortality, the discount rate, and effects of changed legislation and legal practice. In 2013, management decided to apply the Financial Supervisory Authority’s new directive (FFFS 2013:03), which specifies a discount rate for life annuities that is adapted to Solvency II. Management is of the opinion that this results in a more accurate valuation through the discounting of these provisions.

Determining the fair value of financial instruments
For valuations of financial assets and liabilities for which there is no observable market practice, valuation techniques are used that are described in the accounting policies. This applies primarily for real estate, the value of which is determined with the help of external parties. For financial instruments with limited liquidity, the observed market price can be subjective. Therefore, for such instruments, certain additional assessments may be necessary, depending on the uncertainty of the market situation. The company has a large share of listed bonds with good liquidity and few cases of uncertain assessments.See further information in note 2.

Note 43 Events after the balance sheet date

In January 2014 Trygg-Hansa entered into an agreement with an external buyer on the sale of all of the shares in the previously wholly owned subsidiary Brädstapeln Fastighets AB. Through this sale, the Group has sold its office building on Fleminggatan.
On march 4 2014the company announced that the CEO Mike Holliday-Williams will leave RSA Group and Patrick Bergander will be interim CEO.

No events with a material effect the company’s operations or financial position have occurred after 31 December 2013. See also note 43.

CLASS ANALYSIS

SEK m	Direct insurance					
	Total	Disability and accident	third-party liability	Motor, other classes	aviation and transport	other property damage
Written premiums, gross	10,757	2,953	1,485	2,516	106	3,085
Premiums earned, gross	10,624	2,897	1,524	2,450	108	3,036
Claims incurred, gross	-6,667	-1,283	-554	-1,772	-70	-2,949
Operating expenses, gross	-1,681	-485	-195	-332	-18	-492
Result of ceded reinsurance	-605	-159	-39	-91	-15	-244

	General liability	Credit and surety	Legal protection	Assistance	Other classes	Reinsurance accepted
Written premiums, gross	288	-	207	25	0	92
Premiums earned, gross	286	-	205	25	0	93
Claims incurred, gross	111	-	-6	-18	0	-126
Operating expenses, gross	-83	-	-53	-3	0	-20
Result of ceded reinsurance	11	-	-6	-1	0	-61

Division into classes in accordance with Chapter 5 of 5 § 2 ÅRFL

Auditor's report

To the annual meeting of the shareholders of Trygg-Hansa Försäkringsaktiebolag (publ), corp. id. 516401-7799

Report on the annual accounts

We have audited the annual accounts of Trygg-Hansa Försäkringsaktiebolag (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance companies and present fairly, in all material respects, the financial position of Trygg-Hansa Försäkringsaktiebolag (publ) as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Other matters

The audit of the annual accounts for year 2012 was performed by another auditor who submitted an auditor´s report dated 29 April 2013, with unmodified opinions in the Report on the annual accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Trygg-Hansa Försäkringsaktiebolag (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Companies act for Insurance companies.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Companies act for Insurance companies, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 29 April 2014

KPMG AB

Mårten Asplund
Authorized Public Accountant

GENERAL INFORMATION

Management	***Board of Directors***
	David Weymouth, Chairman
	Fabrizio Moscone, Board Vanessa Evans, Board Synnöve Trygg, Board Richard Houghton, Board Patrick Bergander, Board and CEO Lena Darin, Employee representative Claes Hansson, Employee representative Lola Telin, Employee representative
Auditor	***Auditor elected by the Annual General Meeting***
	KPMG AB
Owner	Codan A/S, Copenhagen, owns all of the shares in Trygg-Hansa Försäkringsaktiebolag (publ). Codan A/S, in turn, is a wholly owned subsidiary of RSA Insurance Group plc London (RSA).

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Sverige
Besöksadress Fleminggatan 18
Telefon 075-243 10 00
Org. nr. 516401-7799
www.trygghansa.se

Codan
www.codan.dk

RSA Insurance Group
www.rsagroup.com