PROTECTION
PENSIONS
INVESTMENTS
HEALTHCARE
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SOLUTIONS

Skandia Liv
annual report 2009

A Member of the OLD MUTUAL Group

Skandia Liv is one of Sweden's largest life assurance companies. We are active in both private and occupational pensions and at year-end had SEK 281 billion in assets under management for some 1.2 million customers. Skandia Liv is a wholly owned subsidiary of Skandia, which has been a member of the London-based Old Mutual financial services and insurance group since 2006. Operationally, Skandia Liv is part of Skandia's Nordic division. Skandia Liv is run on a mutual basis, which means that the result of the company's operations accrues to Skandia Liv's policyholders.

year at a glance

JANUARY

The collective funding ratio was 91% at year-end 2008. According to Skandia Liv's funding policy, a reallocation is to be made if the collective funding ratio falls below 90%. Read more about Skandia Liv's funding policy on page 21.

FEBRUARY

In February 2009, the value of managed assets turns upward from a level of approximately SEK 247 billion. For more information about how Skandia Liv's asset management fared the turbulence in the world's capital markets, see pages 6-8 and 23-24.

MARCH

The provision for variable remuneration that was made in the 2008 year-end book-closing sparks a media debate. CEO Bengt-Åke Fagerman clarifies that the provision made in the accounts is not the amount that is subsequently paid out, but rather the highest possible outcome if the company delivers a very favourable result for its customers. Consequently, due to the weak result for 2008, no variable remuneration is paid out to the management for the 2008 financial year. Read more about variable remuneration on pages 65-67.

APRIL

The collective funding ratio turns upward after reaching a low point of 90%. Read more about movements in the collective funding ratio during the year on page 25.

MAY

In an op-ed article in Swedish daily newspaper Dagens Nyheter, Skandia Liv announces – as the first Swedish insurance company – that it will be charging a premium supplement to smokers for applicable policies as from 1 June 2009. The intention is not to profit on smokers, but to provide an incentive to quit smoking. The extra premium also aims to illuminate the health effects of smoking and thereby help lower the number of smokers in Sweden.

JUNE

Skandia Liv is one of six companies to get a share of SEK 1.4 billion in annual occupational pension premiums over a four-year period in a procurement process for approximately 77 company groups that joined together in an effort to obtain better terms through a group solution. Read more on page 21.

Insurance brokerage Max Matthiessen ranks Skandia Liv's investment portfolio as the one with the best growth potential relative to other life companies in Sweden.

The guaranteed rate is adapted to the prevailing market situation and is reduced from 2.75% to 2%. Read more on page 21.

contents

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total return

16.4%

Skandia Liv's total return was 16.4% (–13.4%).

solvency

164%

Skandia Liv's solvency level at year-end 2009 was 164% (128%).

bonus rate

4%

The bonus rate was adjusted once in 2009 and averaged 1.0% during the year. On 1 February 2010 the bonus rate was raised to 5%.

JULY
The result for the first half of 2009 amounts to SEK 42 billion, compared with SEK –23 billion for the first half of 2008 – an increase of SEK 65 billion. For more information about factors that affected Skandia Liv's result and performance in 2009, see page 22.

AUGUST
Skandia Liv announces that it has signed an entirely new asset management agreement with DnB NOR and selected a new asset manager for the company's international equity and fixed-income portfolios. For more information about the new agreement and how it affects Skandia Liv's customers, see page 7.

Following a period of low collective funding, the collective funding ratio once again climbs to above 100%.

SEPTEMBER
As one of 13 companies with major investments on the Stockholm Stock Exchange, Skandia Liv participates in the "Sustainable Value Creation" co-operation project in an effort to promote sustainable development and long-term value creation among listed Swedish companies. For more information, visit www.hallbartvardeskapande.se.

OCTOBER
Skandia takes initiatives to make Sweden healthier by launching a new disability insurance package. In Skandia's company health initiative, rehabilitation insurance is added in the aim of reducing sick leaves.

Skandia Liv raises its bonus rate to 4%. For more information about the principles of the bonus rate, see page 11.

NOVEMBER
Skandia Liv publishes a report that shows that many municipalities and county councils are breaking the law by not procuring pension plans in accordance with applicable legislation. For more information about the current situation and what improvements can be made for municipalities as well as taxpayers, see page 31.

DECEMBER
The total return on Skandia Liv's investment portfolio was 16.4% (–13.4%) for the year. Assets under management were SEK 281 billion, an increase of SEK 28 billion compared with the start of the year.

financial statements

calm amidst the storm

»Everything we do at Skandia Liv is with our customers' best interests in mind«

Everything we do at Skandia Liv is with our customers' best interests in mind. In late 2008 and early 2009 the world experienced one of the worst financial crises since the 1930s, followed by a stock market rise that few could foresee.

It is therefore gratifying to note that Skandia Liv is one of the life companies that fared the best through the financial turbulence in 2009. We averted a reallocation and were not forced to cut our policyholders' pension payments. We also raised the bonus rate. This puts us in a leading position ahead of the future regardless of whether equity prices go up or down.

The future looks favourable for our customers at Skandia Liv.

two steps forward – instead of one

Of course, Skandia Liv was not left unaffected by the crisis, which could be seen in a falling solvency level and collective funding ratio. The risk of a reallocation, i.e., being forced to reduce the policyholders' pension savings through a one-time measure, was highly present.

But when other companies opted to cut pension payments to their policyholders, Skandia Liv did not need to resort to such a measure. This can be credited to a long-term strategy that has resulted in the creation of a robust portfolio along with a temporary reduction of the bonus rate to 0%.

The crisis has served as a sort of watershed, where financially strong players like Skandia Liv can now more quickly adapt to a changing market. When some of our competitors can take a step forward, we at Skandia Liv can take two. Despite a year that began with harsh conditions, Skandia Liv's asset management delivered a stellar 16.4% total return for 2009.

a little better in every area

Skandia Liv has very loyal customers. This is gratifying, since it proves that we have a strong offering and have succeeded in providing financial security during a very turbulent year. We intend to nurture this confidence as we continue our work on building up an even more effective Skandia Liv. The goal is to have an even clearer and more efficient organisation, and the path forward involves both raising quality and making the entire business more cost-effective.

This work has already generated results in the form of an 8% reduction in the company's costs compared with a year ago.

one Skandia

Part of this quality and efficiency improvement work involves our efforts to further strengthen our relationship with our parent company Skandia. The overall goal is to have a more customer-steered way of working. Quite simply, we want to make it easier for our customers to benefit from Skandia's total offering. In 2009 we took major steps forward in this work, and the concept of "One Skandia" now permeates our organisation as well as our marketing.

products that are right for the times

When the insurance brokerage Max Matthiessen in autumn 2009 ranked the traditional life companies' product offerings in the salaried employees' collective agreement (ITP), our GarantiPension Plus product was named as the Best Choice. This is no coincidence, but the result of a

GARANTIPENSION PLUS

GarantiPension Plus was ranked as the best product in the salaried employees' collective insurance agreement. The value of the underlying GPP portfolio for a 25-year-old policyholder grew 25% in 2009, at the same time that the capital was backed by a guarantee. Read more about how the product works on page 20.

»How can we be better, and what is most important for you? Send me an e-mail me at livinfo@skandia.se«

clear focus on offering effective insurance products that are right for the times and meet savers' needs. Skandia Liv is one of the leading life companies in product development, and it is an area that we plan to become even better at.

Skandia Liv strives to have the best offering for the future while also providing financial security here and now. This has entailed a broadening of our product offer. An example is our newly launched disability insurance, to which we have coupled free-of-charge rehabilitation cover that effectively reduces the risks for, and costs associated with, long-term sickness-related absences.

study on Skandia Liv's future put on hold

For quite some time we have studying the opportunities to demutualise Skandia Liv. The goal has been to find a solution that favours both the policyholders of Skandia Liv and the owner Skandia.

However, the market conditions have changed during the course of this work and are currently perceived as being somewhat unclear. The authorities' actions in similar cases have provided signals of a changed attitude to how processes of this type should be handled. No changes in Skandia Liv's company form are currently being considered. This means that the investigatory work has been put on hold for the time being, and can be resumed in the event of changes in the market or legislation.

competition – an issue we hold at heart

As a leading player in the industry, Skandia Liv is driving a number of issues aimed at promoting free competition. In November 2009 we published a report that shows that many municipalities are neglecting to purchase insurance and pension administration for their employees in an open procurement process. Apart from impeding competition, this is against the law.

The report puts the spotlight on the routine manner in which pensions are treated for more than a million workers in Sweden. We are convinced that a change in this handling is necessary, since it would benefit municipalities and county councils as well as their employees and suppliers in the market. We will continue to make our voice heard in the debate and fight for a change. The final word has not been said.

calm in the midst of a storm

Companies in the industry have had different strategies for dealing with the global downturn. We have been a bit more vigilant and more active, and in many cases we have also re-evaluated old truths. Most important – we have maintained our calm.

We have been able to do this by virtue of a financial core strength and long-term asset management model that we know is very robust.

For us, the crisis gave us proof of strength. Our customers have fared well through one of the worst financial crises we have ever experienced. They have been able to sleep good at night when the storm was raging at its worst in the world's financial markets.

I usually say that we are in the financial security business, and I have a hard time thinking of a year in which this was more apparent.

how can we be better?

We will continue to offer the best insurance products, and we will do so in a manner that helps our customers and meets their needs in every stage of life. One challenge that we are facing is that competition in the collectively contracted market continues to be restricted as a result of the advantage that is given to companies that are allied with the collective bargaining parties. This puts higher demands on marketing efforts and maintained focus on reducing operating expenses. We also need to work on strengthening our position in the so-called tick-box market.

But the most important success factor is that we understand our customers. Consequently, we will be putting even more energy into listening to what our customers want.

We want to hear your views – How can we be better, and what is most important for you? Please take the time to e-mail me at livinfo@skandia.se. I promise I will take note of all your views.

In last year's annual report I asked the question "Who can you trust?". Looking back on the year it feels good to be able to say that 2009 gave further credence to the fact that our model works in both good times and bad. You can trust Skandia Liv.

In closing, I want to offer thanks to you as a customer for the trust you have instilled in us. 2009 was in many respects the year of the financial crisis. We hope 2010 will be the year of recovery and personal savings.

Bengt-Åke Fagerman
CHIEF EXECUTIVE, SKANDIA LIV

Skandia Liv at a glance

»At year-end Skandia Liv had SEK 281 billion in assets under management for approximately 1.2 million customers. This makes us one of Sweden's largest life companies«

we are Sweden's oldest life company

Skandia Liv was established in 1855 and is today the oldest and one of the largest life companies in Sweden. Skandia Liv is a wholly owned subsidiary of Skandia Insurance Company Ltd (Skandia). In 2006 Skandia was acquired by the international financial services and insurance group Old Mutual.

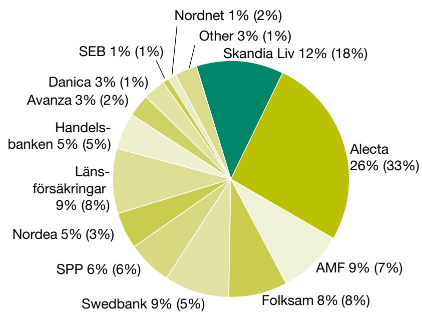
all returns go to the policyholders

Skandia Liv is run on a mutual basis. This means that we do not pay any shareholder dividends. Instead, all surpluses – such as the investment return on assets or the result of continuing operations – accrue to our 1.2 million customers.

we handle asset management for our customers

Skandia Liv offers so-called traditional life management, which means that we handle the asset management and invest our customers' capital in the way that we believe will generate the best return. Our customers are guaranteed a set level of benefits when their policies reach maturity, and it is this guarantee that sets traditional life management apart from many other forms of saving.

Market shares 2009
New business, traditional life assurance
Skandia Liv Sweden



history

1855
On 12 January 1855, Skandia receives its charter to conduct fire and life assurance business. The charter is signed by King Oscar I, and on 19 March, Skandia Insurance Company is established. Attorney Carl Gustaf von Koch is Skandia's first chief executive.

1889
Skandia's life assurance portfolio now comprises 7,000 policyholders. Life assurance is sold primarily to middle class men; however, interest in life assurance begins to take hold among workers and women.

1920
Pension insurance is introduced under the names "monthly payment" or "monthly income insurance".

1964
The new Skandia group is unveiled, along with the umbrella logo. The group is formed through a combination of five companies (including Thule, the predecessor to Skandia Liv of today), which were made up of an original 53 Swedish insurance companies.

1987
The Ideas for Life foundation is formed at the initiative of Skandia's CEO, Björn Wolrath. It is Skandia's way of supporting organisations and projects that help give children and youths a safe upbringing and good start to life.

1994
Skandiabanken is established, Sweden's first pure-play telephone-service bank. The new bank starts a revolution in the Swedish banking market, and with its simple, low-price terms, puts pressure on the big banks.

Advantages of a mutually run traditional life company

- A mutual company works for the best interests of the policyholders.
- A mutual company may not distribute its profits to shareholders; any surpluses are returned to the policyholders and create opportunities for low cost-price without profit margins.
- A traditional life company's asset management is conducted according to set principles, which offers potential for:
  - cost-effective solutions
  - fast product development
  - robust products
- The company form has a long history and is a well-known and proven form of asset management.

security in good times and bad

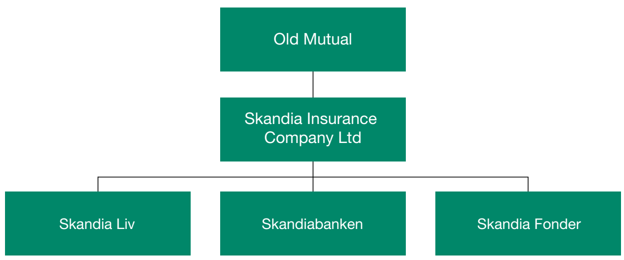
Skandia Liv is a financially strong company. This, combined with professional asset management, gives us the opportunity to generate higher returns than many of our competitors. We can invest more money at a higher risk, and experience shows that this leads to higher returns over time, while still making sure that we can deliver what we've promised.

products that give value for your money – guaranteed results

Skandia Liv offers products to both companies and private persons. Our offering is based on a combination of savings, insurance, advice and administration. Our goal is to make it easy for our customers to plan their financial situation and ensure that they enjoy the best possible financial security in all stages of life. Developing new products is central to this work. One example is the GarantiPension Plus product, which external observers hold to be the best in the market. Read more about GarantiPension Plus on page 20.

155 years of community involvement

Through our long history, at Skandia Liv we have played a part in the shaping of modern Sweden. Since 1987, "Ideas for Life" has been an initiative within Skandia in which employees can dedicate two hours of paid work time each month to community service. Their contribution to schools, organisations, associations and municipalities provides needed support to at-risk children and youth. Read more about Ideas for Life on page 27.



1999
Skandia and Norway's Storebrand combine their property & casualty insurance operations, forming the new company "if".

2002
Skandia Liv's asset management business is sold to Den norske Bank. The sale includes the fund management company Carlson. Generous bonus programmes for a number of Skandia executives draw attention and are criticised. In addition, a number of executives and their related parties obtain leases for attractive apartments in central Stockholm that are owned by Skandia Liv's subsidiary Diligentia.

2003
Urban Bäckström, former head of the Swedish Central Bank, is appointed as new CEO of Skandia Liv. An independent investigation panel is appointed to investigate bonus payments, dealings between Skandia Liv and its parent company, and Skandia's accounting practices. The bonus debate leads to the dismissal of Skandia's CEO, Lars-Eric Petersson, after the Annual General Meeting.

2005
Skandia celebrates its 150-year anniversary on 12 January. On 2 September, international financial services and insurance group Old Mutual makes an offer for Skandia.

2006
On 3 February Skandia becomes a subsidiary of Old Mutual. On 11 May, Skandia's shares are delisted from the London Stock Exchange, and 5 June marks the last day of trading in Skandia shares on the Stockholm Stock Exchange.

2009
Skandia evolves from being a product-oriented company to a company steered by customers' needs, and unveils a total customer offering. Work is now conducted in two business areas, Corporate and Private, in which Skandia Liv is an integrated part.

year of crisis became top year

2009 was a good year for Skandia Liv's asset management. Our active management was very successful, and we outperformed our reference index by 1.4%. This puts us at the top among Sweden's life companies, with a full 16.4% return for 2009.

This is an outstanding result in a year that otherwise dealt a severe blow to the global economy. We owe this success to a number of factors: a well diversified portfolio and proven investment strategy, and a high spread of risk and core financial strength make us certain that we can keep what we've promised. Most importantly, however, our performance is the result of many wise decisions about how and where our customers' money should be invested.

asset management that is anything but "traditional"

By year-end 2008 the financial crisis had clearly made its mark on Sweden. Everywhere you looked – in the media, at companies, among employers, among private savers and, naturally, even among Skandia Liv's 1.2 million customers – the impact of the crisis was being discussed and debated. The work on navigating the right course through the financial turbulence was the focal point for everyone active in the financial markets, and of course also for us at Skandia Liv.

For Skandia Liv, maintaining a long-term perspective is of central importance. We know that downturns are a natural aspect of asset management, and we are well prepared for extremes in the market – both up and down. The downturn in 2009 created opportunities for good deals for Skandia Liv, since it gave us an opportunity to invest part of our portfolio in assets with a high liquidity premium. These are investments with a high level of anticipated risk, but which pay handsomely when they kick in.

A prime example is the investments in funds of US bank loans that were made in 2009. During the year, Skandia Liv's foreign loan portfolio rose 71.8%. This shows the effectiveness of our strategy, where asset managers are constantly trying to act in extreme value situations in the market.

aggressive asset management even during crisis years

Skandia Liv's strategy dictates that we decide on the orientation and structure of our asset management, but delegate the selection of which assets are to be included in the portfolio to the asset managers that have the best prospects of getting the money to grow. In simple terms, it means that we spread our risks over a large number of asset classes as well as around the world. This allows us to continue to act aggressively even during such a dramatic downturn in the global economy that we experienced in 2009, at the same time that our asset management mirrors the trend and generates major returns in an upturn. In this way, we can deliver a basic level of security to our customers and at the same time give them a good opportunity for more, since we quite simply can

»The rapid recovery of the stock market in 2009 arrived earlier than most had predicted«

DNB NOR AGREEMENT

new and improved asset management agreement

During the year a gratifying decision was made – and as a result, an entirely new agreement was signed with DnB NOR. The agreement is only positive for Skandia Liv's policyholders, with lower asset management costs and greater flexibility in the asset management. This translates to a stronger financial position for Skandia Liv and increases our potential for higher investment returns – factors that over time will lay the foundation for higher bonuses for our policyholders. In connection with this, Skandia Liv's offering was strengthened through the signing of an asset management agreement with BlackRock.

But people who have followed developments at Skandia Liv for some time may be wondering what happened to the money that Skandia Liv was to receive from its parent company as a result of an arbitration ruling. We want to set the record straight.

In the arbitration ruling between Skandia Liv and its parent company, it was determined that the parent company would pay one-third of the cost of DnB NOR's asset management. The ruling awarded approximately SEK 1 billion to Skandia Liv, including interest, for the term of the agreement that ran up until late summer 2009, when the old asset management agreement ceased to apply.

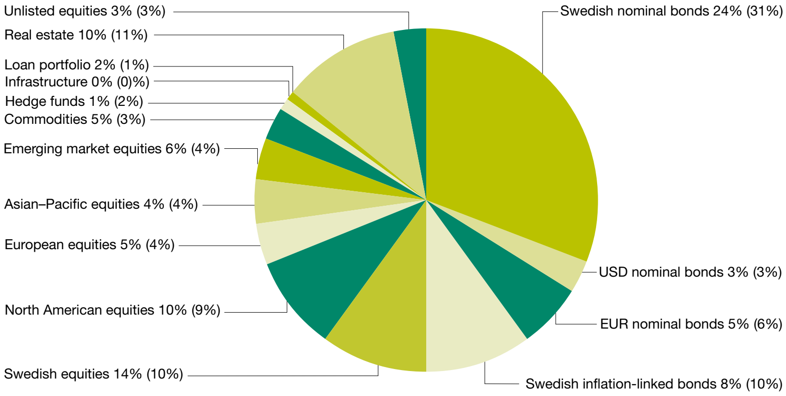
During the autumn, an entirely new co-operation agreement took force with DnB NOR. DnB NOR's asset management took on a new, more favourable character, scope and price structure. The parent company's obligation to continue paying one-third of the costs then ceased. In return, the parent company agreed to pay the amount necessary as compensation to DnB NOR for early termination of the old agreement.

assets under management

281

Skandia Liv's assets under management amounted to SEK 281 billion (253).

Allocation of Skandia Liv's assets by class as per 31 December 2009



invest in the assets that generate the best return in relation to the chosen risk. It is a successful, long-term strategy that generated very favourable results in 2009.

well-timed change in the portfolio

As part of the work on reducing the effects of the financial crisis, Skandia Liv increased the allocation of equities in its portfolio in 2009. Parallel with this, we decreased our exposure to foreign currencies when the Swedish krona was at its weakest. As a result, Skandia Liv's customers avoided seeing their capital fall in value when the foreign currencies lost value. During the year, we continued to increase our exposure to alternative investments, such as infrastructure, commodities, unlisted companies and bank loans. Skandia Liv's core financial strength was a prerequisite for being able to do this. Our stability allows us to invest in assets that are less liquid and thereby undervalued, without jeopardising the guarantees that we make to our customers. Our investment in equities early in 2009 is an example of the well-timed decisions we made in 2009, which are creating favourable conditions for positive performance in 2010.

long-term approach over quick solutions

In October Skandia Liv was in a position to raise the bonus rate to 4%, which is a clear sign of strength. A reallocation – i.e., writing down the value of the policyholders' savings – would have made it possible to raise the bonus rate faster than we did during the year. But it would have had adverse effects for our existing policyholders. We are therefore very happy that we did not need to carry out a reallocation. This is because we invested our policyholders' money in a way that it will tolerate a tough scenario, but also be in a position to generate a favourable return when the financial markets allow.

Skandia Liv will not be carrying out a reallocation to achieve a short-term increase in the bonus rate.

In 2009 Skandia Liv further strengthened its offering through the new, external asset management agreements that we signed with DnB NOR and BlackRock. The agreements considerably lower our asset management costs and provide highly cost-effective savings for Skandia Liv's customers, with good prospects for additional favourable returns.

unexpected strength in upturn

The rapid recovery of the stock market in 2009 came faster than most had predicted. Above all, the strength of the upturn was unexpected. The upswing can be credited to several factors, but naturally the global finance policy support package that was presented played a major role. As a result, the economy is in many ways also dependent on support mechanisms in order for the recovery to continue.

At Skandia Liv we will continue to regard the recovery with a certain measure of caution. Secure investments will most likely be as hot in 2010 as they were in 2009. We are sticking to our strategy, where a robust portfolio is the best defence against fluctuations in the market.

Skandia Liv will not be known for shortsighted decisions in the future, either.

making the best of the situation

We achieved a very good investment return in 2009. Our long-term strategy has paid off, and the strength in our investment strategy has been proven. We have weighted up in asset classes like equities and commodities, mitigated our foreign currency risk and delivered a very strong return to our policyholders. In 2010 we will continue along the beaten path with the goal of continuing to outperform our benchmark indexes.

2009 was the year in which the financial crisis raged at its worst, but which was met with an unexpectedly fast upturn. By having the right assets and through proficient asset management, we were able to deliver top-notch results for our policyholders. That makes 2009 a special year in many ways.

behind the financial security factory

It's been an intensive year. 2009 was in large part characterised by the financial crisis and its effects. Work during the year involved preparations for a possible reallocation and in-depth analyses of the global onslaught and effects of the financial crisis.

At Skandia Liv we intensified our work on maintaining long-term favourable solvency, continued with the cost-cutting programme that we had already started, scrutinised our portfolio and lowered our guaranteed return. These are important measures for ensuring satisfactory solvency over the long term. In the near term they entailed that Skandia Liv did not need to make a reallocation or reduce policyholders' pensions that are currently being paid out. We succeeded in keeping what we have promised, and at Skandia Liv that is a very important matter.

the future is about risk

In many ways the future will be a matter of the ability to manage risks. The financial crisis has further demonstrated the need of more accurate models for risk analysis. Skandia Liv is participating actively in the work on drawing up a new regulatory regime for solvency within the EU – called Solvency II (the concept of solvency is described on page 11). Among other things, Skandia Liv concluded a pre-study in 2009 ahead of the implementation of this regime. The pre-study included an extensive analysis of where Skandia Liv stands today in relation to the Solvency II requirements, but also in relation to Skandia Liv's own vision for risk management.

Solvency II aims to provide a more certain and transparent way of managing risks, and in the future, adherence to the Solvency II requirements will be obligatory for all life companies. One of the goals of Solvency II is to create greater transparency and uniform conditions for all life companies in Europe.

more precise tools for assessing risk

But Skandia Liv's ambitions go beyond the Solvency II guidelines, which is why we will be drawing up our own model for calculating solvency risk. Our model will be a further refinement of the existing calculation models and a more precise and reality-based way of measuring risk.

This work started in 2009 and will continue for three years. It is resource-intensive work that will lead to many benefits for Skandia Liv's policyholders – among other things in the form of better risk assessment and greater opportunities to identify and manage risk. The result will be a more precise tool that will enable us to invest our customers' money in a more secure manner.

towards 2010 with confidence

In 2010 we will continue our work on implementing the Solvency II regime in our operations. Skandia Liv is far advanced in this process. As a result, we will be able to put the system into

average
bonus rate

8.0%

Skandia Liv's average bonus rate for the past 15 years was 8.0%.

» In many ways the future will be a matter of the ability to manage risks. The financial crisis has further demonstrated the need for more accurate models for risk analysis«

place relatively quickly and keep the cost of doing so down. The introduction of Solvency II is extensive and will affect all life companies. It is an investment that all life companies will have to make sooner or later. Skandia Liv's size is clearly an advantage in this work for our policyholders, since they are sharing the cost with 1.2 million other policyholders. This results in tangible economies of scale, which in the end will enable us to offer more cost-effective solutions.

customer trust is something that is earned

For Skandia Liv it is of utmost importance that we have our customers' trust. Trust is earned through deeds. Our policyholders must feel that the work we do is well grounded and based on a clear acceptance of responsibility. We will also be open and inform about the challenges we are facing. Accordingly, during the financial crisis, communication with our customers has been extra important. We have clearly communicated how our solvency has developed and how our operations have been affected by the crisis. Insurance products are complex, and they can be difficult to assess. Therefore, we are currently working toward the goal of being clearer and more pedagogic in our communication with our policyholders.

our guarantees hold

Skandia Liv's goal is firm: We will offer the best long-term insurance solutions for our customers.

Skandia Liv receives high scores when it comes to risk assessment. Being good at assessing risk is a central pillar for a pensions company with aspirations to deliver the best. For our policyholders it means that they can watch their money grow and depend on the guarantees we make. For Skandia Liv, in the future as well a long time will pass between the negative surprises.

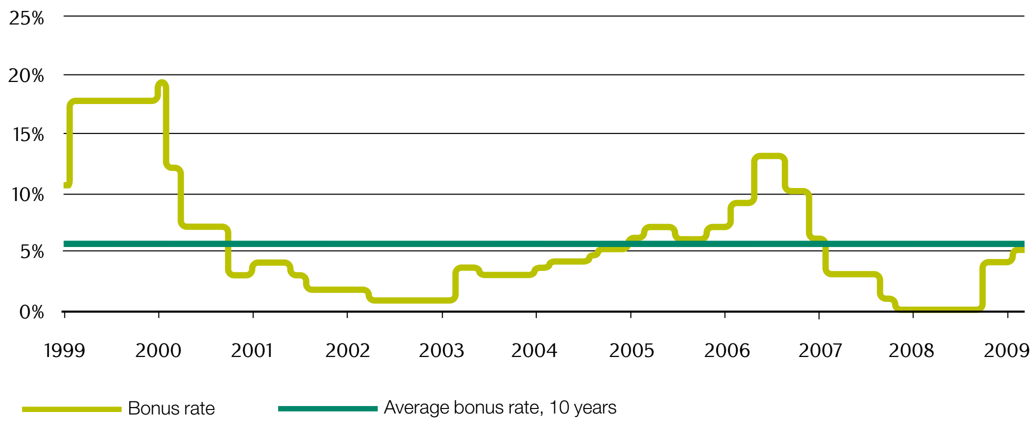
2009 was an extreme year in many ways. We have witnessed a rapid economic downturn and historically low interest rates. We watched as our competitors have been forced to cut both pensions and their policyholders' capital. In 2009 we showed that we have survived the downturn and low interest rates. Skandia Liv is in a good position to continue developing its operations.

This gives our customers great opportunities for leverage in their future savings.

STRONG SOLVENCY PROVIDES SECURITY AND OPPORTUNTIES

why so much talk about solvency?

Trend in the bonus rate during the past 10 years



The bonus rate is used to smooth fluctuations in the investment return and helps lower risk.

Why is a life company's solvency so important, and for whom is it important? To begin with, perhaps we should describe what we mean by solvency. Solvency is actually a company's ability to live up to the promises it has made to its policyholders. For us, it is a measure of the certainty by which pension policyholders will ultimately receive their guaranteed pensions as they have been promised. At year-end 2009 Skandia Liv's solvency was 164%, which means that for every 100 kronor we have guaranteed to our policyholders, we have 64 kronor left over.

In addition, a life company with a high solvency level has other opportunities than life companies with low solvency. A life company with high solvency has greater leeway to invest its policyholders' money. For the policyholders, this means that there is a greater chance that their savings will grow in value until the day they retire. If we take the last two years as an example, at Skandia Liv – despite the major decline in the world's stock markets – we were able to maintain a high allocation of equities in our portfolio, since we have a high solvency level. During the past year, these equities made a strong contribution to the total portfolio, which generated a return of 34%. The return is preliminarily apportioned among our customers' policies through the so-called bonus rate. The bonus rate is adjusted to smooth the fluctuations in the investment return and helps reduce risk, at the same time that the anticipated return can be kept at a high level.

Many factors need to be considered when choosing a life company, but one thing is certain: high solvency provides security and better opportunities for the policyholders.

corporate governance

the company

Livförsäkringsaktiebolaget Skandia (Skandia Liv) is a Swedish, public limited liability company with its registered office in Stockholm, Sweden. Skandia Liv is a subsidiary of Skandia Insurance Company Ltd (Skandia), which is a member of the Old Mutual Group. Since Skandia Liv's policyholders bear the risk capital in the company and the company is not permitted to distribute profits to its owner, a number of special rules are in place to safeguard the policyholders' interests.

Governance of the company and its subsidiaries is conducted on the basis of the Swedish Insurance Business Act (with special rules for so-called hybrid companies like Skandia Liv), the company's Articles of Association, the guidelines adopted by the Board on conflicts of interest, a corporate governance policy that is adopted by Skandia Liv's Annual General Meeting, and other governance guidelines. Agreements between Skandia Liv and its parent company also have significance for the company's governance.

regulatory framework

The Swedish Insurance Business Act is the most important regulatory framework with respect to the company's governance. It contains rules that correspond to the directives of the Swedish Companies Act for ordinary limited liability companies as well as special rules designed to protect the policyholders.

Skandia Liv's business is conducted on a mutual basis, which means among other things that the result of operations accrues to the policyholders.

In many cases, the law gives the Financial Supervisory Authority the right to issue binding regulations for insurance companies. The Financial Supervisory Authority has also issued general recommendations for governance and control of financial companies.

Skandia Liv's Articles of Association stipulate that Skandia Liv may not distribute profits to its owner. The Articles of Association include rules on the Board's composition that correspond to the statutory rules requiring a majority of independent directors, of whom one shall be a policyholder representative who is not elected by a general meeting of shareholders.

The corporate governance policy that is ratified by the Annual General Meeting states, among other things, that the company shall have a chief executive who is employed full-time and that certain functions, such as the actuary and legal affairs functions, shall be handled independently. According to this policy, operation of certain businesses shall be conducted jointly, to the extent that the boards of Skandia and Skandia Liv deem it suitable. The corporate governance policy stipulates, among other things, that Skandia Liv shall provide insurance products with a financial security profile that offer long-term savings with a guarantee or financial security in the event of illness, accident or death. Returns shall be allocated among the policyholders in a reasonable manner.

In 2003 Skandia Liv's board adopted strict and detailed guidelines for transactions and other relations between Skandia Liv and Skandia. A legal requirement was subsequently made that all life companies that are barred from distributing profits to their owners shall have guidelines of this type.

In autumn 2004 Skandia Liv and Skandia reached an agreement in principle as well as a framework agreement on their co-operation. The principles for the framework agreement are laid out in detail in various outsourcing agreements along with Service Level Agreements for the individual functions covered by the co-operation. A clear process is in place for ensuring that the division of responsibility in this co-operation is clear and that guidelines and processes are followed up.

In addition to the internal regulatory framework described above are a number of internal policies and guidelines that govern operations. Skandia Liv adheres to the Swedish Code of Corporate Governance in all applicable respects.

general shareholder meetings

Skandia Liv's parent company, Skandia, owns all of the shares in Skandia Liv and decides at general shareholder meetings. Since there is only one shareholder, no nominating committee has been appointed. General shareholder meetings are Skandia Liv's highest governing body. At the Annual General Meeting (AGM), the company's income statement and balance sheet are adopted, two auditors are elected, and the members of the Board of Directors are elected (except for a policyholder representative and the employee representatives). Decisions are also made on directors' and auditors' fees. The AGM decides whether the operating result is to be transferred to or deducted from the funding reserve (a reserve containing the policyholders' surplus funds, which constitutes the company's equity, i.e., risk capital).

The decision-making authority of the AGM rests – as mentioned – with Skandia, as Skandia Liv's sole shareholder. The Board of Skandia approves Skandia Liv's strategy and business plan within the business-planning framework of Skandia's Nordic division. The AGM thereafter adopts the business plan.

board of directors

According to the Insurance Business Act, the Board is responsible for the company's organisation and management. The Board sets Skandia Liv's strategic direction, appoints the Chief Executive and adopts policies, guidelines and instructions. The Board is responsible for ensuring that suitable internal rules are in place for risk management and risk control. In connection with the development of the business strategy, the Board has performed a risk analysis.

The Board's duties include ensuring that there is satisfactory control over the company's bookkeeping and treasury management. The Board continuously monitors the performance of Skandia Liv's business, financial results and asset management. To assist it in this monitoring, the Board has its own, independent Internal Audit unit which reports directly to the Board.

The Board also handles matters related to guidelines on employee benefits at Skandia Liv and its subsidiaries, and it decides on salaries and other benefits for the company's chief executive and head of Internal Audit.

The Board's general decision-making authority is restricted by the general meeting's exclusive decision-making authority on certain matters and the opportunity to decide on other matters that are not expressly part of the Board's or Chief Executive's responsibility. Decisions may not entail transfers of value from Skandia Liv without pure commercial value for Skandia Liv.

According to the Insurance Business Act, more than half of the directors on the board of a mutually operated insurance company must be independent. By independent director is meant persons who are neither employed by the company nor employees or directors of companies included in the same group as the company or equivalent company grouping.

Skandia Liv's board currently has eleven directors, of whom seven including the Chairman are independent. The status of the respective directors is reported in the presentation of each director in Skandia Liv's annual report and corporate governance report. Eight of the Board's directors, including the Chairman, are elected by the Annual General Meeting. One director is appointed by a special policyholder committee. The Board also includes two employee representatives, who by law are appointed by the unions.

Skandia Liv is bound by a special rule in the Insurance Business Act pertaining to disqualification at board meetings. This rule entails that when contracts and disputes between Skandia Liv and its parent company are taken up for consideration by the Board, directors with ties to the parent company may not participate. Skandia Liv's Chief Executive is co-opted to the Board at board meetings.

the work of the board of directors in 2009

Skandia Liv's board held ten meetings in 2009. The Board addressed standing items of business, decided on guidelines for operations and adopted the business plan. In addition, the Board continued its in-depth analysis of possible changes in the structure for ownership of the risk capital in Skandia Liv and similar strategic matters. A particular in-depth look was taken into the operations of the property company Diligentia. In the light of the financial crisis, the Board dealt with the issue of whether to take one-time measures to maintain an equitable distribution of the insurance capital. In particular, the Board discussed risk management in the company and reviewed a plan for implementation of risk management in accordance with the EU's Solvency II directive.

The Board also evaluated its own work by means of a questionnaire. In addition, the Board held several seminars focusing on strategy and in-depth analysis of various issues. Finally, at numerous meetings, the Board dealt with the negotiations and a new agreement concerning a new, more effective asset management structure with a lower cost for major, external asset management agreements.

the chairman's role

The Chairman of the Board leads the work of the Board and, through regular contacts with the Chief Executive, monitors the company's continuing development and matters of a strategic nature. The Chairman represents the company externally on certain over-arching matters. The Chairman also maintains regular contact with the chairman of Skandia Liv's parent company and its chief executive.

board committees

A large share of the Board's work is conducted in the various committees: the Investment Committee, the Audit Committee, the Remuneration Committee and the Customer Committee. Skandia Liv's Corporate Governance Report includes a description of the various committees' work. This report can be viewed or downloaded from www.skandia.se/liv.

board of directors

Bo Eklöf (1)
Chairman of the Board and independent director on Skandia Liv's board since 2004. Remuneration Committee chair and member of the Audit Committee, Customer Committee and Investment Committee.
Born 1941, LL.C. Uppsala University. Previously employed by the Swedish Employers' Confederation (SAF), company lawyer for Gränges, General Counsel and Administrative Director at Atlas Copco, Vice President of SAF, and President and CEO as well as director of SPP (now Alecta and SPP). Chairman of the Foundation for Financial Research, member of the Swedish Royal Society of Sciences.
Former director on the Uppsala University board and former Chairman of Stiftelsen Kapitalmarknadsgruppen. Former director of diverse Swedish listed companies and of Home Insurance Corp. (USA), and Company Secretary and representative of the Executive Management of several Atlas Copco subsidiaries.

Elisabet Annell (2)
Independent director on Skandia Liv's board since 2003.
Audit Committee chair and member of the Customer Committee.
Born 1945, M.Sc. Pol. Sc., Stockholm University.
Former Authorised Public Accountant at KPMG, President and CEO of Univero Group, CEO of Tönnerviksgruppen, CEO of Sifo Group, President and strategic consultant for SMG and Vice President of MGruppen. Current directorships: JM, Öresundsbron, Luftfartsverket, Mercurie International, STF Ingenjörsutbildning, Knightec and Upplands Motor.

Gunnar Holmgren (3)
Independent director on Skandia Liv's board since 2002. Member of the Investment Committee and Audit Committee during first half of 2009, and member of the Customer Committee during second half of 2009.
Born 1957, D. Econ. Åbo Akademi University.
Director General of the Swedish Defence Materiel Administration. Former President of the Swedish Insurance Federation, among other companies. Experience from board work in the banking and insurance sector, including SBAB and Stadshypotek. Extensive experience in corporate governance issues in the private sector and for state-owned companies.

Bertil Hult (4)
Non-independent director on Skandia Liv's board since 2007. Member of the Remuneration Committee.
Born 1956, B.Sc. Econ., Stockholm School of Economics.
Head of Skandia's Nordic division since 2007. Chief Executive of Skandia Insurance Company Ltd (publ) since October 2008. Former CEO of the law firm Vinge in Stockholm and business area head at Carnegie Investment Management in charge of Asset Management & Private Banking. Several directorships in the Skandia group. Chairman of Asia Growth Investors AB and eTurn Capital Management AB. Director of Q-MED AB (publ), Försäkringsförbundets Serviceaktiebolag and the British–Swedish Chamber of Commerce.

Monica Lindstedt (5)
Independent director on Skandia Liv's board since 2006. Customer Committee chair.
Born 1953, B.Sc. Econ., Stockholm School of Economics.
Research studies at EFI. Former CEO of Tidningen Folket, Bonniers Fackpressförlag, Eductus and Previa, among other companies. Founder, former CEO and current Chairman of Hemfrid, Sweden. Co-founder of Metro newspaper. Director of Uniflex and Telge Energi. Former directorships include Capio, Lantmännen's group board, JM, Systembolaget and Sweden Post, among others.

Sverker Lundkvist (6)
Independent director on Skandia Liv's board since 2005. Investment Committee chair and member of the Remuneration Committee.
Born 1943, B.Sc. Econ., Stockholm School of Economics.
Former President of Dresdner Bank Stockholm and Copenhagen, and former CFO of Incentive and Gambro. Chairman of Dreber Lundkvist & Partners AB. Director of the German–Swedish Chamber

of Commerce and the Friends of the Nordic Museum & Skansen. Member of the Royal Academy of Music Administrative Board.

Lars Otterbeck (8)
Non-independent director on Skandia Liv's board since 2007.
Born 1942, D. Econ. and assistant professor at the Stockholm School of Economics. Former CEO of SPP (now Alecta and SPP). Chairman of Skandia Insurance Company Ltd, Hakon Invest, the Industry and Commerce Stock Exchange Committee and the Stockholm School of Economics MBA Research Foundation. Vice Chairman of the Third Swedish National Pension Fund and the Swedish Corporate Governance Board. Director of Old Mutual plc and Svenska Spel. Former Vice Chairman of the Swedish Employers' Confederation.

Gunnar Palme (10)
Independent director on Skandia Liv's board since 2008. Member of the Audit Committee and Remuneration Committee.
Born 1954, Cand. jur., Stockholm University.
Senior Advisor, EQT. Former President and CEO of Assi Domän and Munksjö, and former employee and Vice President of Atlas Copco. Former CEO and Chairman of Finn Power. Chairman of Junior Achievement Sörmland. Former Chairman of Bewator and Rexell, and former director of Sydsvenska Kemi.

Leif Victorin (7)
Independent director on Skandia Liv's board since 2008. Member of the Customer Committee during first half of 2009, and member of Audit Committee during second half of 2009.
Born 1940, B.Sc. Eng. and Tech. Lic. degrees from Chalmers University of Technology. Former Skandia employee, as head of Swedish operations and head of Skandia's Nordic division. Former CEO of Skandia Liv. Vice Chairman of the ProSkandia policyholder association. Former director on Skandia's board and other Skandia companies, and former director of Autoliv, Sophiahemmet and Anticimex.

Dahn Eriksson (11)
Non-independent director on Skandia Liv's board since 2007. Employee representative.
Born 1962, B.Sc. Econ., Uppsala University.
Skandia Liv employee since 2001 in Finance unit. Former tax auditor and IT auditor at the Swedish Tax Authority in Stockholm. Member of Skandia chapter of the Swedish Confederation of Professional Associations (SACO).

Sonja Wikström (9)
Non-independent director on Skandia Liv's board since 2008. Employee representative.
Born 1952, university studies in finance. Skandia employee since 1985. Member of the Skandia chapter of the Swedish National Union of Insurance Company Employees (FTF).

alternate directors

Marita Odélius Engström (12)
Non-independent alternate director on Skandia Liv's board since 2007.
Born 1961, B.Sc. Econ., Uppsala University.
Nordic Head of Process and Synergy and Skandia employee since 2002. Former CFO of Skandia's Nordic division. Former Authorised Public Accountant at KPMG and insurance accounting expert for the Swedish Financial Supervisory Authority. Several previous directorships within the Skandia group.

Bengt Carlberg (14)
Non-independent director on Skandia Liv's board since 2003. Employee representative.
Born 1951, secondary school diploma, with university studies.
Skandia employee since 1976 as insurance adviser. Member of the Skandia chapter of the Swedish National Union of Insurance Company Employees (FTF). Previous directorships with Företagareförbundet and the Jobs & Society foundation.

Ulf Sundevåg (13)
Non-independent director on Skandia Liv's board since 2008. Employee representative.
Born 1958, secondary school diploma, with university studies in IT.
Skandia employee since 1995 in IT. Chairman of the Skandia chapter of the Swedish National Union of Insurance Company Employees (FTF).

manage-
ment

Lars Bergendal (1)
General Counsel and Company Secretary
Born 1953
Skandia Liv employee since 2003
Skandia employee since 2001

Håkan Ljung (2)
Chief Actuary and Head of Risk Management and Risk Control
Born: 1967
Skandia Liv employee since 2006

Ingrid Roslund Winje (3)
Head of Human Resources
Born 1954
Skanda Liv employee 2000–2008
Starting in 2008, the Head of Human Resources assignment is performed by Skandia on behalf of Skandia Liv.

Bengt Blomberg (4)
Head of IT
Born 1962
Skandia Liv employee since 1999
Skandia employee since 1983.

Torbjörn Callvik (5)
Business Manager
Born 1956
Skanda Liv employee since 2006
Skandia employee 1981–2000.

Anna-Carin Söderblom (6)
Chief Financial Officer and Chief Operating Officer
Born 1967
Skandia Liv employee since 2007.

Hans Sterte (7)
Head of Asset Management
Born 1961
Skandia Liv employee since 2007.

Annie Sebelius (8)
Head of Corporate Communications
Born 1971
Skandia employee since 2009
The Head of Corporate Communications assignment is performed by Skandia on behalf of Skandia Liv.

Bengt-Åke Fagerman (9)
Chief Executive
Born 1954
Skandia Liv employee since 2002
Skandia employee since 1978.

board of directors' report

introduction

The Board of Directors and President of Livförsäkringsaktiebolaget Skandia (publ), ("Skandia Liv"), registered number 502019-6365, hereby submit their Annual Report for 2009, the company's 137th year in operation.

organisation

Skandia Liv is a wholly owned subsidiary of Skandia Insurance Company Ltd. ("Skandia"). In 2006 Skandia became a member of Old Mutual plc ("Old Mutual"), an international group that offers financial services in life assurance, banking and asset management. Old Mutual was established in 1845 and has its head offices in London.

Operationally, Skandia Liv is part of Skandia's Nordic division, which covers all operations in Sweden, Denmark and Norway.

For some time, several businesses and functions have been conducted jointly with Skandia. The aim is to work in a more cohesive organisation and thereby simplify things for customers while achieving revenue and expense synergies.

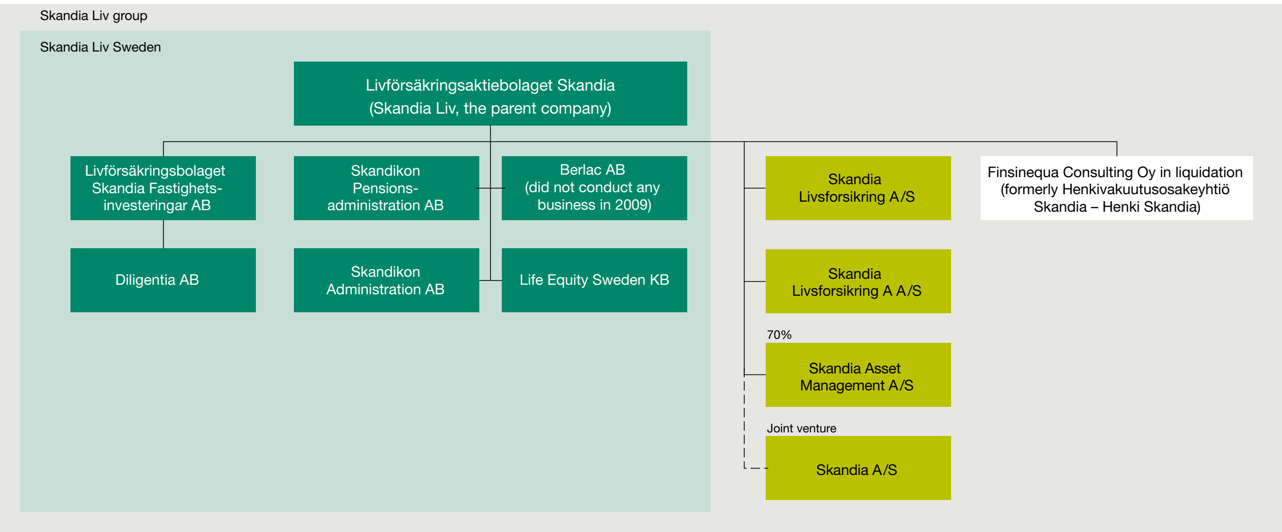
Group structure, Skandia Liv

The Skandia Liv group consists – in addition to the parent company Livförsäkringsaktiebolaget Skandia (publ) – of Livförsäkringsbolaget Skandia Fastighetsinvesteringar AB, Diligentia AB with several property-owning companies, Skandikon Pensionsadministration AB, Skandikon Administration AB, Berlac AB (did not conduct any business in 2009), Life Equity Sweden KB, Skandia Livsforsikring A/S, Skandia Livsforsikring A A/S, Skandia Asset Management A/S, Skandia A/S i Danmark and Finsinequa Consulting Oy i likvidation (formerly Henkivakuutusosakeyhtiö Skandia – Henki Skandia) in Finland. All of the subsidiaries may distribute profits to their owner.

operations

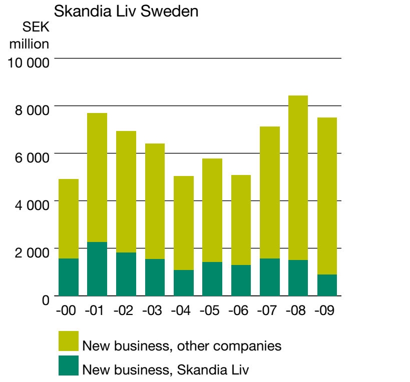
Skandia Liv's business mission is to offer value-for-money products with a guarantee that are straightforward and easy to understand and which give our customers financial security for retirement, illness and death.

Our offerings are based on a combination of savings, insurance, advice and administration.

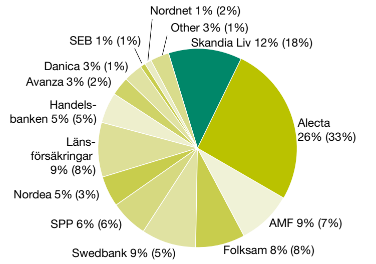


»Skandia Liv is at the forefront of development of new products in the life assurance market«

New business, traditional life assurance
Skandia Liv Sweden



Market shares 2009
New business, traditional life assurance
Skandia Liv Sweden



The entire profit or loss that arises in the company's business accrues to our policyholders. We do not pay any shareholder dividends – in other words, Skandia Liv is run on a mutual basis.

When you take out a pension or endowment insurance policy with Skandia Liv, you are choosing so-called traditional life management, which entails that we handle the asset management for you. Our policyholders are guaranteed a certain level of benefits when their insurance policies mature, and it is this guarantee that sets traditional life management apart from many other savings forms. Prior to commencing payment of benefits, we recalculate the policyholder's insurance capital to a disbursement amount and compare it with the guaranteed amount. If the disbursement amount is higher, the policyholder receives that amount, but if the amount is lower, then the policyholder receives the guaranteed amount.

Due to our financial strength, we have a greater opportunity to generate higher returns than many other companies. We can invest more capital at a higher risk, without jeopardising what we have promised. This means that, in addition to the guarantee, our customers have very good prospects for a higher return.

Product development

Skandia Liv is at the forefront in the development of new products in the life assurance market. Our high Distributor Satisfaction Index (DSI) scores are proof of this.

When the largest insurance brokerage, Max Matthiessen, in autumn 2009 conducted a ranking of the traditional life companies' product offerings in the salaried employees' collective agreement (ITP), our GarantiPension Plus (GPP) product was ranked as the best product choice. With GPP, Skandia Liv factors the customer's age into how it invests their pension contribution. For young people, the allocation to equities is higher, which normally generates a higher return over time.

In the occupational pensions market, risk insurance is an important competitive advantage in our customer offer. In 2009 we launched a new solution for our disability insurance in which our disability cover has been complemented with rehabilitation services. This is a result of, and adaptation to, a major shift in Sweden's national disability insurance system, where the state's involvement in disability claims is first and foremost a matter of getting people back to work. Employers who need assistance in offering rehabilitation and shortening the amount of time employees spend on sick leave benefit greatly from this new solution.

During the year, Skandia was the first in Sweden to levy a premium increase for smokers for all applicable insurances. This pioneering initiative was presented at the World No Tobacco Day, which was sponsored by the World Health Organisation. The premium increase is coupled with support in quitting smoking provided by Apoteket, the Swedish pharmacy. The initiative is aimed at sparking a debate on smoking.

market – Sweden

Like many other companies, Skandia Liv has been affected by the recent years' financial crisis. Our new business in 2009 amounted to SEK 894 million (1,491), which corresponds to a market share of 12.0% (17.7%) of the market exposed to competition in Sweden for traditional life assurance. Total new business in this market amounted to SEK 7,473 million (8,404) at year-end.

The decline in the market is mainly attributable to occupational pensions. This decrease was compensated by endowment insurance sold by unit linked companies in the form of so-called custody account insurance, which is reported as new business in the competitive market for other life assurance.

In addition to the new business above, the concept of new sales also includes expansions of existing policies. Skandia Liv's new sales amounted to SEK 1,790 million (2,553). In times of economic downturn, sales that normally are derived from customers' profit allocations and salary increases are partly compensated through sales of early retirement pensions. Sales of early retirement pensions were stable and developed favourably in 2009.

At year-end, growing interest could be seen in traditional life assurance in the private market.

GARANTIPENSION PLUS

the best of both worlds

A couple of years ago, an entirely new product was added to Skandia Liv's offering. Since then, it has proved to be competitive in many ways, and in 2009 the insurance brokerage Max Matthiessen named it as the "Best Choice".

The product is GarantiPension Plus. It combines the best of two forms of saving: the guarantee provided by traditional pension insurance with the opportunity for high returns offered by investment in equities. With a GarantiPension Plus policy, the customer's money is invested according to their age. For young policyholders, the equities allocation is greater, which normally generates higher returns over time. As the policyholder approaches retirement, the allocation of equities is scaled back in favour of safer investments. Policyholders do not need to monitor the financial markets themselves or choose from among various investments. As per 31 December 2009, the return on GPP's underlying portfolios was 25.4% for a 25-year-old policyholder, 22.7% for a 40 year old, and 19.3% for a person who just turned 55.

As a basic level of security, GarantiPension Plus features a "money-back guarantee". This entails that upon turning 65, the policyholder is guaranteed to receive at least the sum of paid-in savings premiums in pension benefits, regardless of the return during the term of the insurance. The product also includes a reinforced guarantee that secures the presumed growth in value of the pension capital. The reinforcement of the guarantee begins at 55 years of age. Upon turning 65, the policyholder is guaranteed to receive at least 90% of their pension capital.

The major advantage of GarantiPension Plus is the simplicity for the policyholder. The only choice the policyholder needs to make is to choose GarantiPension Plus – in doing so you are choosing the best of both worlds.

Interested in learning more about Skandia Liv's various products? Visit www.skandia.se/liv, or call 020-55 55 00.

»The new agreements with DnB NOR and BlackRock have entailed a significant reduction in asset management costs and are leading to more cost-effective savings for Skandia Liv's policyholders, with good opportunities for high returns«

important events during the year

Changed funding policy

Skandia Liv is to take action if the collective funding ratio deviates from the interval of 95%–115% by at least 5 percentage points for more than 12 months. This time interval was changed during the year. The previous limit was 3 months.

Through this new policy, we avoid the hasty and costly measures that a one-time reallocation of preliminarily allocated bonuses or an extra allocation would entail.

New asset management agreements

Skandia Liv's offering has been further strengthened as a result of the new, external asset management agreements that took effect on 1 September 2009. The new agreements with DnB NOR and BlackRock have entailed a significant reduction in asset management costs and are leading to more cost-effective savings for Skandia Liv's policyholders, while giving them favourable opportunities for high returns.

Adjusted guaranteed rate

In June the guaranteed rate was adjusted to the prevailing market situation and was reduced from 2.75% to 2.00%. This new interest rate applies until further notice for new premiums.

The guaranteed rate is used in calculating premiums and guaranteed insurance amounts. It is set on the basis of cautious assumptions about future returns and is therefore coupled to the level of long-term bond rates. The guaranteed rate is not to be confused with the bonus rate, which reflects Skandia Liv's result and return.

Market Value Adjustment

In the event of a deficit in funding, Skandia Liv uses a Market Value Adjustment, which entails an adjustment of the insurance capital for customers who withdraw their money in advance through a surrender or transfer. The aim of Market Value Adjustments is to make it equitable for all customers by compensating for deficit funding.

In 2009 we applied Market Value Adjustments through 15 September.

Study of possible restructuring of Skandia Liv's company form

During the year, Skandia and Skandia Liv investigated the alternatives for the best future company form for Skandia Liv. A number of different models have been evaluated, with the goal of finding a solution that benefits both the policyholders of Skandia Liv and the owner, Skandia.

No changes in Skandia Liv's company form are currently being considered. This means that the joint investigatory work has been put on hold for the time being. The study may be resumed if warranted by changes in the market or in legislation.

UIG3

In the so-called UIG3 procurement process, which encompassed approximately 77 company groups, it became clear on 1 June 2009 that Skandia Liv was one of six companies to share SEK 1.4 billion in annual occupational pension premiums over a four-year period. In addition, Skandia Liv was awarded the sole rights to risk insurance business.

No reallocation and no cuts in pensions

As a result of the financial crisis, during the year competing life companies were forced to make a one-time reallocation, i.e., a reduction in policyholders' pension capital by a certain percentage. Pensions currently being paid were also affected in certain cases.

By promptly reducing the bonus rate and adjusting it to the movement in the financial market, Skandia Liv did not need to make a reallocation or cut outgoing pension benefits. The policyholders have had stable development in their savings.

Solvency II

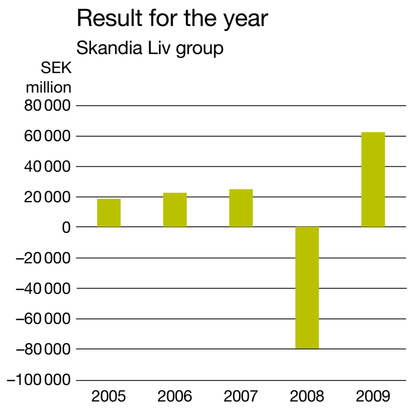
The work with Solvency II, the new solvency regime in the EU, intensified during the year. In spring 2009 the EU Parliament and the European Council both adopted a framework directive, and the overarching guidelines of the solvency rules have thereby been set. Work in the EU on drawing up more detailed requirements is ongoing. Solvency II will take effect on 31 October 2012.

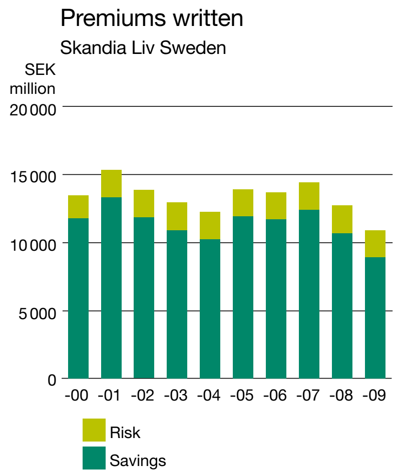
During the year, Skandia Liv concluded a pre-study ahead of implementation of the regime. An extensive analysis was carried out to identify where Skandia Liv stands today, both in relation to the requirements of Solvency II and to Skandia Liv's own vision regarding risk management. Skandia Liv wants to be a

Result for the year
Skandia Liv group

61,304

million SEK





leader in risk control and therefore has the ambition to implement standards that go beyond the minimum requirements of Solvency II.

Tax dispute on loans to Skandia Liv's property company

The provision that Skandia Liv's property company made as a result of a tax dispute regarding the interest rate for internal group loans was utilised in 2009 in connection with payment of the tax. Thereafter, the Supreme Administrative Court ruled in favour of the companies after an appeal was made.

important events after year-end

Increase in bonus rate

Effective 1 February 2010, Skandia Liv raised the bonus rate on policyholders' insurance capital from 4% to 5%.

result for the year

Adjustment of reserves per 31 December 2008

An adjustment has been made of technical reserves as per 31 December 2008 as a result of a miscalculation in the longevity supplement. Provisions decreased by SEK 2,848 million, which improved the technical result of 2008 in a corresponding amount. In the presentations below and in the annual report in general, the comparison figures for 2008 have been adjusted for this miscalculation.

For further information, see note 40.

Result for the year 2009

The Skandia Liv group's result for 2009 was SEK 61,304 million (–79,003). The corresponding result for Skandia Liv Sweden was SEK 61,245 million (–78,857). The technical result (before tax) for Skandia Liv Sweden was SEK 63,434 million (–78,332).

The technical result is derived primarily from three result sources: the investment result, the risk result and the administrative result.

The investment result consists of the difference between the actual investment return and the interest rate that is used to calculate technical provisions.

The risk result is the difference between the underlying assumptions on longevity and mortality and the actual outcome.

The administrative result shows the difference between fees charged to insurance policies and the company's actual operating expenses.

Normally the investment result makes up the largest component of the total result, and for the 2009 financial year, the investment result was SEK 62,210 million (–79,339). Risk business generated a result of SEK 747 million (941), and administration SEK 477 million (66).

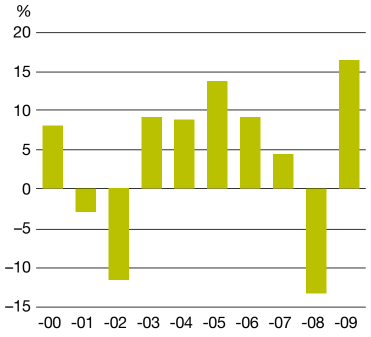
The result is applied to the funding reserve, which makes up Skandia Liv's accumulated surplus funds. For insurance with a savings element, surpluses are allocated to policyholders primarily through the bonus rate, while for pure risk insurance, allocation of surpluses is done by lowering premiums, for example.

Following are comments on the various result items that make up the technical result.

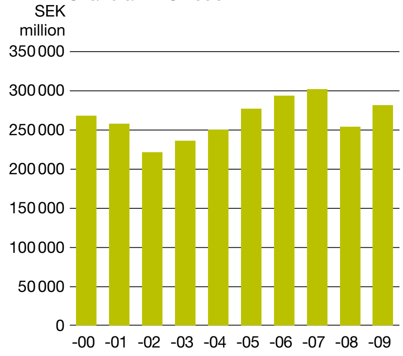
Technical account, Skandia Liv Sweden (SEK million)	2009	2008
Premiums written, net of reinsurance	10,797	12,618
Investment income (net)	40,634	–40,428
Change in technical provisions	24,657	–39,034
Claims incurred, net of reinsurance	–11,362	–10,302
Bonuses and discounts	272	–6
Operating expenses	–1,577	–1,717
Other technical income and charges	13	537
Technical result, life assurance business (before tax)	**63,434**	**–78,332**

Alternative presentation	2009	2008
Investment result	62,210	–79,339
Risk result	747	941
Administrative result	477	66
Technical result, life assurance business (before tax)	**63,434**	**–78,332**

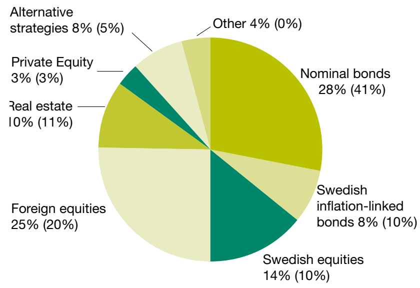
Total return
Skandia Liv Sweden



Managed assets
Skandia Liv Sweden



Breakdown of managed assets
Skandia Liv Sweden



Asset allocation based on market exposure. Market exposure includes exposure to derivative instruments.

The following section pertains to Skandia Liv Sweden unless indicated otherwise. Skandia Liv Sweden consists of the parent company (Livförsäkringsaktiebolaget Skandia (publ)), Diligentia AB with several property-owning subsidiaries, Life Equity Sweden KB, Skandikon Pensionsadministration AB, and Skandikon Administration AB.

Premiums written

Skandia Liv's premiums written, net of reinsurance, amounted to SEK 10,797 million (12,618) in 2009.

Premiums decreased for both occupational pensions and private insurance, mainly owing to single premiums for savings products. In general this was due to the economic decline, but more specifically to a low bonus rate in 2009, the risk for a potential reallocation, and the reduced deduction right for private pension contributions, which took effect on 1 January 2008.

Investment income

Investment income amounted to SEK 40,634 million (–40,428). Investment income is made up of realised as well as unrealised returns and consists of the net amount of income and expenses. Expenses include asset management charges of SEK 274 million (272), which pertain to Skandia Liv's own asset management organisation as well as fees to external asset managers.

Total return

Skandia Liv's total return for 2009 was 16.4% (–13.4%). The goal of Skandia Liv's asset management is to generate a high, stable return in relation to inflation and our obligations to the policyholders.

For returns on the portfolio's various asset classes, see the total return table below.

Investments

At year-end 2009 Skandia Liv had assets under management valued at SEK 280,945 million (253,104).

The long-term asset allocation is decisive for future returns. Skandia Liv has been working for several years to create a better balance in its strategic asset allocation. The aim is to achieve a better spread of risk and in that way lower the risk in the portfolio while also enhancing

	Market value (SEK m)		Allocation (%)		Total return (%)	
Total return	**31/12/2009**	**31/12/2008**	**31/12/2009**	**31/12/2008**	**31/12/2009**	**31/12/2008**
Nominal bonds	78,482	104,080	28.1	41.0	5.1	11..7
Swedish inflation-linked bonds	21,971	25,152	7.9	9.9	3.9	5.8
Swedish equities	39,081	25,229	14.0	10.0	54.4	–39.8
Foreign equities	70,612	50,718	25.3	20.0	24.9	–29.1
Real estate	27,776	27,523	9.9	10.9	8.2	–3.6
Private Equity (unlisted companies)	8,959	7,967	3.2	3.1	–17.1	–1.7
Alternative strategies	21,375	12,584	7.6	5.0	22.9	–24.6
Other	11,331	268	4.0	0.1	-	-
Total	**279,587**	**253,521**	**100.0**	**100.0**	**16.4**	**–13.4**

This table has been prepared in accordance with the Swedish Insurance Federation's recommendation for annual reporting of total returns ("Total return table"). The total in the table differs from the amount of managed assets reported on the balance sheet due to the fact that some assets on the balance sheet are not included in the Total return table. A reconciliation of the return based on the Total return table against financial reports is presented on pages 72–73.

Swedish equities

The 10 largest direct holdings of Swedish equities as per 31 December 2009

Holding	Market value, SEK million
Hennes & Mauritz	3,077
TeliaSonera	3,005
Nordea	2,776
Investor	2,369
Ericsson	2,058
Swedbank	2,012
Volvo	1,657
SEB	1,317
Sandvik	1,096
Handelsbanken	1,066
	20,433

The 10 largest holdings account for approximately SEK 52% (53%) of investments in Swedish equities.

Foreign equities

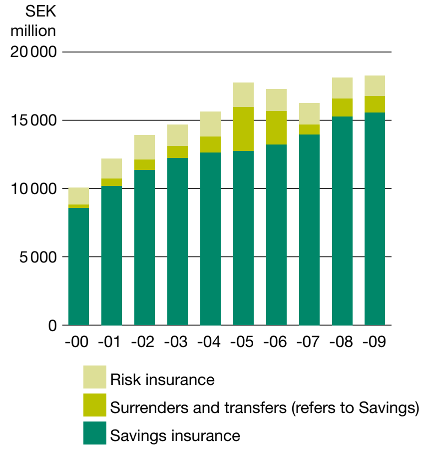
The 10 largest direct holdings in foreign equities as per 31 December 2009

Holding	Market value, SEK million
AstraZeneca	1,490
Exxon Mobil	611
Microsoft	426
ABB	417
HSBC Holdings	361
BP	351
Apple	337
Johnson & Johnson	325
IBM	322
Procter & Gamble Co	321
	4,960

The ten largest shareholdings account for approximately 7% (9%) of investments in foreign equities.

Claims paid, including bonuses

Skandia Liv Sweden



returns over time. This involves trying to reduce dependence on equities in Sweden, Europe and North America. The idea is to add complementary risk assets to the portfolio that have a deviating return profile. This work continued in 2009. For example, during the year we invested SEK 2,444 million in bank loans in the wake of the financial crisis.

Skandia Liv has chosen a currency strategy in which foreign assets are not automatically hedged to increase the spread of risk. However, Sweden was hit hard by the turbulence during the past year, with a sharply devalued Swedish krona as a result. In 2009 Skandia Liv therefore hedged a larger share of its European assets, which reflects Skandia Liv's view that the Swedish krona has been undervalued in relation to the euro.

During the year, the share of equities in the portfolio was increased, partly due to the general upswing in the equity markets, but also to Skandia Liv's belief that risk assets were generally undervalued at the start of the year.

The share of unlisted companies and exposure to commodities increased slightly during the year. The average duration of the asset portfolio was unchanged during the year.

Change in other technical provisions

During the year it was possible to dissolve other technical provisions, mainly as a result of rising discount rates. The change generated a positive result effect of SEK 24,657 million (–39,034), of which SEK -25 million (–32) is attributable to a change in conditional bonuses (gross).

The value of life assurance provisions is affected to a high degree by the discount rate used to calculate the value of future guaranteed benefits. A low discount rate leads to a high present value of guaranteed future benefits, while a high discount rate leads to a low present value. A change in the discount rate by 0.10 percentage points for all maturities would entail a change in life assurance provisions by approximately SEK 1,600 million.

In the technical provisions as per 31 December 2009, mortality assumptions that are specific to Skandia have been used. The effect of the changeover from the previous mortality assumptions, M90, to the Skandia-specific mortality assumptions, is a higher provision in the amount of SEK 950 million.

Life assurance classified as occupational pensions business

Life assurance provisions for occupational pensions business accounted for approximately 62% (60%) of total life assurance provisions.

Provisions classified as occupational pensions business are discounted using market rates of interest. Market interest rates rose in 2009, which entailed a dissolution of provisions in the amount of SEK 16,102 million (–21,721).

The changed mortality assumption resulted in a decrease in the reserves by SEK 201 million.

Other changes, mainly attributable to net cash flow of premiums and disbursements, and net interest expenses, amounted to SEK –3,296 million (–2,578).

The total change in other life assurance provisions for occupational pension business was SEK 12,576 million (–23,853) as per 31 December 2009, with a corresponding subsequent positive result effect.

Other life assurance

Provisions for other life assurance are also discounted using market rates of interest. However, to continue maintaining a certain measure of safeguard assumptions, this interest rate is different than the one used for occupational pensions business. The rising market interest rates entailed a dissolution of these provisions in the amount of SEK 8,286 million (–15,748).

The changed mortality assumptions entailed an increase in the reserves by SEK –1,151 million.

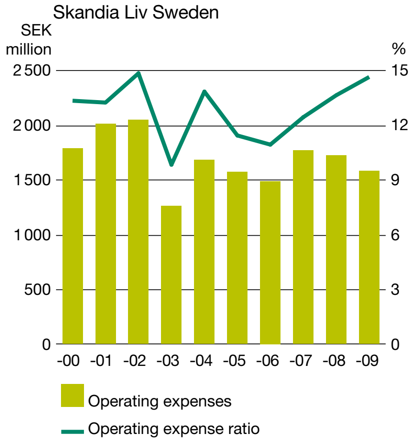
Other changes, which are mainly attributable to the net cash flow of premiums and disbursements, and net interest expenses, amounted to SEK 2,321 million (1,038).

The total change in other life assurance provisions for other life assurance was SEK 12,106 million (–15,149) as per 31 December 2009, with a subsequent positive result effect.

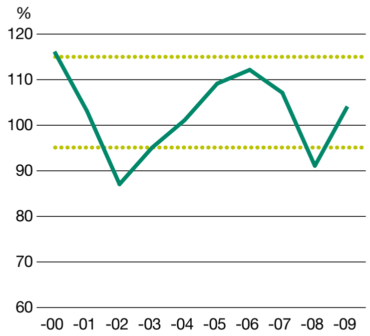
Claims incurred

The sum of the items Claims paid and Change in provision for claims outstanding amounted to SEK 11,362 million (10,302).

Operating expenses
Skandia Liv Sweden

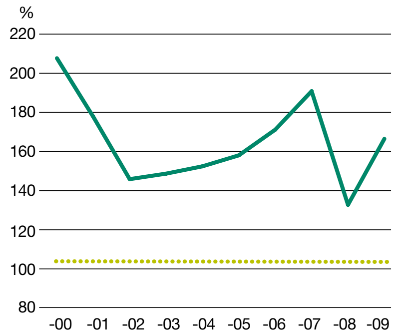


Collective funding ratio
Skandia Liv Sweden



The dotted lines indicate the interval (95%–115%) within which the bonus rate is used to allocate returns. If the collective funding ratio exceeds or falls below this interval, the company may need to consider conducting an extra allocation or, alternatively, a one-time reallocation, of preliminarily allocated surpluses.

Solvency
Skandia Liv Sweden



The dotted line indicates the minimum solvency level prescribed by the Swedish Financial Supervisory Authority, which is 104%.

Claims paid

Claims paid increased to SEK 11,550 million (11,048), of which claims handling costs amounted to SEK 48 million (47).

The increase in claims paid is mainly attributable to an increase in transfers of capital to other insurance companies or other forms of saving, and to a continued trend in higher disbursements as a result of more insureds reaching retirement age.

Transfers of capital away from Skandia Liv amounted to SEK 719 million (278) in 2009. The increase is partly due to a ban on transfers early in 2008 as well as to greater activity in the market surrounding transfers of pension capital in the private segment as well as in the collective occupational pensions segment.

However, surrenders decreased compared with a year earlier. This is because Skandia Liv began applying Market Value Adjustments during the first eight months of the year. Market Value Adjustments are used to adjust the value of insurance capital to take into account any deficit funding.

In addition to benefits that are guaranteed to policyholders, bonuses are also paid out, which are a share in surpluses that have been earned during the insurance period. Bonuses paid out in 2009 amounted to SEK 6,693 million (7,008). However, payments of surpluses are not reported in the income statement, but as a decrease in the funding reserve on the balance sheet.

Change in provision for claims outstanding

The change in the provision for claims outstanding decreased claims paid by SEK 188 million (746), of which a change in market rates of interest entailed a strengthening in the reserve by SEK –341 million (136).

As in 2008, the number of active disability and waiver-of-premium claims continued to fall in 2009, which entailed that earlier provisions of SEK 529 million (610) could be dissolved.

Operating expenses

Operating expenses amounted to SEK 1,577 million (1,717). Operating expenses can be broken down into administrative expenses and acquisition costs, where the former category pertains to costs for existing policies and the latter for handling in connection with new business, such as commissions and new business activities.

Administrative expenses amounted to SEK 1,137 million (1,305). The decrease is mainly due to an active cost-cutting programme at Skandia Liv and the parent company Skandia, as well as to lower costs for studies looking into alternatives for restructuring Skandia Liv.

Acquisition costs are capitalised in large part on the balance sheet as deferred acquisition costs and are thereafter allocated over a ten-year period. This is done to achieve a better balance between revenues and expenses during the term of insurance contracts. Acquisition costs charged against the result for 2009 amounted to SEK 440 million (412). The increase is mainly due to the fact that the dissolution of the preceding year's acquisitions costs exceeded capitalisation of the current year's acquisition costs.

The operating expense ratio, which shows the relationship between operating expenses and premiums written, increased to 14.6% (13.6%), since premiums written fell in a relative sense more than operating expenses.

The management expense ratio, which shows the relation between operating expenses and average managed assets during the year, was 0.62% (0.64%).

funding and solvency

Collective funding ratio

Skandia Liv's collective funding ratio was 104% (91%) as per 31 December 2009.

For insurance with a savings element, the collective funding ratio shows the value of the underlying assets in relation to the value of the guaranteed commitments and surpluses that are preliminarily allocated among the insurance contracts.

By adjusting the bonus rate, which allocates bonuses among the policyholders, Skandia Liv strives to keep the collective funding ratio within an interval of 95–115%. How this is achieved is regulated by the company's funding policy, which is available from Skandia Liv's website.

Solvency

Solvency is a measure of the value of assets in relation to the guaranteed commitments to the policyholders. Skandia Liv's solvency was 164% (128%) as per 31 December 2009. The improved solvency is attributable to higher asset values and higher interest rates, which decrease the present value of the company's guaranteed future commitments.

The solvency ratio shows how large the company's solvency capital is in relation to the minimum margin permissible under the Swedish Insurance Business Act (the solvency margin). The solvency ratio was 14 (6), which means that the company's solvency capital is 14 times greater than the statutory minimum requirement.

risks and risk management

Managing risk is a natural part of Skandia Liv's business. We manage several different types of risk, such as

- solvency risk,
- profitability risk, including financial risks, and
- operational risk.

These risks and our way of managing, measuring and following them up are described in note 2, Risks and risk management.

the environment

Skandia Liv does not conduct any operations that require a permit or reporting obligation pursuant to the Environmental Code. However, our ethical guidelines stipulate that Skandia Liv shall work actively to reduce any adverse direct or indirect environmental impact of its operations.

To limit direct environmental impact, Skandia Liv strives to restrict its use of non-renewable resources. This is mainly achieved by restricting the use of energy and materials, as well as of leaching of waste and emissions from the properties that we use and own.

Skandia Liv also has indirect environmental impact through the companies that we have shareholdings in. Skandia Liv's ownership policy stipulates that the boards of these companies shall maintain a responsible approach to ethical issues and work actively on ethics and environmental matters.

our people

Skandia Liv is a company that builds long-term relationships with its customers as well as employees. Employee commitment, competence and performance are decisive for the company's success.

Employees

In 2009 the average number of employees in the parent company Skandia Liv was 248 (273), of whom 48% were women (47%). The share of women in management positions was 41% (41%), and the average age of all employees was 45 (44). Employee turnover decreased compared with a year ago and was 5.5% at year-end (12.1%). Total absence due to illness increased to 3.0% (2.6%).

Attractive workplace

Skandia Liv strives to be an attractive workplace for existing as well as potential employees. This includes being able to offer a healthy and stimulating work environment that is conducive to job satisfaction, openness and involvement.

During the autumn Skandia conducted its annual employee survey, with a high response rate. The result indicates improvements in all areas compared with the previous survey. The greatest improvement was achieved in the area of "Goal quality".

The business plan – a starting point for employees' individual goals

Business planning is a process in which employee participation is great. The business plan is broken down to the individual level, and an individual assignment contract is drawn up for every employee. This contract is then followed up through three obligatory dialogues between employees and their respective managers.

Competence development

During the year a pilot project called "CCM – My development at Skandia" was initiated in one unit of the company. The model is based on identifying various competence development initiatives coupled to various competency profiles within the company. The goal is to implement the model on a larger scale in 2010.

Livianen

Livianen is Skandia Liv's profit-sharing foundation. Its purpose is to stimulate motivation and participation among the company's employees by giving them a financial incentive when the company performs in accordance with three set targets. The maximum award per employee from the foundation, if all three targets are met, is 62.5% of the Price Base Amount, or SEK 26,750 for 2009.

Remuneration and benefits of key senior executives

Skandia Liv offers variable remuneration as a tool in setting salary levels for managers. The level of remuneration has

IDEAS FOR LIFE

Skandia's employees help children and youth

We know that many of our customers appreciate the fact that as a company we accept our social responsibility, and in this area, Skandia is in a class by itself. Through Ideas for Life, Skandia has been supporting initiatives on behalf of children and youth for more than 20 years.

At Skandia, all employees can do volunteer work during their work time. This may involve, for example, responding to e-mails or answering phone calls for Bris (Children's Rights in Society), helping students with homework, patrolling neighbourhood streets in the evenings, or lending a hand to sports activities for children and youth. In addition, Skandia customers can invest in the Ideas for Life fund, which through its own foundation has handed out more than SEK 30 million to thousands of projects around the country.

Since Skandia is part of society, we also want to make a contribution to its development. We are convinced that advocacy work should begin when children are young, and that long-term work generates results both for the individual and for society.

a cap of 10%, 20%, 30% or 50% of the employee's base salary, depending on their position. The 50% level applies only for certain employees in Skandia Liv's asset management organisation.

For details on salaries and remuneration, see note 37.

Health promotion at Skandia Liv

Skandia Liv offers its employees access to advice and assistance on health matters. In addition, all employees are offered Skandia's private healthcare insurance. Skandia Liv also supports employee fitness activities by providing fitness grants and subsidised recreational activities.

Skandia Liv's subsidiaries in 2009

Swedish subsidiaries

Skandikon

Skandikon generated a profit of SEK 13 million (3) in 2009. Revenues were up 7% over the preceding year at the same time that costs were down 10%.

Skandikon worked together with Skandia Liv on various projects in 2009. Among other things, some of Skandikon's various administrative services and the company's own selection centre for public sector business, Selectum, will be used for Skandia Liv's activities in this sector.

Diligentia

Livförsäkringsbolaget Skandia Fastighetsinvesteringar AB is a subsidiary of Skandia Liv and the parent company of Diligentia AB, where Skandia Liv's real estate holdings are concentrated. Diligentia's business concept is to engage in the long-term ownership, development and management of offices, shopping centres and residential properties.

At year-end the real estate holdings were estimated to be worth SEK 27,776 million (27,523). Investments in existing properties amounted to SEK 1,016 million (1,396). During the year, one property was acquired (1) and 24 were sold (18).

Other Swedish subsidiaries

Life Equity Sweden KB is an asset management company focusing on unlisted companies in the biotech sector in the Nordic countries. At 31 December 2009 the company's portfolio comprised seven companies. One of these is based in the USA and the others in Sweden.

Berlac AB did not conduct any operations in 2009.

Foreign subsidiaries

Skandia Liv's foreign subsidiaries are Skandia Livsforsikring A/S, Skandia Livsforsikring A A/S, Skandia Asset Management A/S and Skandia A/S – all in Denmark – and Finsinequa Consulting Oy i likvidation (formerly Henkivakuutusosakeyhtiö Skandia – Henki Skandia) in Finland.

Denmark

Skandia Liv's operations in Denmark comprise two separate insurance concepts. Skandia Livsforsikring A A/S handles private business and is closed for new business. Skandia Livsforsikring A/S handles "Bonuspension" business, which is designed for the occupational pensions market.

Written premiums amounted to SEK 1,840 million (2,256), operating expenses totalled SEK 264 million (249), and the result for the year was SEK 53 million (–251). Total assets amounted to SEK 15,858 million (14,318), of which life assurance provisions amounted to SEK 14,202 million (12,769).

Finland

The Finnish company Finsinequa Consulting Oy i likvidation is expected to be dissolved through liquidation in 2010. The result for the full year 2009 was SEK 0 million (0).

future outlook

The economy

The economic outlook for 2010 is difficult to discern. We are currently in a global recovery, supported by expansive monetary and finance policies. Various scenarios for the trend in the capital markets and the economy are continuously being analysed and discussed in Skandia Liv's asset management organisation, by its management, and by the Board and its investment committee.

The sharp recovery of the world's equity markets in 2009 was stronger and faster than most market watchers had expected, and in order for this favourable trend to continue, the world economy will have to continue to develop in a positive direction. As always, there are dark clouds hovering over the world's financial markets. This time, discussions primarily concern how and when the central banks and governments will remove the stimulus measures that were implemented to support the global economy. The risk of overly strong stimulus measures for too long of a time is that inflation will rise, which could lead to higher interest rates and low values in the world's stock markets. On the other hand, scaling back stimulus measures could prove to be an obstacle to growth, with continued losses in the financial sector and rising anxiety about future economic performance, with low consumption and low investment as a result.

Our basic view is that a scaling back of stimulus measures will begin in 2010, but at a slow pace, and that in the years ahead we will see economic growth that is below the level that we have grown accustomed to in recent decades. This, in turn, will lead to lower growth in profits and continued historically low interest rates in the years immediately ahead.

The part of the world that performed best in 2009 was Asia, with China as the locomotive. This trend is expected to continue in 2010. Other bright spots in the world economy are that many companies have a low level of debt from an historic perspective and have been quick to adapt their costs. As a result, they managed to keep profit margins up surprisingly well in 2009.

Legislation

In the legislative area, there continues to be a number of clear trends that could affect Skandia Liv's products, distribution and organisation. In addition, in connection with the financial crisis, key aspects of the existing regulation of financial companies have been called into question, and new regulations are being considered.

The following points can be highlighted:

- A new, major regulatory package is being adopted for risk management and the solvency capital. New norms for risk management based on a three pillar approach will take effect in three years when the EU's Solvency II Directive is to be implemented in national rules. The directive is a so-called framework directive. The upper level involving overarching principles was recently ratified by the EU. This level will be complemented through more detailed rules on lower norm levels. An initial proposal has been submitted for intermediate-level rules. Today it is unclear how rules and recommendation will be formulated at the lower levels. The introduction of central EU regulatory bodies for financial companies in Europe could make the regulation of details more uniform throughout Europe. Such a development could, such as with respect to valuation of debt, work to the detriment of life assurance companies with more obscure structures and with obligations in other currencies than the euro. In the same way that applies for banks today, the solvency capital requirements will be raised according to a risk-based standard model. A more flexible structure – and a more favourable solvency capital requirement – may be achieved if companies can show that they have implemented an effective internal company model with extensive IT support and clearly structured process for risk management and risk control. Like several other regulatory structures, the Solvency II package leads to demands for a greater flow of information both internally and externally.
- The way that life companies and their policyholders are taxed is being reviewed. In 2010 the Ministry of Finance is expected to issue a legislative proposal for circulation calling for a change in the policyholder tax rules that would close opportunities to avoid taxation through year-end withdrawals. In addition, the proposal is expected to call for taxation of so-called custody account savings in banks and securities firms with a returns tax of the same type that applies for life companies (this latter proposal is expected early in 2010).
- Rules are being introduced in stages on the use of variable remuneration by financial companies. These rules are being decided on at both the EU and national levels.
- A new Insurance Business Act: the rules for conducting insurance business will be changed so that the Companies Act will as a rule apply for stock insurance companies, and the Financial Associations Act will serve as the base for bona fide mutual insurance companies and insurance associations. The changes will be small in principle. Only insurance associations will obtain radically changed rules. They will be able to compete freely, but at the same time they will become subject to the Solvency II rules.

• The retroactive transfer rights and the rules for restructuring so-called hybrid companies are expected to be reviewed anew, with the aim of announcing proposals based on this review in spring 2011.

Skandia Liv

A sweeping process of change was initiated in 2008 within Skandia. Work is being conducted to increase collaboration between the companies within the group, further enhance efficiency, reduce operating expenses and create an organisation that is characterised by a clear customer focus. The new organisation took effect on 1 January 2009. The organisation is based on the customers' needs, and work at Skandia is now being conducted via two business areas: Corporate and Private. Skandia Liv co-operates with both. Parallel with this, a new governance model is being introduced with strong focus on clear roles, responsibility and decision-making. Attractive customer offerings for individuals as well as companies, with innovative and value-for-money products, advice, and committed and qualified employees, set the stage for good results. The vision is that Skandia Liv will have the life assurance market's most satisfied customers within three years.

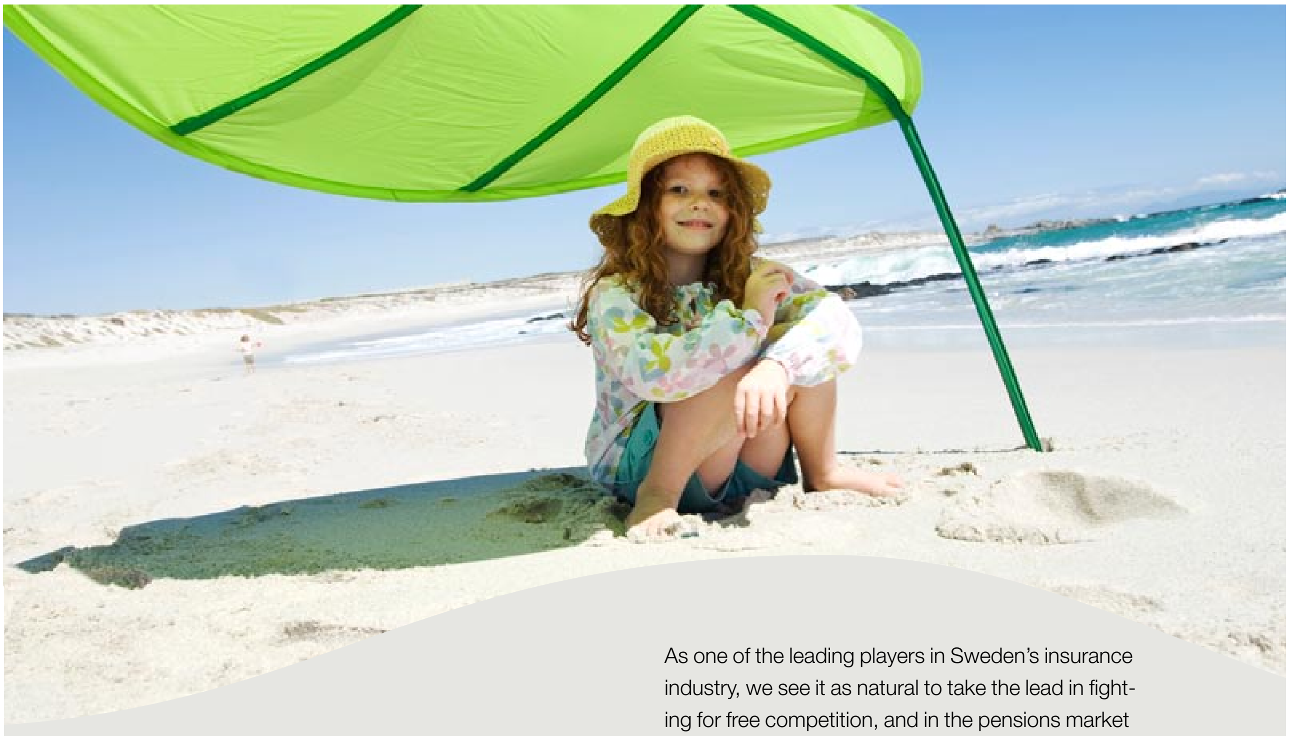
The scope for competition in the collectively contracted market continues to be impeded by the advantages given to the companies that are closely allied with the collective bargaining parties. It is therefore important for Skandia Liv that we strengthen our position in the so-called tick-box market. Demand for alternative solutions and strong marketing efforts for these solutions are on the rise. At the same time, competition is rising in the non-collectively contracted segments that are still exposed to competition. Here it is more a matter of caring for and retaining our existing customers.

The reinstatement of transfer rights resulted in transfers of capital in 2009. High guarantees have become a common competitive argument for insurance companies. We are therefore seeing a greater need for guaranteed products in order to reduce the outflow of capital, but also to entice new customers to transfer their capital to Skandia Liv.

The market's response has been great to our new healthcare insurance, which includes rehabilitation, and we have received requests to develop other types of risk products that offer advice about rehabilitation. In addition, we are seeing a need for expanded disability insurance cover which gives insureds a higher level of benefits in the event they become excluded from cover from Försäkringskassan (the Swedish social insurance office).

Our focus on the municipal market will continue in 2010. Skandia Liv aspires to be a leading player in public sector business. We continue to work with a number of different companies and collective agreements in which we see potential for our business. In the market for public sector business, we know that roughly 100 municipalities will be negotiating insurance solutions for their employees up until summer 2010. Apart from participating in these negotiations, the intention is that we will work within the Oden project – which aims to develop and build up system support for business in the public sector market – to deliver functionality during the year so that Skandia Liv will be able to accept larger volume business in 2011.

One of Skandia Liv's goals is to offer its customers first-rate customer service. In recent years we have redoubled our efforts in this area, since one prerequisite for achieving this goal is that we have effective processes and an adapted set of rules. In 2010 we will continue our work on minimising manual work processes, increasing accessibility and the degree of online service, improving our handling of quotations and streamlining our risk assessment process. A number of major projects and assignments are included in the overarching programme that we call TOL – "Top of the Line" customer service and administration.



PUBLIC PROCUREMENT

competition issues close at heart

As one of the leading players in Sweden's insurance industry, we see it as natural to take the lead in fighting for free competition, and in the pensions market there is still quite a bit left to do. One example is the lack of competition in the municipal pensions market. During the year, Skandia commissioned a study aimed at determining how the procurement process is conducted for municipal pensions business. The report that was subsequently published showed that the municipal pensions market, covering more than a million policyholders with pension obligations worth nearly SEK 400 billion, does not have effective competition. Many municipalities and county councils neglect to conduct an open tendering process for these services, even though this is prescribed by the Public Procurement Act.

With respect to pension administration services, such as calculating pension liabilities and payments, these are usually procured in a tendering process, but due to obstacles to establishment, public sector clients rarely switch service providers.

"Allowing suppliers to compete on equal terms would ensure compliance with the Public Procurement Act and lead to sound competition. This would benefit all parties – municipalities, county councils, employees and the suppliers in the market," says Bengt-Åke Fagerman, Chief Executive of Skandia Liv. Municipalities, in particular, would save huge amounts of money by choosing the best pension management solution. Skandia Liv feels a responsibility for highlighting issues such as these and hopes to be able to contribute to a more equitable market.

five-year overview, Skandia Liv group

	2009	2008	2007	2006	2005
Result, SEK million					
Premiums written, net of reinsurance	12,566	14,819	15,952	15,004	15,157
Investment income, net	42,151	–40,937	12,519	24,386	33,973
Claims incurred, net of reinsurance	–12,024	–11,215	–11,003	–10,740	–11,159
Bonuses	272	–6	–60	515	252
Life assurance technical result	63,526	–78,548[4]	27,555	24,997	19,908
Result for the year	**61,304**	**–79,003[4]**	**24,552**	**22,106**	**18,267**
Financial position, SEK million					
Investments	300,013	271,388	309,557	299,664	284,820
Technical provisions, net of reinsurance	184,614	207,919[4]	166,516	181,471	180,760
Net asset value, SEK million					
Reported equity	109,015	54,764[4]	140,916	117,780	102,306
Deferred taxes	2,275	1,811	3,633	2,682	1,537
Total net asset value	**111,290**	**56,575[4]**	**144,549**	**120,462**	**103,843**
Collective funding capital[1]	11,443	–21,464[4]	20,160	30,709	22,650
Solvency capital[2]	107,934	53,728[4]	136,552	115,183	97,209
Required solvency margin[2]	7,494	8,517[4]	6,907	7,483	8,091
Group solvency capital according to the risk-based aggregation and risk-based	107,268	53,132[4]	134,426	114,713	96,633
deduction method – less intangible items totalling	59	82			
Required group solvency margin according to the risk-based aggregation					
and risk-based deduction method	7.994	9.010[4]	7.275	7.911	8.297
Key ratios, %[1]					
Management expense ratio	0.62	0.64	0.61	0.55	0.63
Management expense ratio incl. asset management charges	0.72	0.74	0.73	0.69	0.77
Direct yield	3.6	3.6	3.5	2.9	3.3
Total return	16.4	–13.4	4.4	9.1	13.7
Collective funding ratio[3]	104	91	107	112	109
Solvency	164	128[4]	190	173	155
Solvency ratio[2]	14	6	20	15	12
Acquisition cost ratio	4.1	3.3	3.69	2.99	2.70
Operating expense ratio	14.6	13.6	12.4	10.9	11.4

[1] Figures pertain to Skandia Liv Sweden.
[2] Figures pertain to the parent company.
[3] According to the retrospective method.
[4] Due to excessively high technical provisions as per 31 December 2008, the result for 2008 improved by SEK 2,848 million. See note 40.

Skandia Liv applies so–called legally limited IFRS. This applies for all figures except for 2005.

proposed distribution of profit

The Board of Directors and Chief Executive propose that the result for the year for the parent company, Livförsäkringsaktiebolaget Skandia (publ), totalling SEK 59,935 million, as well as the adjusted amount for the 2008 accounts, totalling SEK 2,848 million, be transferred to the funding reserve, for the respective lines of insurance as follows:

Funding reserve, SEK million	2009	Adjusted result attributable to previous years
Defined benefit insurance	1,021	-
Defined contribution traditional life assurance	30,777	2,136
Employment-related disability insurance and waiver-of-premium insurance	702	-
Individual traditional life assurance	26,758	712
Non-cancellable disability and accident insurance and waiver-of-premium insurance	455	-
Group life and occupational group life assurance	73	-
Cancellable disability and accident insurance	139	-
Reinsurance accepted	10	-
Total	**59,935**	**2,848**

Stockholm, 12 March 2010

Bo Eklöf
Chairman of the Board

Elisabet Annell

Gunnar Holmgren

Bertil Hult

Monica Lindstedt

Sverker Lundkvist

Lars Otterbeck

Gunnar Palme

Leif Victorin

Dahn Eriksson

Sonja Wikström

Bengt-Åke Fagerman
Chief Executive

Our audit report was submitted on 12 March 2010

Svante Forsberg
Authorised Public Accountant

Thomas Thiel
Authorised Public Accountant

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performance analysis for the parent company

		Direct insurance in Sweden							
		Occupational pension insurance			Other life assurance				
SEK million	Total	Defined benefit insurance[1]	Defined contribution traditional life assurance	Employment-related disability and waiver of premium insurance	Individual traditional life assurance	Non-cancellable disability and accident insurance and waiver of premium insurance	Group life and occupational group life assurance	Cancellable disability and accident insurance	Reinsurance accepted
Premiums written, net of reinsurance	10,797	235	6,937	894	1,878	351	306	169	27
Investment income	13,462	241	6,266	248	6,261	324	50	70	2
Unrealised gains on investments	34,451	615	16,063	633	16,002	827	128	179	4
Other technical income	15	0	8	3	4	0	0	0	0
Claims incurred, net of reinsurance	–11,362	–169	–5,333	–351	–4,667	–485	–243	–117	3
Change in other technical provisions, net of reinsurance	24,657	291	12,248	12	12,087	21	–4	2	0
Bonuses	272	0	27	0	272	0	–27	0	0
Operating expenses	–1,617	–20	–856	–130	–405	–92	–58	–36	–20
Investment charges	–6,348	–113	–2,957	–117	–2,951	–152	–24	–33	–1
Unrealised losses on investments	–2,113	–38	–984	–39	–982	–51	–8	–11	0
Other technical charges	–2	0	0	0	–2	0	0	0	0
Technical result, life assurance business	**62,212**	**1,042**	**31,419**	**1,153**	**27,497**	**743**	**120**	**223**	**15**
Result before appropriations and tax	**62,212**	**1,042**	**31,419**	**1,153**	**27,497**	**743**	**120**	**223**	**15**
Appropriations	–418	0	0	–241	0	–114	–19	–41	–3
Pre-tax result	**61,794**	**1,042**	**31,419**	**912**	**27,497**	**629**	**101**	**182**	**12**
Taxes	–1,693	–22	–642	–150	–741	–95	–15	–26	–2
Deferred taxes	–166	0	0	–59	0	–78	–12	–17	0
Profit for the year	**59,935**	**1,020**	**30,777**	**703**	**26,756**	**456**	**74**	**139**	**10**
Technical provisions, gross									
Life assurance provision	163,266	2,999	97,478	50	62,412	202	111	14	0
Provision for claims outstanding	7,411	74	18	3,471	48	2,614	45	1,127	14
Total	**170,677**	**3,073**	**97,496**	**3,521**	**62,460**	**2,816**	**156**	**1,141**	**14**
Technical provisions for life assurance policies where the investment risk is borne by the policyholders									
Conditional bonuses	204	-	204	-	-	-	-	-	-
Total	**204**	**-**	**204**	**-**	**-**	**-**	**-**	**-**	**-**
Reinsurers' share of technical provisions									
Life assurance provision	-	-	-	-	-	-	-	-	-
Provision for claims outstanding	-	-	-	-	-	-	-	-	-
Total, reinsurers' share of technical provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Funding reserve	46,764	685	1,387	1,260	39,467	2,882	793	256	34
TOTAL BONUS FUNDS BEFORE RESULT FOR THE YEAR [2]	**46,764**	**685**	**1,387**	**1,260**	**39,467**	**2,882**	**793**	**256**	**34**

[1] Of which, pertaining to the line of business "collectively contracted occupational pension plans for employees of the Skandia group, etc."

Life assurance provision	2,998
Funding reserve, after result for the year	1,704

[2] A line of business which, despite utilisation of its share of accumulated surplus funds, cannot cover its own deficit, is allowed to borrow funds (subordinated loans) from other lines of business. For these loans the line pays interest that is equivalent to the total return.

Notes on the parent company performance analysis

	Total	Defined benefit insurance	Defined contribution traditional life assurance	Employment-related disability and waiver of premium insurance	Individual traditional life assurance	Non-cancellable disability and accident insurance and waiver of premium insurance	Group life and occupational group life assurance	Cancellable disability and accident insurance	Reinsurance accepted
Premiums written, net of reinsurance									
Premiums written, gross	10,820	235	6,937	900	1,885	354	311	171	27
Premiums ceded	–23	0	0	–6	–7	–3	–5	–2	0
Claims incurred, net of reinsurance									
Claims paid									
a) Gross	–11,362	–169	–5,333	–351	–4,667	–485	–243	–117	3
b) Reinsurers' share (-)	1	0	0	0	0	0	-1	0	2
Change in provision for claims outstanding									
a) Gross	24,657	291	12,248	12	12,087	21	–4	2	0
b) Reinsurers' share (-)	0	-	-	0	0	0	0	0	0

income statement

SEK million	Note	Group 2009	Group 2008[1]	Skandia Liv Sweden 2009	Skandia Liv Sweden 2008[1]	Parent company 2009	Parent company 2008[1]
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS							
Premiums written, net of reinsurance							
Premium written, gross	(3)	12,634	14,894	10,820	12,654	10,820	12,654
Premiums ceded		–68	–75	–23	–36	–23	–36
		12,566	**14,819**	**10,797**	**12,618**	**10,797**	**12,618**
Investment income	(4)	**16,395**	**26,206**	**16,087**	**26,144**	**13,462**	**25,537**
Unrealised gains on investments	(5)	**35,255**	**5,717**	**34,502**	**5,255**	**34,451**	**5,255**
Other technical income	(12)	**66**	**591**	**15**	**574**	**15**	**574**
Claims incurred, net of reinsurance							
Claims paid							
Gross	(6)	–12,308	–11,975	–11,551	–11,047	–11,551	–11,047
Reinsurers' share		94	14	1	–1	1	–1
Change in Provision for claims outstanding							
Gross		189	743	188	750	188	750
Reinsurers' share		1	3	-	–4	-	–4
		–12,024	**–11,215**	**–11,362**	**–10,302**	**–11,362**	**–10,302**
Change in other technical provisions, net of reinsurance							
Life assurance provision							
Gross		22,228	–39,784	24,682	–39,002	24,682	–39,002
Reinsurers' share		0	13	-	-	-	-
Technical provisions for life assurance policies where the investment risk is borne by the policyholders							
Conditional bonuses	(27)						
Gross		–25	–32	–25	–32	–25	–32
Reinsurers' share		-	-	-	-	-	-
		22,203	**–39,803**	**24,657**	**–39,034**	**24,657**	**–39,034**
Bonuses	(7)	**272**	**–6**	**272**	**–6**	**272**	**–6**
Operating expenses	(8)	**–1,706**	**–1,960**	**–1,577**	**–1,717**	**–1,617**	**–1,743**
Investment charges	(9)	**–7,423**	**–15,713**	**–7,343**	**–15,753**	**–6,348**	**–14,764**
Unrealised losses on investments	(10)	**–2,076**	**–57,147**	**–2,612**	**–56,074**	**–2,113**	**–52,170**
Other technical charges	(12)	**–2**	**–37**	**–2**	**–37**	**–2**	**–37**
Technical result, life assurance business		**63,526**	**–78,548**	**63,434**	**–78,332**	**62,212**	**–74,072**
NON-TECHNICAL ACCOUNT							
Technical result, life assurance business		63,526	–78,548	63,434	–78,332	62,212	–74,072
Result, other operating units	(13)	**–14**	**–12**	**–14**	**–12**	**-**	**-**
Investment income, net	(38)	**–12**	**–9**	**-**	**-**	**-**	**-**
Result before appropriations and tax		**63,500**	**–78,569**	**63,420**	**–78,344**	**62,212**	**–74,072**
Appropriations		-	-	-	-	–418	340
Pre-tax result		**63,500**	**–78,569**	**63,420**	**–78,344**	**61,794**	**–73,732**
Taxes	(14)	**–2,196**	**–434**	**–2,175**	**–513**	**–1,859**	**–1,798**
Other taxes	n/a	-	-	-	-	-	-
PROFIT FOR THE YEAR		**61,304**	**–79,003**	**61,245**	**–78,857**	**59,935**	**–75,530**
Attributable to:							
- policyholders		61,288	–79,015	61,236	–78,867	59,935	–75,530
- minority interests		16	12	9	10	-	-

TOTAL RESULT, SKANDIA LIV (SEK MILLION)	Group 2009	Group 2008[1]
Result for the year, according to income statement above	61,304	–79,003
Translation effect of holdings in foreign subsidiaries	–81	153
Utilisation of funding reserve	–6,964	–7,293
TOTAL RESULT FOR THE YEAR	**54,259**	**–86,143**
Total result for the year attributable to:		
- the policyholders	54,243	–86,155
- minority interests	16	12

[1] In calculating the reserve for changed mortality assumptions according to DUS 2006, an incorrect assumption was made.
The adjustment has resulted in an improvement in the result for 2008 by SEK 2,848 million and a decrease in Technical provisions by a corresponding amount, see note 40.

Explanations to the income statement

Premiums written, net of reinsurance, consist of the sum of premiums paid in to the company in 2009 less premiums for ceded reinsurance. The item also includes prepaid premiums with due dates in 2010 for insurance contracts in force.

Investment income includes share dividends, rental income from real estate management, interest on bonds and other fixed-income securities, net capital gains and net foreign exchange gains.

The company's investments are measured at fair value. The difference between fair value and cost is called surplus value. **Unrealised gains and losses on investments** show the year's change in surplus value, excluding currency effects.

Claims incurred include payments to policyholders, operating expenses that arise in connection with payment and handling of claims, and the change in the provision for claims outstanding. This change stems from estimates of future payments for claims that have already been incurred.

The item **change in other technical provisions** consists of the change in the life assurance provision and changes in conditional bonuses. The change in the life assurance provision shows how much the value of the policyholders' future, guaranteed benefits has risen during the year. Conditional bonuses change in an amount equivalent to the net value of assigned surpluses that have not yet been used for premium payments and utilised surpluses.

Bonuses, i.e., accumulated surpluses, are normally paid out at the end of the insurance period as a supplement to the contracted insurance benefits. Payment of bonuses reduces the retained profits included in the funding reserve and thus does not affect the result for the year. In some cases, bonuses are payable to the policyholder by being used toward premium payments, in which case they have a result impact. This item is specified in note 7.

Operating expenses include costs for a life assurance company's sales, business development and administration. The item also includes reinsurers' commissions and profit participations as well as changes in deferred acquisition costs.

Investment charges include asset management charges, costs for real estate management, interest expenses, net foreign exchange losses and net capital losses.

The **policyholder tax** paid by life assurance companies is a certain percentage of the tax base, which is a sort of standard return that is calculated by multiplying the market value of assets at the beginning of the year – less financial liabilities – by the average government lending rate the year before the financial year. For pension insurance in 2009 a tax rate of 15% was applied on the standard-calculated return, while for endowment insurance a tax rate of 30% was used for nine-tenths of the taxable base, which in practice entails a tax rate of 27%.

The policyholder tax is not charged on group life assurance or disability and accident insurance, since these operations are subject to income tax.

The result for each year is transferred to/deducted from the funding reserve.

balance sheet

SEK million	Note	Group		Skandia Liv Sweden		Parent company	
		31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
ASSETS							
Intangible assets	(15)	**232**	**240**	**164**	**151**	**-**	**-**
Investments							
Land and buildings	(16)	27,776	27,523	27,776	27,523	-	-
Investments in group companies	(17)	-	-	1,752	1,648	25,760	25,525
Other financial investments							
Shares and participations	(18)	118,649	85,634	113,868	83,622	113,609	83,493
Bonds and other fixed-income securities	(19)	141,493	147,704	131,827	137,830	131,827	137,830
Alternative investments	(20)	9,670	7,206	9,432	7,206	9,432	7,206
Loans guaranteed by mortgages		22	30	22	30	21	30
Other loans		10	799	10	799	-	-
Derivatives	(21)	1,914	2,492	1,749	2,046	1,749	2,046
Repurchase transactions		479	0	479	0	479	0
		300,013	**271,388**	**286,915**	**260,704**	**282,877**	**256,130**
Reinsurers' share of technical provisions							
Life assurance provision		109	117	-	-	-	-
Provision for claims outstanding		13	13	-	-	-	-
		122	**130**	**-**	**-**	**-**	**-**
Debtors							
Debtors arising out of direct insurance operations	(22)	4	2	0	0	0	0
Debtors arising out of reinsurance operations		139	82	12	21	12	21
Other debtors	(24)	1,634	845	1,629	689	1,302	1,404
		1,777	**929**	**1,641**	**710**	**1,314**	**1,425**
Deferred tax asset	(29)	**762**	**787**	**592**	**635**	**-**	**-**
Other assets							
Tangible assets		13	14	8	11	2	3
Cash at bank and in hand		4,291	4,837	3,802	3,469	3,711	3,390
		4,304	**4,851**	**3,810**	**3,480**	**3,713**	**3,393**
Prepayments and accrued income							
Accrued interest and rent		2,252	2,149	2,253	2,151	2,253	2,151
Deferred acquisition costs	(8)	1,039	1,313	1,039	1,313	1,039	1,313
Other prepayments and accrued income		128	407	109	383	0	298
		3,419	**3,869**	**3,401**	**3,847**	**3,292**	**3,762**
TOTAL ASSETS		**310,629**	**282,194**	**296,523**	**269,527**	**291,196**	**264,710**

Explanations to the balance sheet

Assets The assets side of the balance sheet of a life assurance company contains mainly investments. Management of Skandia Liv's assets is described on pp. 6–8 and 23–24.

Equity, provisions and liabilities The largest items on the liabilities side are the technical provisions and funding reserve in equity.

The funding reserve is the company's aggregate surplus over the years. The surplus may only be paid out to policyholders in the form of bonuses, or it may be used to cover losses.

Technical provisions are broken down into the life assurance provision and the provision for claims outstanding.

The life assurance provision consists of the discounted value of future benefits that are guaranteed to the policyholders, after deducting the discounted value of future, contracted premium payments. The discounted value is calculated with due consideration for the anticipated outcome of insurance contracts, such as mortality and anticipated life expectancy, and the so-called base rate.

The Provision for claims outstanding is an estimate of future payments for claims that have already incurred. It also includes provisions to cover operating expenses in connection with future payment of claims that have already been incurred.

Conditional bonuses show the surplus reserves that stem from certain occupational pension contracts for defined benefit pension plans. These surpluses can only be used to pay premiums for policies belonging to the above-mentioned contracts.

SEK million	Note	Group 31/12/2009	Group 31/12/2008	Skandia Liv Sweden 31/12/2009	Skandia Liv Sweden 31/12/2008	Parent company 31/12/2009	Parent company 31/12/2008
EQUITY, PROVISIONS AND LIABILITIES							
Equity							
Share capital (3,000 shares with a share quota value of SEK 200)		1	1	1	1	1	1
Funding reserve		47,597	133,657	48,186	134,021	46,764	129,258
Profit/loss for the year		61,288	–79,,015	61,236	–78,867	59,935	–75,530
Minority interests		113	109	111	109	-	-
Profit for the year		16	12	9	10	-	-
		109,015	**54,764**	**109,543**	**55,274**	**106,700**	**53,729**
Tax allocation reserve		**-**	**-**	**-**	**-**	**1,236**	**817**
Technical provisions							
Life assurance provision	(26)	177,282	200,404	163,266	187,948	163,266	187,948
Provision for claims outstanding	(27)	7,454	7,645	7,411	7 599	7,411	7,599
		184,736	**208,049**	**170,677**	**195,547**	**170,677**	**195,547**
Technical provisions for life assurance policies where the investment risk is borne by the policyholders							
Conditional bonuses	(28)	**204**	**226**	**204**	**226**	**204**	**226**
Other provisions							
Provisions for pensions	(39)	228	337	-	-	-	-
Provisions for taxes	(29)	3,214	3,162	3,123	3,121	274	542
Other provisions	(30)	229	851	229	851	24	32
		3,671	**4,350**	**3,352**	**3,,972**	**298**	**574**
Deposits from reinsurers		**51**	**53**	**-**	**-**	**-**	**-**
Creditors							
Creditors arising out of direct insurance operations	(31)	612	973	559	920	559	920
Creditors arising out of reinsurance operations		19	5	9	-	9	-
Derivatives	(32)	398	3,987	270	3,801	270	3,801
Repurchase transactions		9,254	7,972	9,254	7,972	9,254	7,972
Other creditors	(33)	1,856	1,117	1,842	1,117	1,745	877
		12,139	**14,054**	**11,934**	**13 810**	**11,837**	**13,570**
Accruals and deferred income		**813**	**698**	**813**	**698**	**244**	**247**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**310,629**	**282,194**	**296,523**	**269,527**	**291,196**	**264,710**
MEMORANDUM ITEMS							
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	(34)	13,921	13,947	13,919	13,946	13,864	13,836
Assets for which policyholders have beneficiary rights	(34)	222,270	237,759	207,274	226,177	207,274	226,177
Obligations	(35)	21,576	17,298	21,576	17,290	21,570	17,290

equity

SEK million	Share capital	Funding reserve	Total profit/ loss for the year	Equity attrib-utable to the policyholders	Minority interest	Total equity
	Group					
2009						
Opening balance, according to 2008 Annual Report	**1**	**133,657**	**–81,863**	**51,795**	**121**	**51,916**
Adjustment due to error in calculating result for 2008[1]	-	–	2,848	**2,848**	-	**2,848**
Adjusted opening balance	**1**	**133,657**	**–79,015**	**54,643**	**121**	**54,764**
Distribution of profit 2008	-	–79,015	79,015	**0**	-	**0**
Payment to minority owner in limited partnership	-	-	-	**0**	–8	**–8**
Total profit/loss for the year	-	–7,045	61,288	**54,243**	16	**54,259**
Closing balance	**1**	**47,597**	**61,288**	**108,886**	**129**	**109,015**
2008						
Opening balance	**1**	**116 277**	**24 520**	**140,798**	**118**	**140,916**
Distribution of profit 2007	-	24 520	–24 520	**0**	-	**0**
Payment to minority owner in limited partnership	-	-	-	**0**	–8	**–8**
Total loss for the year[1]	-	–7 140	–79 015	**–86,155**	11	**–86,144**
Closing balance	**1**	**133 657**	**–79 015**	**54,643**	**121**	**54,764**

SEK million	Share capital	Funding reserve	Profit/loss for the year	Parent company total
	Parent company			
2009				
Opening balance, according to 2008 Annual Report	**1**	**129,258**	**–78,378**	**50,881**
Adjustment due to error in calculating result for 2008[1]	-	-	2,848	**2 848**
Adjusted opening balance	**1**	**129,258**	**–75,530**	**53,729**
Distribution of profit 2008	-	–75,530	75,530	**0**
Utilisation of funding reserve	-	–6,964	-	**–6,964**
Profit for the year	-	-	59,935	**59,935**
Closing balance	**1**	**46,764**	**59,935**	**106,700**
2008				
Opening balance	**1**	**113,357**	**23,194**	**136,552**
Distribution of profit 2007	-	23,194	–23,194	**0**
Utilisation of funding reserve	-	–7,293	-	**–7,293**
Loss for the year[1]	-	-	–75,530	**–75,530**
Closing balance	**1**	**129,258**	**–75,530**	**53,729**

[1] In calculating the reserve for changed mortality assumptions according to DUS 2006, an incorrect assumption was made.
The adjustment has resulted in an improvement in the result for 2008 by SEK 2,848 million and a decrease in Technical provisions by a corresponding amount, see note 40.

cash flow statement

SEK million	Note	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Operating activities					
Profit/loss before tax		63,500	–81,417	61,794	–76,580
Adjustment for non-cash items, etc.	1)	–56,159	92,839	–54,805	88,733
Paid tax		–2,117	–2,072	–2,113	–2,118
Cash flow from operating activities before changes in assets and liabilities		**5,224**	**9,350**	**4,876**	**10,035**
Paid out from funding reserve		–6,965	–7,002	–6,965	–7,002
Change in investments, net	2)	864	101	1,728	–742
Change in technical provisions, net		-	637	-	637
Change in provisions for other risks and charges		1	3	1	3
Change in other operating receivables		69	170	–78	339
Change in other operating liabilities		447	–837	812	–1,243
Cash flow from operating activities		**–360**	**2,422**	**374**	**2,027**
Investing activities					
Investments in intangible and tangible assets		14	1	0	–1
Cash flow from investing activities		**14**	**1**	**0**	**–1**
Cash flow from financing activities		**–59**	**–8**	**0**	**0**
CASH FLOW FOR THE YEAR		**–405**	**2 415**	**374**	**2,026**
Change in cash and cash equivalents					
Cash and cash equivalents at start of year		**4,837**	**2,102**	**3,390**	**1,240**
Cash flow for the year		**–405**	**2,415**	**374**	**2,026**
Exchange rate differences in cash and cash equivalents		**–141**	**320**	**–53**	**124**
Cash and cash equivalents at year-end		**4,291**	**4,837**	**3,711**	**3,390**

Cash and cash equivalents consist of liquid bank holdings.

Notes to the cash flow statement

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
[1] Depreciation	5	5	1	1
Impairment charges	-	-	–32	220
Change in value of investments	–33,841	50,238	–32,336	46,912
Exchange rate differences	3,482	–13,142	3,517	–13,199
Capital gains/losses	–2,997	13,654	–1,821	13,855
Provisions	–22,995	41,945	–24,845	41,123
Untaxed reserve	-	-	419	–341
Other	187	139	292	162
Adjustment for non-cash items	**–56,159**	**92,839**	**–54,805**	**88,733**
[2] Change in investments, net				
Land and buildings	579	1 565	-	-
Investments in group companies	-	-	–215	–227
Investments in shares and participations	–7,258	–16,365	–4,973	–16,310
Investments in bonds and other fixed-income securities	5,794	7,349	5,263	8,512
Investments in loans guaranteed by mortgages	77	16	7	11
Investments in derivatives	1,041	–1,164	1,015	–1,244
Other financial investments	631	8 700	631	8 516
Change in investments, net	**864**	**101**	**1 728**	**–742**
Information on interest paid and received				
Interest paid during the year	129	246	110	454
Interest received during the year	6,169	6,228	6,874	7,205

Explanations to the cash flow statement

Skandia Liv's cash flow statement is prepared in accordance with the indirect method, i.e., it is based on the result before tax adjusted for items not affecting liquidity and changes in the balance sheet that have had a cash flow impact.

Cash flow is broken down into three sectors:

Operating activities: consists of flows from the core operations – premium payments and claims paid, and asset management of various investments.

Investing activities: explains the cash flows that stem from acquisitions/divestments of non-current assets.

Financing activities: provides information about changes in loans raised/issued and dividends.

The IFRS standard IAS 7 – Cash Flow Statements is applied with the adaptations that are necessary in view of Skandia Liv's operations.

In preparing the cash flow statement, net accounting has been done of changes pertaining to purchases and sales of investment assets. Investments in and loans to subsidiaries have been classified in cash flow as the **Change in investments**, since the purpose of holdings in subsidiaries is to generate returns for Skandia Liv's policyholders.

A large share of Skandia Liv's investments are in foreign currency and are therefore subject to continuous restatement to the current exchange rate for the respective book-closing dates. In the cash flow statement, the effect of this restatement is specified in **Exchange rate differences**.

Cash and cash equivalents include bank account balances. Short-term investments are not included in cash and cash equivalents, but are reported as an investment.

notes

All amounts are stated in **SEK million,** unless specified otherwise.

1 Significant accounting policies and valuation principles

This annual report for Livförsäkringsaktiebolaget Skandia, registered number 502019-6365, pertains to the period 1 January–31 December 2009. Skandia Liv's registered office is in Stockholm. The Annual Report was approved by the Board of Directors for publication on 12 March 2010. The income statement and balance sheet will be taken up for approval by the Annual General Meeting, which will be held on 30 June 2010 or earlier.

Basis of preparation

The 2009 Annual Report has been prepared in accordance with the Annual Accounts Act for Insurance Companies and the directions of the Swedish Financial Supervisory Authority (FFFS 2008:26). Skandia Liv also applies recommendation no. 2 of the Swedish Financial Reporting Board (RFR 2.2) – "Accounting for legal entities".

Skandia Liv applies so-called legally limited IFRS. This entails application of all International Financial Reporting Standards (IFRS) endorsed by the EU, subject to the additions and limitations posed by Swedish law.

The parent company applies the same accounting policies as the group, with the exceptions described in the pertinent sections below.

The parent company's functional currency is Swedish kronor (SEK), and the financial statements for both the parent company and the group are presented in Swedish kronor, rounded off to the nearest million. The accounting policies described below have been used for all periods presented in these consolidated accounts, except for 2005 in the five-year overview.

Changes in accounting policies

New and amended reporting standards from IASB for the 2009 financial year

• IFRS 2 Share-based Payment

The amendment pertains to a clarification of the definition of "vesting conditions" and the addition of a definition for "non-vesting conditions". By vesting conditions is meant service conditions and performance conditions. The amendment has no effect on Skandia Liv.

• Addition to IFRS 7 Financial Instruments: Disclosures

The main amendments pertain to additional disclosures for all financial instruments except those that are classified at fair value through profit or loss. The amendment also requires additional disclosures of liquidity risk for financial instruments. Further, the standard requires further disclosure of financial instruments carried at fair value, entailing the establishment of a fair value hierarchy. The amendment took effect on 1 January 2009 and affects Skandia Liv's disclosures of financial instruments. Comparison figures do not need to be provided for the first year in which the new disclosures are provided.

• IAS 1 Presentation of Financial Statements

The amendments to the existing standard entail the introduction of a new "Statement of Comprehensive Income", which is presented after the income statement. The new statement contains information on profit after tax according to the income statement, with the addition of income and expense for the year reported directly in equity, which gives rise to a new line item called "Comprehensive income for the year after tax". Income and expenses reported directly in equity pertain to transactions that do not originate from the owners, for example, payments from the funding reserve and translation differences attributable to foreign operations.

The amendments took effect on 1 January 2009 and affect Skandia Liv's consolidated financial statements.

• IAS 27 Consolidated and Separate Financial Statements

The amendment pertains to the valuation of ownership interests in subsidiaries, jointly controlled entities and associates in connection with first-time application of IFRS. In addition, new rules have emerged with respect to the cost of investments in a new parent company in connection with a group-wide reorganisation. Finally, the amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends from subsidiaries as income, but requires that holdings be tested in connection with the respective dividends. The amendments took effect for the financial year beginning on 1 January 2009. The amendment that affects Skandia Liv pertains to the testing of the cost of subsidiaries in connection with dividends.

• IAS 32 Financial Instruments: Presentation

The amendment pertains to the reporting of obligations in connection with a liquidation and a clarification of when certain financial instruments with the possibility for early redemption are reported as a liability or equity. The amendment, which also gave rise to an amendment to IAS 1, became applicable as from 1 January 2009. The amendment has no effect on Skandia Liv.

• Improvements to IFRS 2008

IASB's improvements from May 2008 were adopted by the EU in January 2009. These consist of 35 improvements broken down into amendments that give rise to changes in accounting, including those attributable to changes in taxonomy and other editorial changes. Some of the changes took effect in 2009, while others take effect in 2010 and are judged to entail few changes and little impact for Skandia Liv.

New and amended reporting standards from IASB for the 2010 financial year or later

• Amendments to IAS 39 Financial Instruments

Planned amendments to IAS 39 will take place in three steps, of which the first step has resulted in a new standard from IASB – IFRS 9 Financial Instruments. The other two steps are currently under development.

- Step 1 Classification and valuation
  The standard intends to supersede the part of IAS 39 that deals with financial assets. The aim is to simplify the reporting. Only two valuation categories will remain: financial assets at fair value and amortised cost. For assets carried at fair value, there will still be the possibility to distribute changes in value "through profit or loss" and "in other comprehensive income". On 12 November 2009, IAS published "IFRS 9 Financial Instruments", which is to take effect on 1 January 2013. The EU Commission will make a decision on a date of application in 2010. Financial liabilities will complement the standard in 2010. The change is not expected to have any effect on Skandia Liv.
- Step 2 Amortised cost and impairment
  Review work is under way, and it is believed that the proposed model for impairment testing of financial assets could have significant consequences for Skandia Liv. The model that is applied according to IAS 39 is based on taking incurred losses into account in provisions. The new, proposed model is based on anticipated losses during the term of each loan. The aim of the model is to build up reserves during the entire term of a loan, which will lead to larger reserves for loan losses in order to be able to withstand times of financial turmoil.
- Step 3 Hedge accounting
  Review work is expected to be initiated by IASB during the first or second quarter of 2010.

• IFRS 3 Business Combinations

The main amendments pertain to transaction costs for acquisitions, which are to be expensed and not be included in the cost; minority interests, which may be carried at fair value; business combinations achieved in stages; and reporting of acquired, deferred tax assets. The addition, which is applied prospectively for financial years beginning after 1 July 2009, was endorsed by the EU in June 2009 and is not judged to entail any material impact for Skandia Liv.

• IAS 24 Related Party Disclosures

A review has been made of the definition of related parties in order to simplify and clarify the interpretation of who falls under the concept of related party. The amendments take effect for financial years that begin on 1 January 2011 or later. They are not expected to have any effect on Skandia Liv.

• IAS 27 Consolidated and Separate Financial Statements

The main amendments to the existing standard pertain to reporting of changes in minority interests that do not result in the parent company losing its controlling interest; in such cases, changes in value shall be reported directly in equity and distributed among the company's owners. In cases where the parent loses its controlling influence, the remaining minority interest is carried at fair value. The amendment, which is applied prospectively for financial years that begin after 1 July 2009, was endorsed by the EU in June 2009 and is not expected to entail any material impact on Skandia Liv.

• Improvements to IFRS 2007–2009

IASB's annual review has entailed amendments of 12 standards and interpretations. Most of the amendments take effect in 2010 and are subject to approval by the EU. The amendments are expected to entail few changes and little impact for Skandia Liv.

New regulations from the Financial Supervisory Authority
The Financial Supervisory Authority has issued new regulations and general guidelines (FFFS 2009:12), Regulations on changes of the Financial Supervisory Authority's and general recommendations (FFFS 2008:26) for annual reports of insurance companies, which are applied as from 1 January 2010. These will affect Skandia Liv mainly with respect to disclosures of investment contracts. In other respects they are expected to have little impact.

Basis of consolidation
The consolidated financial statements include the parent company and subsidiaries in which the parent company has a controlling interest. Controlling interest entails the right to design the financial and operating strategies in order to obtain economic benefit. In determining this, consideration is given to whether the parent company directly or indirectly owns more than half of the votes for all shares/participations.

The consolidated financial statements have been prepared in accordance with the purchase method. Subsidiaries' identifiable assets and liabilities are stated at their fair value as per the date of acquisition. If the cost upon acquisition is greater than the fair value of the net assets, this portion is allocated among intangible assets and thereafter as goodwill. If the cost is lower, the difference is booked against profit. Profit/loss from operations that were acquired or sold during the year is taken up in the consolidated accounting from the date of acquisition until the day on which the controlling interest ceased.

Associated companies are consolidated in accordance with the equity method. Associated companies are companies in which Skandia Liv has a significant but not controlling influence, ordinarily through holdings of between 20% and 49% of the votes. The asset management activities include investments in which Skandia Liv has more than 20% of the votes, but not a controlling influence. These holdings are reported as other shareholdings under the heading "Shares and participations".

For accounting purposes, joint ventures are companies in which the group, through co-operation agreements with one or more parties, has a joint, controlling influence over the operational and business control.

Skandia Liv and Skandia Insurance Company Ltd each own 50% of Skandia A/S, which is an administrative company for the entire Danish operation in which all of the employees are employed. Skandia A/S is reported in the Skandia Liv group as a joint venture, i.e., Skandia Liv's share of the company's assets, liabilities, revenues and expenses is included item for item.

All intra-group transactions, balance sheet items, revenues and expenses are eliminated upon consolidation.

Foreign currencies
Transactions in foreign currency are recalculated, when included in the accounts, to SEK at the exchange rate in effect on the transaction date. As an approximation of the exchange rate in effect on the date of transaction, ordinarily the average exchange rate for the period is used. Foreign currency–denominated assets and liabilities are translated to SEK at financial year-end rates of exchange. Exchange rate differences that thereby arise are recognised through profit or loss as net foreign exchange gains/losses.

Translation of the balance sheets of the group's foreign subsidiaries, including goodwill and other consolidated surplus and deficit values, is done from their functional currencies to Swedish kronor at financial year-end rates of exchange. Income statements are translated at the average exchange rate for the period. The translation difference that arises as a result of translation of equity at a different exchange rate at the end of the year than at the start, and of translation of the result for the year in the balance sheet at a different rate than the average rate, is recorded directly in the item "Other comprehensive income". Shares in group companies are valued at the exchange rate in effect at the time of investment.

Critical estimations and assessments for accounting purposes
In preparing the accounts, management must rely on certain estimations and assessments in certain cases. These are based on previous experience and assumptions which are considered to be fair and reasonable. These estimations and assessments affect reported values in both the balance sheet and income statement as well as off balance sheet assumptions.

The most important assumptions regarding the future and sources of uncertainty that can affect the reported amounts of assets and liabilities are related to:
- investment properties
- unlisted securities
- investment contracts and insurance contracts
- technical provisions
- pensions
- disputes
- intangible assets

Investment properties
Numerous assumptions and estimations are used to calculate the cash flows used to assess the value of real estate. These include such parameters as the trend in rents and overheads, inflation, the required rate of direct yield and the discount rate. A change in any of these parameters due to changes in vacancy rates, market conditions or similar affects the calculated cash flows and thus the value of the properties.

Unlisted securities
In valuations of financial instruments that lack a listed price in a well functioning market, generally accepted valuation models must be used. These are based on assumptions – such as regarding comparability – as well as on estimations and market parameters.

Investment contracts vs. insurance contracts
To determine what is to be regarded as an investment contract vs. an insurance contract, the company must take a position with respect to what constitutes a material risk.

Technical provisions
Valuations of technical provisions include numerous estimations and assumptions. Assumptions are made with respect to mortality, morbidity and fees, among other things. The mortality assumptions that are used are based on an industry-wide survey, but are adapted to Skandia Liv based on the company's experience. Fee assumptions entail an estimation of future costs and future growth in assets and maturities. These assumptions are based on the company's experience, and in turn affect the estimation of any need to recognise impairment of deferred acquisition costs on the balance sheet.

Pensions
In calculating Skandia Liv's pension liability at the group level in accordance with IAS 19, assumptions are made primarily with respect to salary development, inflation and the discount rate, but also to service period and mortality. The absolute most important factor is the discount rate, which is based on government lending rates with durations corresponding to the pension liability. Other assumptions are based on the anticipated long-term development.

Disputes
Skandia Liv is party to a number of disputes within the course of its normal business activities. Most pertain to small amounts and are judged to not have a material impact on the company's financial position. In cases where they pertain to a major amount, an estimation is made of the probable economic outcome and the need of any provisions.

Intangible assets
The amortisation schedule that is used for deferred acquisition costs for internally developed or purchased systems is based on assumptions of estimated useful life. When determining if there is any need to recognise impairment, the asset's recoverable amount is estimated. This is done with the help of various assumptions and estimations regarding, for example, changes in the market and operating expenses.

Investments
Investments consist of land and buildings, investments in group companies, and financial instruments. These are stated, with the exception of investments in group companies and small portfolios of loans, at their quoted or estimated fair value. Purchases and sales of securities, derivatives and currencies are recognised or derecognised, respectively, in the balance sheet as per the transaction date, i.e., on the day the transaction was carried out. The counterparty's receivable or liability is reported gross between the transaction date and the settlement date under the items "Other debtors" or "Other creditors". If clearing is done through a clearing organisation, the item is reported net. Purchases and sales of land and buildings are reported in the balance sheet on the day possession is taken/relinquished. A financial asset is derecognised from the balance sheet when the contractual rights to the cash flows from the financial asset cease or if the company transfers in all essential respects all of the risks and benefits associated with ownership of the asset. Financial liabilities are derecognised from the balance sheet when they cease, i.e., when the obligation ceases, is nullified or expires. Financial asset and liabilities are reported net in the balance sheet when there is a legal right to regulate transactions and there is an intention to make a net payment or realise the asset and make payment for the liability at the same time.

Land and buildings
All of Skandia Liv's real estate is accounted for in accordance with IAS 40 – Investment Properties. All real estate is classified as investment property, since it is held to generate rents or growth in value, or a combination of both. Real estate is carried at fair value through profit or loss. Fair value is determined by external appraisals. The appraisal firms use a cash flow–based model complemented by a local price estimation in order to compare with similar properties that have been sold during a relevant comparison period. Appraisals are normally performed yearly and cover all properties. In cases where individual properties need to be re-appraised during the course of a year, these are done through entirely internal appraisals. See also note 16. Additional costs are added to the carrying amount only if it is likely that the future economic benefit that is associated with the asset will accrue to the company and if the cost can be calculated in a reliable manner. All other additional costs are reported as costs in the period in which they are incurred.

Investments in group companies
Shares in group companies are stated at cost. If the fair value on the balance sheet date is judged to be below the cost, then the asset is stated at the lower value. Impairment is recognised through profit or loss. If the value is judged to rise again, the impairment loss is reversed in the income statement.

Financial instruments – classification
In accordance with IAS 39 Financial Instruments: Recognition and Measurement, Skandia Liv has classified its financial instruments in four categories:
- Financial assets at fair value through profit or loss. This category includes all financial instruments on the asset side, except for a small portfolio of loans.
- Financial liabilities at fair value through profit or loss. This includes derivatives with negative values and repurchase transactions.

For most of the assets, Skandia Liv has initially chosen this classification, since the asset management is evaluated on the basis of fair value. Derivatives are classified by definition in the sub-category "held for trading", since Skandia Liv does not have any hedging instruments.

- Loan receivables and trade accounts receivable. This category includes, among other things, loans, cash and securities settlement claims, which are stated at amortised cost.
- Financial liabilities stated at amortised cost. These include financial liabilities, such as securities settlement liabilities and trade accounts payable.

Financial instruments – classification and valuation
In valuations, every holding is classified according to three valuation levels:

- Level 1 – listed prices in an active market
- Level 2 – estimated values based on observable market quotations
- Level 3 – estimated value based on assumptions and estimations as well as on observable market data, where such is available.

By listed prices in an active market, Skandia Liv means that listed prices are easily accessible on a stock exchange or from a broker or similar, and these prices represent actual and regularly occurring transactions on commercial terms. If no active market exists, various valuation techniques are used that are based on observable market quotations as far as possible.

• Listed equities
Equities are stated at the time of acquisition as the purchase price less transaction cost, which is expensed directly. They are thereafter stated at fair value. Fair value is defined as the realisable value on the balance sheet date. For shares listed on an authorised stock exchange or an active marketplace, the realisable value refers to the most recent bid price or, if such is lacking, the most recent quoted closing price as per the balance sheet date. If the market is inactive or a quoted price is lacking, various valuation techniques are used. These are based as far as possible on observable prices, however, other estimations and assumptions are also used.

• Unlisted equities
Holdings of unlisted equities are via Private Equity funds. Valuations are conducted by the respective asset managers. Valuations of the underlying portfolio companies are based on a systematic comparison of market-listed peer companies or at a value based on a current third-party transaction. In certain cases, valuations are based on discounted cash flows or methods that are based on non-observable data. Valuations are performed in accordance with industry practice.

• Bonds and other fixed-income securities
Fixed-income securities are stated at the time of acquisition as the purchase price less transaction cost, which is expensed directly. Bonds and fixed-income securities are stated at fair value based on the most recently quoted bid price or, where such a price is lacking, at the most recently quoted closing price. In cases where the security is not listed, it is stated at a price that is based on similar, listed securities and/or with the help of generally recognised valuation models, which entails that the cash flows are discounted using the relevant market interest rate.

• Alternative investments
Alternative investments consist of investments in hedge funds and other funds with a focus on commodities, infrastructure and loan portfolios. The assets are stated at fair value, which is set using generally recognised valuation techniques and verified by third parties.

- Holdings in commodity funds and hedge funds consist mostly of listed securities and derivatives, and adhere to generally recognised valuation principles for listed holdings.
- Infrastructure funds are valued in the same way as for unlisted equities.
- Loan portfolios mainly include listed bank loans to large and medium-sized US and European companies. Valuation of underlying assets is mainly done on the basis of observable market prices.

• Derivatives
Derivatives are stated at fair value at the time of acquisition, which corresponds to the cost. Thereafter, all derivatives are stated at fair value. If the value of a derivative is positive, it is carried on the balance sheet as a receivable, and if the value is negative, it is carried as a liability. Derivatives are valued at listed prices or according to published indices. Derivative transactions are conducted within the framework of current risk mandates and are used to reduce the financial risk and/or to improve the efficiency of asset management.

• Repurchase transactions and securities lending
In a genuine repurchase transaction – a sale of a fixed-income security with an agreement to repurchase it at a predetermined price – the asset continues to be reported on the balance sheet, and the payment is reported as a liability under the item Other creditors. The sold security is reported as a pledged asset. In the case of a reverse repurchase transaction – the purchase of a fixed-income security with an agreement to resell it at a predetermined price – the security is not carried on the balance sheet. Instead, the payment made is reported under the item Other financial instruments. The result for both transactions is reported as interest in the item Investment income/Investment charges. In the case of securities lending, fixed-income securities or shares are lent out against consideration. Securities out on loan continue to be reported as an asset. Security is pledged by the borrower in the form of other securities, and these are stated at fair value under pledged assets together with the fair value of the securities out on loan. Consideration for the transaction is reported as interest in the item Investment income

Realised and unrealised changes in value of investments
Changes in value, both realised and unrealised, are recognised through profit or loss and are included in the result for the year in the items Investment income or Investment charges and Unrealised gains or losses on investments, respectively. Unrealised gains or losses consist of the difference between the cost and fair value. Unrealised foreign exchange gains/losses are not included in the unrealised result, but are reported net as foreign exchange gains/losses under the item Investment income or Investment charges, respectively. By realised result is meant the difference in payments received from sales and the cost. Upon the sale of the asset in question, any previously booked, unrealised changes in value are re-entered in the income statement under unrealised gains or losses, respectively.

Investment income
The item Investment income pertains to returns on investments and covers rental income from land and buildings, dividends from shares and participations (including dividends from shares in group and associated companies), interest income, foreign exchange gains (net), reversed impairment charges and capital gains (net).

Investment charges
The item Investment charges includes costs for investments. The item includes operating expenses for land and buildings, interest expenses, foreign exchange losses (net), impairment charges, capital losses (net) and asset management charges including costs for own personnel, premises, etc., that can be attributed to the asset management.

Unrealised gains on investments and Unrealised losses on investments
These items include unrealised changes in value of investments stated at fair value. The result is reported net for the various types of investments.

Insurance contracts and investment contracts

Skandia Liv issues insurance contracts and investment contracts. Insurance contracts are contracts under which Skandia Liv accepts significant insurance risk from the policyholder by agreeing to indemnify the policyholder or other beneficiary on the occurrence of a defined event that is covered by the insurance. Contracts that cannot be defined as insurance contracts, because they do not transfer significant insurance risk from the policyholder to the company, are classified as investment contracts. By insignificant risk is meant that the indemnification paid out on the occurrence of an insured future event does not exceed the indemnification paid out if the event does not occur, by more than 5%. All of Skandia Liv's investment contracts include a discretionary participation feature. This means that the policyholder can receive, as a supplement to guaranteed benefits, additional benefits in the form of bonuses. As a result, Skandia Liv reports investments contacts also in accordance with IFRS 4 Insurance Contracts. Embedded derivatives that make up a part of insurance contracts, and which in themselves constitute an insurance contract, are not unbundled from the main contract. Thus no separate valuation is made of the embedded derivative.

Preliminarily allocated, non-guaranteed surpluses, discretionary portion
Most of Skandia Liv's contracts include a discretionary participation feature. This means that a preliminarily calculated surplus is applied to every policy. This preliminarily allocated surplus is not guaranteed and thus can decrease. The surplus is used as risk capital to ensure that Skandia Liv can meet its guaranteed obligations. Accumulated surpluses are therefore not carried as a liability, but as a funding reserve, which is part of the company's equity.

Premiums
The cash principle is used for premium payments. The cash principle entails that paid-in premiums are recognised when they are received, regardless of which period they pertain to. Prepaid premiums are included where valid contracts exist. Premiums are reported as revenue in profit for the year, but at the same time are included as an increase in the calculation of technical provisions.

Claims incurred
Guaranteed benefits from investment contracts and insurance contracts are reported as an expense in the income statement at the same time that the technical provisions in the balance sheet decrease. Any additional compensation in the form of allocated surpluses is taken directly from the funding reserve and thus does not have any result impact. Claims incurred also include the Provision for claims outstanding.

Operating expenses
Costs for investment contracts and insurance contracts are recognised as expenses when they are incurred, with the exception of commissions related to new contracts and renewals of existing contracts. These are capitalised as deferred acquisition costs. The principles for deferring acquisition costs for insurance contracts are the same as for the principles for deferring acquisition costs for investment contracts. Claims settlement costs, i.e., costs for continued handling of contracts in disbursement, are reported under Claims paid.

Deferred acquisition costs
Acquisition costs that have a clear connection with the purchased of insurance contracts and investment contracts are capitalised as Deferred

acquisition costs in the balance sheet. Acquisition costs that are capitalised consist mainly of Skandia Liv's variable costs that are related to new sales. Acquisition costs are amortised over a period of ten years. The amortisation schedule reflects the fees charged to the insurance policies to cover these costs. Consideration has been given to surrenders, among other things. If the fair value of the asset after amortisation is judged to be less than the book value, the asset is assessed with an impairment charge. Impairment is recognised through profit or loss.

Valuation of technical provisions

• Life assurance provision

Life assurance provisions correspond to the discounted value of benefits guaranteed to policyholders by insurance contracts in force, after deducting the discounted value of future, contracted premium payments. Life assurance provisions are calculated using generally accepted actuarial principles. This entails that the provisions are discounted to present value and that the calculations are based on assumptions on interest rates, mortality, taxes and operating expenses, among other things. Life assurance provisions and claims outstanding pertaining to occupational pensions are valued in accordance with the EU's Occupational Pensions Directive, which entails that prudent, realistic assumptions are to be used. For other life assurance, safeguard assumptions are used, i.e., assumptions that have a built-in safety margin. The assumption regarding the discount rate has the greatest impact in the valuation. The choice of discount rate is prescribed in Financial Supervisory Authority guideline FFFS 2008:23. This guideline stipulates that market interest curves shall be used, which means that the choice of interest rate depends on the policies' cash flow profile, i.e., when in time incoming and outgoing payments from the insurance are anticipated. A deduction for the policyholder tax and general overheads has been made from the interest rate assumption for both occupational pensions and other pensions business. Starting in 2009, the mortality assumption used in the valuation is based on Skandia Liv's own assumptions. These are based on an analysis of Skandia Liv's own insurance portfolio.

• Liability adequacy test: At each reporting date, Skandia Liv performs a liability adequacy test of its insurance contract liabilities to ensure that the carrying amount of its liabilities is sufficient in the light of estimated future cash flows. The carrying amount of a liability is the value of the liability less any related intangible assets or deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows as well as administration expenses and taxes are used. These cash flows are discounted and compared with the carrying amount of the liability. Any deficiency is immediately recognised through profit or loss. In the consolidated financial statements, the life assurance provisions for the Danish operations have been calculated in accordance with Danish rules. These rules prescribe more realistic assumptions than the Swedish rules.

• Provision for claims outstanding

Four separate provisions are made within the provision for claims outstanding: the provision for disability annuities, confirmed claims, incurred but not reported claims, and a claims handling reserve.

- The provision for disability annuities corresponds to the discounted value of the company's obligations to insureds upon the occurrence of an accident or illness.
- The provision for confirmed claims is a provision for claims that have been reported and approved, but not yet paid out.
- The provision for incurred but not reported claims is based on Skandia Liv's experience with the respective line of insurance.
- The claims handling reserve consists of a valuation of future costs for handling ongoing disability annuities.

Claims incurred for confirmed claims where the payment has fallen due but the beneficiary cannot be located are expensed. This item is reported under "Other creditors" in the balance sheet.

Intangible assets

Intangible assets in the group are stated at cost less accumulated amortisation according to plan. They consist mainly of acquired or proprietary software that is judged to have economic value during the coming year. All internally developed intangible assets pertaining to proprietary software are reported only if all of the following conditions have been met:

- There is an identifiable asset
- It is probable that the asset that has been developed will generate future, economic benefit
- The cost of the asset can be calculated in a reliable manner

The amortisation period is based on anticipated useful life. If there are indications that the value of the asset is lower than its book value, the asset's recoverable amount is determined. If this value is judged to be less than the book value, the asset is stated at the lower value. Impairment is recognised through profit or loss. If the recoverable value that is determined in a subsequent valuation has increased, the impairment charge is reversed in the income statement. Any fees for acquisition or development that are reported as an asset in accordance with the above are reported as operating expenses in the parent company's income statement.

Other provisions

Other provisions are reported in the balance sheet when Skandia Liv has an obligation – legal or constructive – due to an event that has occurred and when it is likely that some form of financial compensation will be paid to settle the obligation and the amount can be reliably estimated. If the point in time for the financial compensation is known and exceeds one year, then the amount is to be discounted.

Leasing

Whether a lease is classified as a finance lease or not depends on the substance of the transaction rather than the contract form. A lease is classified as a finance lease if it substantially transfers all of the risks and rewards incidental to ownership of the asset. All other leasing is classified as an operating lease. The lease payment is reported broken down into rental revenue and amortisation of the leasing claim. Other contracts are operating leases with focus on rental agreements.

Pensions

Parent company:

The parent company has both defined contribution and defined benefit pension plans. For these, the parent company pays premiums that are reported as an operating expense. Defined benefit pensions are in compliance with the Pension Obligations Vesting Act ("Tryggandelagen"). Provisions for pension obligations for Skandia Liv's employees are calculated in the same way and are reported together with the company's other obligations for issued life assurance contracts.

Group:

For defined benefit plans for Skandia Liv's own employees, the cost of the pension obligation and pension cost is determined using the Projected Unit Credit Method, and actuarial computations are performed annually. Briefly, this method entails a more linear allocation of costs between the time for joining the plan and retirement age. Since technical provisions are also made for defined benefit pension plans in the parent company, these are transferred in the group and become part of the calculated pension liability. See also note 39. Defined contribution pension plans are reported in the same way as in the parent company.

Untaxed reserves

In the various companies, these consist mainly of provisions to the tax allocation reserve, which are used to defer taxable profits to a later date and thereby be able to offset them against future deficits. In the consolidated balance sheet, subsidiaries' and the parent company's untaxed reserves are broken down into deferred tax and equity.

Tax

Policyholder tax

In Sweden, life assurance companies pay a policyholder tax. This is not an income tax but is based on an estimated return on the net assets attributable to our savings products. This cost is calculated every year and is reported as a tax expense.

Income tax

For a small portion of Skandia Liv's products – so-called risk products, such as disability insurance – and for Skandia Liv's subsidiaries, income tax is payable on the profit. Income tax consists of current tax and deferred tax and is recognised through profit or loss. Current tax is calculated individually for each company in the group. Current tax also includes non-deductible withholding taxes on dividend income. The company income tax rate in Sweden is 26.3% of taxable income for the year.

Deferred taxes

The provision for deferred taxes pertains to temporary differences between reported profit and taxable profit. These include, for example, unrealised gains/losses on investments, tax depreciation of real estate and other untaxed reserves, such as the tax allocation reserve. Deferred tax assets are reported only if it is likely that these will entail lower tax payments in the near future. Deferred tax liabilities/assets are not discounted. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the tax effect is also recognised in equity.

Result, subsidiaries

Subsidiaries that do not conduct insurance business and which are not held as part of asset management are reported under Result, other operating units.

Group contributions and shareholder contributions in legal entities

Shareholder contributions are recognised immediately in equity of the receiver and are capitalised in shares and participations of the rendering party. Group contributions are reported according to economic significance. This means that group contributions rendered and received in order to minimise the group's total tax are reported directly against retained earnings after deducting their current tax effect.

Cash flow statement

The cash flow statement is prepared using the indirect method and is broken down into operating activities, investing activities and financing activities. Since cash flow in the insurance operations strongly affects cash flow from the investment operations, both are reported under operating activities. Investing activities and financing activities are virtually nonexistent. Cash and cash equivalents consist only of bank balances.

2 Risks and risk management

The operations of a life assurance company are based on active risk-taking. Through controlled and professional risk-taking, the company creates value for the policyholders in the form of insurance protection and a favourable, safe return on the savings tied to traditional life assurance. This risk-taking can give rise to losses from time to time for individual insurance products and certain investments. This is fully natural, however, the losses may not be so large so as to prevent the company from generating a favourable long-term return, and the company must at all times be able to meet its obligations to the policyholders. Risks must be managed in different ways, depending on the following factors:

- **Time perspective:** Solvency risk is measured and managed in the short term, while profitability risks are long-term by nature, since they are associated with contracts with long durations.
- **Ability to influence:** Risks associated with the general operating environment can often only be managed through changes in exposure, while risks in the company's own operations can be influenced directly.
- **Measurability:** Objectively observable risks, such as financial risks on the one end of the spectrum, and future revenue risks, such as strategic risks and reputation risks, on the other.

Principles for measuring risk at Skandia Liv

Risk measurement – general

All forms of risk must be measured, and preferably in a manner that makes it possible to compare various risks. One common way is to calculate sensitivity to a certain, set change in a risk factor, such as how much the result would be affected by a 1% change in all share prices, or a 5% higher mortality rate. This type of measurement is flawed in that the sensitivities are not comparable, since the probabilities of such events are not necessarily the same.

Another common, but more practical, way of measuring risk is to use Value at Risk. This metric indicates how much of the result, or the value of the company, would be affected by a change with a certain, set probability (or level of confidence). By using the same probability for all risk factors, it is possible to compare risks. Another advantage of this type of metric is that it can be interpreted as a measure of how much capital is required to balance, or absorb, losses given a certain level of probability. Risk measured in this manner is equivalent to risk capital; therefore, in the following discussion, risk and capital requirement are synonymous concepts.

It is also desirable to be able to aggregate risks and calculate the total risk for several risk factors or even all risk factors, i.e., the company's total risk. In general, it is not possible to only sum up the capital requirement for various risks, since it entails an assumption that a change in one risk factor always coincides with an equally large change in the other risk factors. In reality, the correlation is weaker or even non-existent. This means that a given amount of capital can be used to cover several risk factors, which is often referred to as diversification.

Measuring risk in Skandia Liv

Skandia Liv measures most risks – those that can be quantified in a meaningful manner – in terms of capital requirement. Many of the quantifiable risks are measured in different time perspectives, depending on the context. From a solvency risk perspective, risks are measured with a time horizon of one year with a confidence level of 99.5%. This means that the probability that the loss will be greater than the capital requirement is 0.5% in one year, which can also be expressed as such that losses of this magnitude can occur once every 200 years (one year divided by 0.5%). Profitability risks are measured from a longer time perspective. It is not possible to disclose in more detail how these risks are calculated, since this is considered to be a trade secret. All quantitative data in the continued reporting thus pertains to risks from a solvency risk perspective. This is also the most relevant risk metric from the customers' standpoint, since it has direct bearing on Skandia Liv's ability to meet its obligations.

Financial Supervisory Authority's traffic light system

The aim of the Financial Supervisory Authority's traffic light system is to measure solvency risk in insurance companies. The system is based on a set grouping of risk factors, and for each of these, a capital requirement is computed based on measurements of risk exposure and sensitivity, which should correspond to an event that occurs at most once every 200 years. The risk factors currently cover most forms of financial risk and insurance risk, where the latter is a collective name for risks associated directly or indirectly to insurance contracts. However, the system does not include operational risks.

The traffic light system has the express purpose of encouraging diversification, which is expressed in the fact that many of the risks are assumed to be independent of each other, so that the combined capital requirement is considerably less than the sum of the individual capital requirements. However, at the same time, the fact is taken into account that the Swedish capital market is highly integrated with the world at large, which is why the diversification effect between Swedish and foreign securities is considerably lower than between other asset classes.

Skandia Liv's internal model

Because the traffic light system is not comprehensive and measures risk in a standard manner, it has been necessary for Skandia Liv to prepare its own model for internal risk control. This is essentially based on the same risk factors as the traffic light system, but it has been expanded to include a number of risk factors for operational risk. In addition, the internal model uses stricter assumptions regarding the covariance between various risk factors so that the diversification effects are smaller. Added to this, Skandia Liv applies a stricter valuation of assumptions – its calculations include a so-called market valuation margin in accordance with the principles that are expected to be applied in the new European Solvency II framework.

However, the internal model still contains so much uncertainty that the

Capital requirement – insurance risks

	Risk exposure			Capital requirement		
Risk factor	2009	2008	Sensitivity factor	2009	2008	Change 1 year
Mortality risk	155,388	169,852	2.58 standard deviation of the cost for mortality outcome and change in one-year mortality probability of +/- 20%	2,349	3,661	–1,312
Disability and accident risk	6,909	6,429	Changes in a number of applied assumptions in the run-off function, which gives rises to higher costs for the company	2,455	2,472	–17
Surrender risk	134,720	135,495	20% of possible deficits in insurance that can be transferred and repurchased, 20% of deferred acquisition costs, 0.15% of the insurance capital for insurance that can be transferred and repurchased	425	471	–46
Operating expense risk	902	1,011	Annual fixed costs +10%	90	101	–11
Total capital requirement				**5,319**	**6,705**	**–1,386**
Diversification effect				–1,639	–1,868	229
Total capital requirement				**3,680**	**4,837**	**–1,157**

Capital requirement – financial risks

	Risk exposure			Capital requirement		
Risk factor	2009	2008	Sensitivity factor	2009	2008	Change 1 year
Interest rate risk assumptions	163,142	187,294	Parallel shift in interest rate curve:	19,431	15,812	3,619
Interest rate risk, assets	132,428	139,941	Nominal SEK +/- 30% of 10-year risk-free interest rate	–8,393	–6,405	–1,988
Diversification effect			Real SEK +/- 30% of longest risk-free interest rate Nominal euro +/- 25% of 10-year risk-free interest rate	1,159	1,209	–50
Net interest rate risk			Other foreign +/- 30% of 10-year risk-free interest rate	**12,197**	**10,616**	**1,581**
Share price risk	126,166	96,480	Swedish equities -40% Foreign equities -37%	51,420	35,052	16,368
Real estate price risk	27,776	27,523	-35 %	9,722	9,633	89
Credit risk	86,302	73,498	Assets given a change in the interest rate spread between the asset and risk-free interest. Increase in spread by max. 100%: 25 basis points	1,787	4,322	–2,535
Currency risk	–8,982	256	+/-10 %	898	26	872
Total capital requirement				**76,024**	**59,649**	**16,375**
Diversification effect				–22,254	–21,534	–720
Net capital requirement				**53,770**	**38,115**	**15,655**

results cannot be publicly reported in detail. What is reported are calculations according to the traffic light system and a safety margin, which constitutes an aggregate measure of all deviations from the traffic light system.

Principles for controlling and monitoring risk at Skandia Liv

Solvency risk

Naturally, it is important to manage all individual risks; in the end it is still the total risk for the company that determines whether the company will be able to meet all of its obligations to the policyholders. This risk is called solvency risk. Skandia Liv's board has declared that solvency risk may be a maximum of 0.5%, which is also the risk level used by the Financial Supervisory Authority for determining the capital requirement in its traffic light system. This level is also decisive for determining how the capital requirement is to be calculated for all individual risk factors.

This is stipulated in the solvency risk policy adopted by the Board, which also stipulates that solvency risk is to be controlled by adapting the risk mandate for asset management on the basis of the value of assets and obligations as well as the capital requirement for insurance risks and operational risks. The utilisation of risk is based on the capital requirement for financial risks, both on the asset and liability side. If the utilisation of risk exceeds the risk mandate, the asset management must change the composition on the asset side to reduce the financial risk to the necessary extent.

Profitability risks

Naturally, it is not adequate to control risks only from a solvency perspective. It is also necessary to ensure that the acceptance of risk in both the insurance operations and asset management provides a reasonable return, that is, satisfactory profitability. Control and monitoring of risks from a profitability perspective are done at the overall company level as well as at the operational level for the two core businesses – the insurance (or product) operations, and asset management. The latter is described in more detail further below.

Overall control consists of principles and rules for the following, among other things:

- Product design
- Pricing of products in general, and of risks in particular
- Parameters for asset management, which take into account the risks in the company's assumptions and the customers' expectations of future returns

These principles are codified in various policies that are decided on by the Board. Documentation for the principles is drawn up with the help of stochastic simulation models which make it possible to formulate the principles in a consistent manner and ensure that they remain valid under most conceivable conditions.

Operational risks

Operational risks comprise several different types of risk:

- Process and security risks (including IT security, among others)
- Continuity risks (disruption risks that affect many or all customers)
- Compliance risks (defective compliance with rules) and reputation risks

The distinctions reflect the fact that the risks are measured and managed in different ways. Process and security risks are measured from both solvency and profitability perspectives. This also applies for continuity risks, but they can also seriously affect future revenues and profitability to varying degrees. Reputation risks, by definition, also affect future profitability. However, they do not affect short-term profitability and thus cannot be taken into account from a solvency perspective. The fact that they are very difficult to quantify also means that they cannot be taken into account from a profitability perspective, either. This does not mean that they are disregarded, but rather that they are taken into account through various preventive measures.

Compliance risks can be viewed as a form of reputation risk: it is a matter of maintaining the confidence of legislators and regulators, and thus these are managed in a similar manner.

Strategic risks

In contrast to continuing business risks (insurance risk and financial risks), strategic risks are measured only from a profitability perspective. Granted, these do not differ with respect to the time perspective, and perhaps not with respect to the ability to influence, either. However, they do differ considerably with respect to risk management. The continuing business risks can be managed through changes in insurance contracts and the investment portfolio, while strategic risks usually can only be managed through major changes in operations. As a result, strategic risks are in essence much larger.

All strategic risks are measured and managed within the framework of the company's business planning, which the Board actively participates in and also decides on.

Organisation

The Board decides on all guidelines that control the company's risk-taking, as well as the forms and frequency of reporting. The Board also plays an active role in risk management by deciding on the overall asset allocation via its Investment Committee. The CEO issues more detailed policies and instructions for the operative handling.

The Risk Management and Risk Control unit has overall responsibility for controlling and monitoring all risks. It draws up principles, methods and tools for controlling and monitoring, and drafts recommendation for guidelines and policies on behalf of the Board and CEO. The unit's activities are headed by the Chief Risk Officer and Chief Actuary. The Compliance Officer is responsible for overseeing regulatory compliance.

This business unit and the asset management unit are responsible for the ongoing management of business risks within the framework of the policies and rules adopted by the Board and CEO. Operational risks are managed in all units in consultation with various risk specialists. Co-ordination is done within the framework of the Risk Committee.

Risks and risk management – Insurance risks

Insurance operations

Skandia Liv conducts both occupational pensions and life assurance business, as well as pure risk insurance business, i.e., disability and accident insurance. The scope of the various businesses is shown in the insurance risks table on page 46.

Risk factors

Risks in the insurance operations, both from the profitability and solvency perspectives, consist of unanticipated changes in the factors that determine the costs of the insurance contracts:

- **Financial factors,** mainly interest rates with varying durations, since the obligations stretch over a long period of time. The obligations consist both of payments to policyholders and future operating and tax expenses. Interest rate risk is reported below under the heading Financial risks along with investment risks.
- **Biometric and demographic factors** such as mortality and morbidity, affect the size of the obligations.
- **Customer-related factors,** such as surrenders and various changes in contracts, affect the obligations. Surrenders (repurchases, transfers and non-payment of premiums) can give rise to losses in cases where the company has incurred costs for the policyholder, for which the company has not yet received any compensation.
- **Operating expense factors,** long-term cost levels as well as more temporary variations, i.e., operational risks.

Added to these is so-called model risk, which is a collective term for all risks that are associated with systematic, erroneous assumptions as well as estimations of anticipated and unanticipated values. The anticipated values ("best estimates") determine the size of the obligations. This model risk is therefore sometimes referred to as reserve-setting risk.

Due to the size of Skandia Liv's collective body of policyholders and Skandia Liv's broad range of products, concentration risks in the insurance risks are generally of lesser significance. This means that, as a rule, the impact of an event on individual policyholders is manageable, even if the commitment is large on a proportional scale in Sweden. Moreover, the largest individual exposures in both death insurance and disability insurance are reinsured. However, since Skandia Liv's business is mainly conducted in Sweden, its insurance risks are concentrated geographically. This means, for example, that a sudden and considerable increase in longevity or a higher level of morbidity (illness) in the Swedish population as a whole are difficult risks for Skandia Liv to manage. Consequently, the risk for an increase in longevity is given special attention in e.g., product development and risk measurement, in order to avoid surprises and to discover potential problems well in advance. A higher level of morbidity could occur suddenly, for example as a result of political decisions surrounding rules for sick leave. This risk is managed by actively monitoring developments in the healthcare sector and actively adapting the products to the new conditions. Epidemics can lead to both a higher rate of mortality and morbidity and is the risk that Skandia Liv can manage only through wise product design. Catastrophic risks, such as regarding a major aircraft or train wreck, are another form of concentration risk. Skandia Liv manages catastrophic risk through reinsurance solutions.

Risk management

Naturally, the size of the insurance risks is dependent on how the products are designed with respect to insurance terms and conditions, including guarantee obligations. Once they have been formulated, the risks are determined by the customers' demand for various products, which actually can only be affected through pricing, i.e., how premiums and fees are determined. Thus pricing is a vital instrument for managing risks. The company applies pricing that is based on the principle that all products shall bear their own risk costs, which are calculated based on the capital that is required to cover risks that cannot be hedged.

The company also has the opportunity to reduce certain risks through reinsurance. However, Skandia Liv uses this opportunity only to a very limited extent – in principle only for catastrophic risks. The reason for this is that Skandia Liv has a very large portfolio of insurance contracts in which the risks offset each other (are pooled) to a great extent. This is also reflected in the fact that a relatively small amount of capital is required to cover mortality risks (unanticipated), which is shown in the table in the previous section.

Risk exposure, risk and capital requirement

Risks are expressed in terms of risk capital for each risk factor. The capital is calculated in accordance with the principles set by the Financial Supervisory Authority in its traffic light system. In somewhat simplified terms, the capital requirement can be said to consist of the product between the current risk exposure and a sensitivity factor that reflects the size of a hypothetical change in the underlying exposure. The size of this change is set as such that it makes up the largest conceivable negative change. It can only be worse with a 0.5% probability. The capital thus expresses the largest conceivable loss during very unfavourable conditions.

The table on the preceding page shows the current risk exposures, sensitivity factors and capital requirement for the non-financial risk factors that are included in the Financial Supervisory Authority's traffic light system. Internally, Skandia Liv includes additional risk factors that are not reported separately, but are instead indicated together with other internal adjustments in a single item. See the safety margin under the Solvency risk section below.

The diversification effect expresses the situation whereby the risks are assumed to be not entirely correlated, i.e., there is no full covariance. The effect is also calculated in accordance with the Financial Supervisory Authority's traffic light system. A more detailed description of this as well as sensitivity factors can be found on the Financial Supervisory Authority's website: www.fi.se.

Risks and risk management – Financial risks

Risk factors

Profitability risks in asset management are mainly tied to the investments, which is why in this context they are synonymous with investment risks. From a solvency risk perspective it is necessary to also take into account financial risks associated with the insurance obligations, mainly interest rate risks. Investment risks are broken down into the following risk factors:

- Market risks, including equity, real estate and commodity price risks, currency and interest rate risks, and hedge fund risks
- Credit risks, including counterparty risks
- Liquidity risks

Risk management

Investment risks are managed from the standpoint of the goal to maximise the return over the long term, given:

- a framework that reflects the risks in the company's obligations and the risk that the customers' return expectations cannot be met;
- a risk mandate that limits the maximum risk that the asset management may take at any given time in view of the size of the available risk capital.

These principles are set in the company's investment guidelines, which are adopted by the Board of Directors. The Board also decides on the framework that governs the scope for the operative asset management. The risk mandate is also decided on indirectly by the Board, in that it sets the company's solvency risk level, which determines the size of the capital requirements for financial risks as well as other risks.

To achieve these goals, it is necessary to have a well diversified investment portfolio that also provides reasonable matching of interest rate risks in the company's obligations. Skandia Liv's asset portfolio thus contains a large share of fixed-income assets, but also a large number of other asset classes, such as equities, real estate, commodities, etc. The equities portfolio, in turn, is broken down into different countries and sectors, which provides further diversification.

Risk exposure, risk and risk capital

Financial risks are also calculated based on the Financial Supervisory Authority's traffic light system in the manner described above. Risk exposures, sensitivity factors and capital requirement for all risk factors, as well as the diversification effect between them, are shown in the table on page 46. It can be worth noting that in its internal calculations, Skandia Liv uses other (and stricter) assumptions on the correlations. This is reflected in the safety margin that is shown under the Solvency risk section below.

As the table shows, share price risk is the single largest risk factor at Skandia Liv. It should be noted that the share price risk for foreign equities includes the currency risk on these assets, since share prices tend to adapt to exchange rate movements over a slightly longer time perspective. The situation whereby the traffic light system does not include commodity risk as a separate risk factor makes it necessary to treat these risks as share price risks. For the same reason, hedge fund risks are calculated based on the underlying values of the funds, mainly equities. It is also worth noting that the diversification effect, i.e., the benefit of spreading assets among various asset classes whose risks can be assumed to be independent of each other, is relatively large. The table shows that the financial risks have increased overall, but that their internal distribution has not changed significantly. This is an expression that the portfolio has grown without any major changes in the composition during the year.

Liquidity risk

A life assurance company has very long obligations. As shown in the table below, roughly 70% of Skandia Liv's obligations have a duration in excess of five years. According to Skandia Liv's investment policy, a sufficient scope of liquidity reserves shall be immediately available. A minimum of 10% of investments are to be in short-term fixed-income securities or government bonds. In addition, the investments shall have a satisfactory level of liquidity and include at least 50% liquid securities.

Life assurance provisions broken down into various maturities

Total SEK million	Within 1 year	1–5 years	5–15 years	More than 15 years
163,266	7.5%	26.0%	37.5%	29.0%

Credit risk

Exposure shall mainly be to counterparties and issuers with high credit ratings, and the aggregate credit risk shall be low. Credit risk may only pertain to issuers and counterparties in the OECD countries. Credit ratings are used to determine the degree of creditworthiness of issuers and counterparties.

Credit exposure 2009, SEK m	Fixed-income securities	Currency derivatives	Interest rate derivatives	Commodity derivatives
Rating AAA/aaa	119,326	-	–24	-
Rating AA/aa	2,769	219	144	354
Rating A/a	3,518	179	14	213
Rating BBB/bbb	1,284	-	-	-
Rating BB/bb or lower	3,435	-	-	-

Risk and risk management – Operational risks

Risk factors

The Financial Supervisory Authority's traffic light system does not take operational risks into account. However, Skandia Liv has drawn up a simple model that it uses in its internal calculations. It covers process, security and continuity risks and is built upon the following risk factors:

- Customers
- Asset management
- Employees
- Systems
- Physical security
- Crime

Each of these, in turn, consists of 3–6 "basic risk" factors.

Risk management

Operational risks can essentially be managed only through preventive measures and preparedness planning. For certain types of operational risk, it is also possible to reduce the consequences through insurance, such as liability insurance. Skandia Liv conducts a yearly review of all operational risks in all units, which leads to action plans whose implementation is subject to continuous review. Skandia Liv is currently implementing a system for managing all risks, including loss databases containing own and external data. Skandia Liv is doing this to create the conditions for using an internal model for operational risks in Solvency II.

Risk exposure, risks and capital requirement

The calculations are thus far very preliminary and are based on internal analyses that have been calibrated based on the risk levels and correlations that have been reported for banks within the framework of Basel II. The fact that the calculations are preliminary is the reason why they are not reported separately, but are only reflected in the safety margin that is reported below under the Solvency risk section.

Solvency risk – Parent company

Solvency risk can be viewed as a measure of the company's total economic risk. It is calculated by deducting the combined capital requirement for insurance risks and financial risks from the net value of assets and liabilities. If there is a surplus, the solvency risk is less than 0.5% – which is the level used to calculate the capital requirement. Conversely, if there is a deficit, the risk is greater than 0.5%. It is not possible to calculate an exact level for the actual solvency risk, since it requires that the surplus can be distributed in a uniform manner between the different risk factors.

The table below shows that the surplus according to Skandia Liv's internal model amounted to approximately SEK 36 billion at year-end 2009, which means that solvency risk is marginally less than 0.5%. Skandia Liv's solvency risk policy provides the opportunity to temporarily deviate from the prescribed risk level. A plan has been drawn up for how the deficit according to the internal model shall be handled. See also the Risk section in the Board of Directors' Report. Since the internal model contained a safety margin of slightly more than SEK 26 billion, the surplus according to the Financial Supervisory Authority's traffic light system was slightly more than SEK 62 billion at year-end 2009. The difference between the two calculations – the safety margin – is due to three things:

1. Skandia Liv determines the value of the liability in another manner; it also includes a risk supplement in accordance with the principles that are being discussed in the Solvency II work.
2. Skandia Liv also includes a capital requirement for operational risks.
3. Skandia Liv measures insurance risks and financial risks in a way that gives rise to a greater capital requirement.

Capital requirement and solvency risk – Parent company

	2009	2008	Change 1 year
Assets	291,114	265,418	25,696
Technical provisions[1]	–163,142	–187,294	24,152
Other liabilities	–12,335	–14,617	2,282
Equity	**115,637**	**63,507**	**52,130**
Capital requirement, investment risks	–53,770	–38,117	–15,653
Capital requirement, insurance risks	–3,680	–4,839	1,159
Diversification effect	3,555	4,533	–978
Adjustment from internal model	–25,792	–26,978	1,186
Surplus/deficit	**35,950**	**–1,894**	**37,844**

[1] Based on market values.

Solvency risk – Denmark
All of the previously reported figures pertain to the parent company. It is not possible to report the risks in the Danish subsidiary, Skandia Liv A/S, in the exact same format, since the Danish solvency rules have a different format. Following is a simplified summary.

As the table shows, the "surplus capital" is considerably lower than in the parent company, also in relative terms. The reflects the fact that the company distributes its profits, and thus there is no reason to keep capital on hand other than what is required for operations.

Capital requirement and solvency risk, Skandia Liv A/S

	2009	2008	Change 1 year
Assets[1]	15,820	14,319	1,501
Technical provisions	–14,253	–12,821	–1,432
Other liabilities	–313	–339	26
Equity + debt capital	**1,254**	**1 159**	**95**
Capital base	994	961	33
Combined capital requirement	–506	–490	–16
Surplus	**488**	**471**	**17**

[1] According to Danish accounting policies.

3 Premiums written

	Individual		Group		Total	
Group	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Periodic premiums in the form of paid-in premiums	5,177	5,944	4,505	4,612	9,682	10,556
Single premiums in the form of paid-in premiums	2,242	3,070	346	747	2,588	3,817
Premiums written in the form of assigned bonuses	0	6	27	147	27	153
Premiums written pertaining to policies transferred to Skandia Liv	22	43	39	0	61	43
Portfolio premiums, received	125	188	155	143	280	331
Reinsurance accepted	27	26	-	-	27	26
Premium tax	-	-	-31	-32	-31	-32
	7,593	**9,277**	**5 041**	**5,617**	**12,634**	**14,894**

Of premiums written, SEK 1,840 million (2,257) pertains to contracts written in Denmark and the remaining SEK 10,794 million (12,637) to contracts written in Sweden.

Of total premiums written, SEK 10,667 million (12,830) pertains to contracts carrying entitlement to bonuses.

Of premiums written for incoming transferred capital, SEK 44 million (32) pertains to transferred, guaranteed capital and SEK 17 million (11) to transferred bonus funds.

	Individual		Group		Total	
Parent company	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Periodic premiums in the form of paid-in premiums	3,363	3,704	4,505	4,612	7,868	8,316
Single premiums in the form of paid-in premiums	2,242	3,070	346	747	2,588	3,817
Premiums written in the form of assigned bonuses	0	6	27	147	27	153
Premiums written pertaining to policies transferred to Skandia Liv	22	43	39	0	61	43
Portfolio premiums, received	125	188	155	143	280	331
Reinsurance accepted	27	26	-	-	27	26
Premium tax	-	-	–31	–32	–31	–32
	5,779	**7,037**	**5,041**	**5,617**	**10,820**	**12,654**

Premiums written pertain in their entirety to contracts written in Sweden.

Of total premiums written, SEK 8,827 million (10,574) pertains to contracts carrying entitlement to bonuses.

Of premiums written for incoming transferred capital, SEK 44 million (32) pertains to transferred, guaranteed capital and SEK 17 million (11) to transferred bonus funds.

4 Investment income

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Rental income from land and buildings	2,226	2,135	-	-
Dividends from shares and participations				
Group companies	-	-	3	2,000
Other shares and participations	2,172	3,330	2,172	3,314
Alternative investments	57	7	57	7
Interest income, etc.				
Bonds and other fixed-income securities	5,227	5,423	5,226	5,421
Other financial investments	65	285	65	269
Interest income, alternative investments	814	-	814	-
Loans guaranteed by mortgages[1]	0	3	0	3
Amounts receivable from group companies[1]	-	-	891	1,032
Amounts receivable from other Skandia companies[1]	-	0	-	0
Other financial assets[1]	94	362	10	290
Foreign exchange gain, net[2]	-	13,140	-	13,199
Dissolution of previous write-downs of subsidiary shares	-	-	32	-
Capital gains, net				
Land and buildings	1,289	1,440	-	-
Bonds and other fixed-income securities	3,187	72	2,928	-
Loans guaranteed by mortgages	0	2	0	2
Alternative investments	1,264	-	1,264	-
Other financial investments	0	7	-	-
	16,395	**26,206**	**13,462**	**25,537**

[1] Interest income on financial assets that are not carried at fair value.

[2] Foreign exchange gains and losses arise, since Skandia Liv has substantial foreign assets.

5 Unrealised gains on investments

	Group		Parent company	
	2009	2008	2009	2008
Land and buildings	33,206	-	32,313	-
Bonds and other fixed-income securities	-	5,717	-	5,255
Alternative investments	2,049	-	2,138	-
	35,255	**5,717**	**34,451**	**5,255**

6 Claims paid, gross

	Group		Parent company	
	2009	2008	2009	2008
Claims paid	–10,843	–10,291	–10,370	–9,929
Surrenders and repurchases	–666	–1,352	–387	–793
Policies transferred to other companies[1]	–746	–291	–746	–291
Claims settlement costs[2]	–53	–41	–48	–34
	–12,308	**–11,975**	**–11,551**	**–11,047**

[1] Of capital transferred to other companies, SEK -435 million (-133) pertains to transferred, guaranteed capital and SEK -311 million (-158) to transferred bonus funds.

[2] Pertains to operating expenses for claims settlement, totalling SEK -48 million (-47) for the parent company and SEK -53 million (-54) for the group, and the change in the claims handling reserve, totalling SEK 0 million (13).

7 Bonuses and discounts

	Group		Parent company	
	2009	2008	2009	2008
Bonuses paid out during the year	–6,693	–7,008	–6,693	–7,008
Utilisation of funding reserve[1]	6,965	7,002	6,965	7,002
	272	**–6**	**272**	**–6**

[1] Of the utilised funding reserve, SEK 326 million (158) pertains to bonus funds transferred to other companies.

8 Operating expenses

	Group		Parent company	
	2009	2008	2009	2008
Acquisition costs[1]	–296	–351	–147	–210
Change in deferred acquisition costs, direct insurance	–274	–201	–274	–201
Administrative expenses[2]	–1,117	–1,408	–1,177	–1,332
Reinsurers' commissions and profit participations	–19	0	–19	-
Total operating expenses in the insurance operations	**–1,706**	**–1,960**	**–1,617**	**–1,743**
Management fees, investments	–299	–291	–270	–268
Claims settlement costs	–53	–54	–48	–47
Cost for other operating units	–14	–12	-	-
	–2,072	**–2,317**	**–1,935**	**–2,058**
Total operating expense categorised by type of cost				
Payroll costs	–364	–409	–261	–313
Cost of premises	–75	–59	–58	–45
Depreciation	–39	–27	–1	–1
Reversal of restructuring provision	0	–21	0	–21
Other	–1,594	–1,801	–1,615	–1,678
	–2,072	**–2,317**	**–1,935**	**–2,058**

[1] Of which, direct insurance commissions for the group SEK -202 million (-245) and SEK -101 million (-146) for the parent company.

[2] Administrative expenses for the group include fees to auditing firms as shown in the table below.

	Group		Parent company	
	2009	2008	2009	2008
Change in deferred acquisition costs				
Opening balance	**1,313**	**1,514**	**1,313**	**1,514**
Capitalisation of new acquisition costs	117	209	117	209
Amortisation of previous years' acquisition costs	-383	-410	-383	-410
Write-down of acquisition costs	-8	0	-8	0
Change in deferred acquisition costs	**-274**	**-201**	**-274**	**-201**
Closing balance	**1,039**	**1,313**	**1,039**	**1,313**

	Group		Parent company	
	2009	2008	2009	2008
Fees to auditing firms				
Auditing fees				
KPMG	2.0	1.9	0.5	0.6
Deloitte	7.4	6.0	4.9	3.8
SET Revision	-	0.4	-	0.4
Ernst & Young	1.1	1.0	1.1	0.9
Others	0.1	0.2	-	-
Total auditing fees	**10.6**	**9.5**	**6.5**	**5.7**
Consulting fees				
KPMG	0.5	1.0	0.1	-
Ernst & Young	6.1	0.1	6.1	0.1
Deloitte	1.2	1.2	0.9	0.9
Others	-	0.1	-	-
Total consulting fees	**7.8**	**2.4**	**7.1**	**1.0**

9 Investment charges

	Group		Parent company	
	2009	2008	2009	2008
Operating expenses from land and buildings	–1,004	–1,083	-	-
Asset management charges[1]	–309	–291	–270	–268
Interest expenses				
Mortgage loans (reduced for subsidised interest rates)[1]	–3	0	-	-
Interest, other Skandia companies[1]	–	–1	-	–1
Interest expenses, financial instruments	–99	–311	–98	–289
Other interest expenses, etc.[1]	–19	–20	–5	–12
Other financial expenses	–319	–31	–86	–121
Foreign exchange loss, net[2]	–3,510	-	–3,517	-
Write-downs of subsidiary shares	-	-	-	–220
Capital loss, net				
Shares and participations	–2,160	–9,767	–2,372	–9,601
Bonds and other fixed-income securities	-	-	-	–43
Alternative investments	-	–4,209	-	–4,209
	–7,423	**–15,713**	**–6,348**	**–14,764**

[1] Interest expenses on financial liabilities that are not carried at fair value.

[2] Foreign exchange gains and losses arise, since Skandia Liv has substantial foreign assets.

10 Unrealised losses on investments[1]

	Group		Parent company	
	2009	2008	2009	2008
Land and buildings	–499	–3,748	-	-
Shares and participations	-	–52,462	-	–51,233
Bonds and other fixed-income securities	–1,575	-	–2,111	-
Loans guaranteed by mortgages	–2	-	–2	-
Alternative investments	-	-937	-	–937
	–2,076	**–57,147**	**–2,113**	**–52,170**

11 Net result per investment category, and other assets and liabilities

	Group		Parent company	
	2009	2008	2009	2008
Investment properties	2,012	–1,249	-	-
Financial instruments at fair value through profit or loss				
- equities	25,513	–42,946	24,408	–41,566
- fixed-income securities	4,098	14,985	3,316	14,389
- alternative investments	3,575	–4,632	3,664	–4,632
Financial instruments held for trading				
- derivatives	7,756	–8,034	7,726	–8,033
Loan receivables	141	1,351	937	3,980
Other financial liabilities	–635	–121	–329	–12
	42,460	**–40,646**	**39,722**	**–35,874**

The net result includes realised and unrealised changes in value and interest, dividends and foreign exchange result.

12 Other technical income and expenses

	Group		Parent company	
	2009	2008	2009	2008
Joint occupational pensions concept[1]	5	34	5	34
Compensation as a result of the ruling on arbitration between Skandia Liv and Skandia Insurance Company Ltd	10	540	10	540
Other	51	17	-	-
Costs for arbitration between Skandia Liv and Skandia Insurance Company Ltd	–2	–37	–2	–37
	64	**554**	**13**	**537**

[1] Return of commissions due to surrenders in the previously applicable joint occupational pensions concept.

13 Result for other operating units

	2009			2008		
	Result	Group ad-justments	Result in group	Result	Group ad-justments	Result in group
Berlac AB	0	0	0	1	–1	0
Skandikon Pensionsadministration AB	12	–27	–15	2	–20	–18
Skandikon Administration AB	1	0	1	6	0	6
	13	**--27**	**–14**	**9**	**–21**	**–12**

14 Taxes

	Group		Parent company	
	2009	2008	2009	2008
Current tax charge	**–1,744**	**–2,236**	**–1,693**	**–2,213**
Deferred tax	**–452**	**1,802**	**–166**	**415**
	–2,196	**–434**	**–1,859**	**–1,798**
Current tax charge				
Policyholder tax	–1,535	–1,971	–1,535	–1,971
Withholding tax	–154	–187	–154	–187
Income tax	–338	–148	–330	–144
Of which, adjustment of tax pertaining to previous tax years	283	71	326	89
	–1,744	**–2,235**	**–1,693**	**–2,213**
Deferred tax pertaining to				
Unrealised gains/losses on investments	–166	1,594	–166	415
Tax-loss carryforward	–26	33	-	-
Participations in partnerships (HB) and limited partnerships (KB)	0	–8	-	-
Intangible assets	5	3	-	-
Difference between book and tax values of real estate	–141	50	-	-
Provisions	–8	18	-	-
Estimated pension liability	–6	4	-	-
Untaxed reserves	–110	108	-	-
	–452	**1,802**	**–166**	**415**
Tax regarding income tax				
Current tax regarding income tax	–55	–77	–4	-55
Deferred tax	–452	1,802	–166	415
	–507	**1,725**	**–170**	**360**
Reconciliation of effective tax rate regarding income tax				
Result before tax	63,500	–80,699	62,212	–75,862
Less: result of operations subject to policyholder tax	–59,961	74,855	–59,961	74,855
Total result in operations subject to income tax'	**3,539**	**–5,844**	**2,251**	**–1,007**
Tax according to applicable tax rate	–931	1,636	–592	282
Tax effect as a result of non-deductible/tax-exempt items	221	–1,332	–1	27
Tax effect as a result of previous years and other tax rates	291	71	326	89
Tax effect as a result of exercised tax-loss carryforward	25	93	-	-
Tax effect pertaining to temporary differences	–268	1,704	–59	409
Tax effect as a result of changed accounting policies	–	–66	-	–66
Tax effect as a result of changed principle for taxation of securities	155	–381	156	–381
	–507	**1,725**	**–170**	**360**

Existing deficits have been stated at a value at which it is expected they can be utilised in the years immediately ahead. The opportunity to utilise deficits has been estimated based on management's estimations of the future profit potential. The parent company has no deficits that can be utilised. Non-valued deficits for the group amount to SEK 147 million (137). The tax effect of non-valued deficits amounts to SEK 24 million (37). The difference between the years is attributable to exchange rate movements.

15 Other intangible assets

Group	2009 Acquired	2009 Internally developed	2009 Total	2008 Acquired	2008 Internally developed	2008 Total
Software						
Cost at start of year	88	248	336	68	217	285
Investments during the year	1	33	34	9	23	32
Disposals during the year	-	–10	–10	-	0	0
Translation difference	–5	–4	–9	11	8	19
Accumulated cost	**84**	**267**	**351**	**88**	**248**	**336**
Amortisation at start of year	–34	–60	–94	–22	–40	–62
Amortisation for the year	–7	–23	–30	–7	–17	–24
Reversal due to disposals during the year	-	10	10	0	0	0
Translation difference	2	2	4	–5	–3	–8
Accumulated amortisation	**–39**	**–71**	**–110**	**–34**	**–60**	**–94**
Write-downs at start of year	–2	-	–2	–1	-	–1
Write-downs during the year	–7	-	–7	–1	-	–1
Accumulated write-downs	**–9**	**0**	**–9**	**–2**	**0**	**–2**
Remaining software	**36**	**196**	**232**	**52**	**188**	**240**

The useful life for software is estimated at between three and ten years, based on estimated economic life.

The group uses a linear amortisation schedule, entailing a fixed, annual amortisation amount over the estimated useful life.

Amortisation is reported in the item Operating expenses.

The assets are expected to be extinguished after more than 12 months.

16 Investment properties

Group	2009	2008
Fair value		
Opening balance, investment properties	27,523	31,465
Acquisitions during the year	80	10
Investments in existing properties	1,016	1,396
Sales revenue, sold properties	–1,708	–3,051
Realised change in value	1,369	1,439
Unrealised change in value	–499	–3,747
Other	–5	11
Closing balance, fair value[1)]	**27,776**	**27,523**
Tax assessment values		
Tax assessment values, buildings in Sweden	11,115	11,413
Tax assessment values, land in Sweden	5,202	5,451
Tax assessment value, total	**16,317**	**16,864**
Residual value in Sweden for tax purposes	19,544	19,351

Agreements were signed in 2009 for the sale of an additional SEK 12 million, with transfer of possession in 2010.
During the year, 24 properties were sold for a value of SEK 1,708 million.
In 2009 and 2008, all investment properties generated rental income.

[1)] The group has a finance lease that is included in the fair value of the group's investment properties, in the amount of SEK 35 million (36).

Fair value of investment properties

The group carries investment properties at fair value, i.e., the market value that has been determined for the properties as a result of an external appraisal.

The market value of all properties at year-end is determined individually based on valuation principles issued by the Swedish Real Estate Index (SFI). Diligentia uses several appraisal firms in which all appraisers are certified by the Swedish Society of Real Estate Economics (SFF). The properties are reallocated among the appraisers in order to increase the reliability of the assessed fair values over time. All property appraisals are the result of the appraisal firms' assessments at a given point in time and include a certain measure of uncertainty. This amounts to an estimated +/- 5%-10% per property.

Valuation principles

In their valuations, the appraisal firms have used two appraisal methods – a one-year net capitalisation method and a cash flow method. The two methods should arrive at similar results, since both are based on local price comparisons. In the event the methods lead to different results, then the cash flow method shall apply. The best proof of fair value consists of the current prices of comparable properties in an active market. In Dilegentia's case, fair value as been estimated via a cash flow analysis for most of the properties. This method entails that anticipated future payment flows and residual values are discounted to fair value.

Valuation assumptions:

Calculation period, primarily	5 years
Annual inflation	2%
Weighted allocated interest	7.5%
Interval: 3.1% – 16.3%	
Weighted direct yield requirement for determining residual value	5.5%
Interval: 1.3% – 14.0%	
Operating and maintenance expenses	SEK 467/sq.m.

Average long-term vacancy

Commercial	4.3%
Residential	0.9%

Sensitivity analysis regarding the market valuation of properties

The market value of properties is sensitive to the assumptions used in the calculations. By varying a number of parameters, the sensitivity of the appraisals can be determined.

Sensitivity analysis for property appraisals	Change	Change in value
Rental income	+/– 1%	+383/–383 MSEK
Direct yield requirement	+/– 1%-pt.	–4,262 / +6,156 MSEK

Sensitivity analysis, result	Change	Yearly result effect
Economic occupancy rate	+/– 1%-pt	+/– 22 MSEK
Rental income	+/– 1%	+/– 20 MSEK
Property costs	+/– 1%	+/– 9 MSEK
Change in value of investment properties	+/– 1%	+/– 278 MSEK

17 Investments in group companies

Shares and participations in subsidiaries[1]	Registered number	Registered office	Equity	Of which, result	Equity share, %	Book value 2009	Book value 2008
Livförsäkringsbolaget Skandia Fastighetsinvesteringar AB[2]	556140-2826	Stockholm	7,273	960	100	5,610	5,610
Skandia Livsforsikring A/S[3]		Copenhagen	545	–39	100	994	876
Skandia Livsforsikring A A/S[3]		Copenhagen	495	72	100	487	488
Skandia Asset Management A/S		Copenhagen	20	14	70	2	2
Skandia A/S		Copenhagen	4	0	50	1	1
Life Equity Sweden KB	969687-4156	Stockholm	262	63	100	262	131
Finsinequa Consulting Oy i likvidation		Helsinki	105	0	100	89	89
Berlac AB	556400-9115	Stockholm	102	0	100	101	101
Skandikon Pensionsadministration AB	556217-8300	Stockholm	30	8	100	28	28
Skandikon Administration AB	556023-4782	Malmö	6	0	100	7	7
						7,581	**7,333**
Loans to group companies							
Livförsäkringsbolaget Skandia Fastighetsinvesteringar AB						18,000	18,000
Skandia Livsforsikring A/S[4]						96	103
Skandia Livsforsikring A A/S[4]						83	89
Total in parent company						**25,760**	**25,525**

[1] All companies are unlisted.

[2] Data for equity and result are consolidated for the company incl. subsidiaries.

[3] In addition to equity, this includes the value of the existing portfolio of insurance business.

[4] The loans have terms without any set final due date.

	2009	2008
Cost, opening balance	**8,301**	**8,574**
Capital contributions during the year	216	597
Liquidation	-	-870
Closing balance, cost	**8,517**	**8,301**
Write-downs, opening balance	**–968**	**–1 344**
Write-downs for the year	–27	–220
Reversed write-downs	59	-
Liquidation	-	596
Write-downs, closing balance	**–936**	**–968**
Total shares and participations in group companies	**7,581**	**7,333**

Properties valued at SEK 190 million are expected to be sold within 12 months.

18 Shares and participations

	2009		2008	
	Cost	Fair value	Cost	Fair value
Group				
Swedish companies	30 ,597	39,337	29,124	25,526
Foreign companies	81,466	79,312	83,659	60,108
	112,063	**118,649**	**112,783**	**85,634**
Listed equities		109,982		77,929
Unlisted equities		8,667		7,705
		118,649		**85,634**
Parent company				
Swedish companies	30,279	39,082	28,884	25,403
Foreign companies	76,352	74,527	80,423	58,090
	106,631	**113,609**	**109,307**	**83,493**
Listed equities		104,990		75,826
Unlisted equities		8,619		7,667
		113,609		**83,493**

All can but will not be sold within 12 months.

19 Bonds and other fixed-income securities

	2009		2008	
	Amortised cost	Fair value	Amortised cost	Fair value
Group				
Securities issued by:				
The Swedish government	39,514	41,975	47,837	52,379
Swedish mortgage institutions	47,542	48,377	45,638	47,355
Other Swedish issuers	19,562	20,067	11,153	11,190
Foreign governments	8,042	8,032	7,695	8,231
Other foreign issuers	21,784	23,042	28,864	28,549
	136,444	**141,493**	**141,187**	**147,704**
Listed securities		129,727		137,866
Unlisted securities		11,766		9,838
		141,493		**147,704**
Parent company				
Securities issued by:				
The Swedish government	39,514	41,975	47,837	52,379
Swedish mortgage institutions	47,542	48,377	45,638	47,355
Other Swedish issuers	19,562	20,067	11,153	11,190
Foreign governments	8,042	8,032	7,654	8,195
Other foreign issuers	13,132	13,376	19,376	18,711
	127,792	**131,827**	**131,658**	**137,830**
Listed securities		129,727		137,830
Unlisted securities		2,100		-
		131,827		**137,830**

All fixed-income securities have fixed durations.

All can but will not be sold within 12 months.

The book value exceeds/is below the nominal value by SEK 7,496 million (7,549) and SEK 880 million (1,217) for the group and by SEK 7,496 million (7,549) and SEK 880 million (1,217) for the parent company.

20 Alternative investments

	2009		2008	
	Amortised cost	Fair value	Amortised cost	Fair value
Group				
Swedish hedge funds	1,099	1,324	455	533
Foreign hedge funds	435	400	3,367	3,425
Commodities	1,275	1,256	943	899
Infrastructure	911	839	377	345
Loan portfolio fund	5,617	5,851	3,558	2,004
	9,337	**9,670**	**8,700**	**7,206**
Parent company				
Swedish hedge funds	1,099	1,324	455	533
Foreign hedge funds	277	297	3,367	3,425
Commodities	1,109	1,121	943	899
Infrastructure	911	839	377	345
Loan portfolio fund	5,617	5,851	3,558	2,004
	9,013	**9,432**	**8,700**	**7,206**

All holdings are unlisted.

21 Derivative instruments with positive values or a value of zero

	2009						2008				
Fair value	Nominal amount	Equities	Currency	Fixed income	Commodities	Total	Equities	Currency	Fixed income	Commodities	Total
Group											
Derivative instruments taken up on the balance sheet											
Options with positive values[1]	23,977	164	-	201	-	365	385	-	-	-	385
Forward contracts with positive values	2,228	0	139	5	-	144	2	986	17	-	1,005
Swaps with positive values	30,029	355	450	8	592	1,405	213	364	161	364	1,102
	56,234	**519**	**589**	**214**	**592**	**1,914**	**600**	**1,350**	**178**	**364**	**2,492**
Parent company											
Derivative instruments taken up on the balance sheet											
Options with positive values[1]	20,408	4	-	201	-	205	0	-	-	-	0
Forward contracts with positive values	2,002	0	134	5	-	139	2	925	17	-	944
Swaps with positive values	30,029	355	450	8	592	1,405	213	364	161	364	1,102
	52,439	**359**	**584**	**214**	**592**	**1,749**	**215**	**1,289**	**178**	**364**	**2,046**

1) The cost of the options was SEK 363 million (127) for the group and SEK 215 million (0) for the parent company. In the parent company, all will be sold within 12 months except for SEK 214 million, while in the group all will be sold within 12 months, except for SEK 347 million.

22 Debtors arising out of direct insurance operations

	Group		Parent company	
	2009	2008	2009	2008
Receivables from policyholders	4	2	0	0
Receivables from insurance brokers	0	0	0	0
	4	**2**	**0**	**0**

23 Categories of financial assets and liabilities and their fair values

GROUP 2009

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Financial assets at fair value through profit or loss: Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	118,649	-	-	**118,649**	118,649	112,064
Bonds and other fixed-income securities	141,493	-	-	**141,493**	141,493	136,444
Alternative investments	9,670	-	-	**9,670**	9,670	9,338
Loans	-	-	32	**32**	32	35
Derivatives	-	1,914	-	**1,914**	1,914	363
Cash and securities settlement claims	-	-	4,653	**4,653**	4,653	4,653
Other financial receivables	479	-	1,185	**1,664**	1,664	1,664
Accrued income and prepaid expenses	-	-	2,252	**2,252**	2,252	2,252
Total	**270,291**	**1,914**	**8,122**	**280,327**	**280,327**	**266,813**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	-	398	-	**398**	398
Other financial liabilities	9,254	-	1,856	**11,110**	11,110
Accrued expenses and deferred income	-	-	673	**673**	673
Total	**9,254**	**398**	**2,529**	**12,181**	**12,181**

PARENT COMPANY 2009

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Financial assets at fair value through profit or loss: Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	113,609	-	-	**113,609**	113,609	106,631
Bonds and other fixed-income securities	131,827	-	-	**131,827**	131,827	127,792
Alternative investments	9,432	-	-	**9,432**	9,432	9,014
Loans	-	-	21	**21**	21	25
Derivatives	-	1,749	-	**1,749**	1,749	215
Cash and securities settlement claims	-	-	4,073	**4,073**	4,073	4,073
Other financial receivables	479	-	939	**1,418**	1,418	1,418
Accrued interest and rental income	-	-	2,253	**2,253**	2,253	2,253
Total	**255,347**	**1,749**	**7,286**	**264,382**	**264,382**	**251,421**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Financial liabilities at fair value through profit or loss: Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	-	270	-	**270**	270
Other financial liabilities	9,254	-	1,745	**10,999**	10,999
Accrued expenses and deferred income	-	-	104	**104**	104
Total	**9,254**	**270**	**1,849**	**11,373**	**11,373**

GROUP 2008

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	85,634	-	-	**85,634**	85,634	112,783
Bonds and other fixed-income securities	147,704	-	-	**147,704**	147,704	141,188
Alternative investments	7,206	-	-	**7,206**	7,206	8,700
Loans	-	-	829	**829**	829	834
Derivatives	-	2,492	-	**2,492**	2,492	127
Cash and securities settlement claims	-	-	5,183	**5,183**	5,183	5,183
Other debtors	-	-	501	**501**	501	501
Accrued income and prepaid expenses	-	-	2,148	**2,148**	2,148	2,148
Total	**240,544**	**2,492**	**8,661**	**251,697**	**251,697**	**271,464**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	-	3,987	-	**3,987**	3,987
Other financial liabilities	7,972	-	1,664	**9,636**	9,636
Accrued expenses and deferred income	-	-	698	**698**	698
Total	**7,972**	**3,987**	**2,362**	**14,321**	**14,321**

PARENT COMPANY 2008

Financial assets	Financial assets at fair value through profit or loss: Assets determined to belong to category	Held for trading	Loan receivables	Carrying amount, total	Fair value	Cost
Shares and participations	83,493	-	-	**83,493**	83,493	109,308
Bonds and other fixed-income securities	137,830	-	-	**137,830**	137,830	131,659
Alternative investments	7,206	-	-	**7,206**	7,206	8,700
Loans	-	-	30	**30**	30	35
Derivatives	-	2,046	-	**2,046**	2,046	0
Cash and securities settlement claims	-	-	3,736	**3,736**	3,736	3,736
Other debtors	-	-	1,058	**1,058**	1,058	1,058
Accrued interest and rental income	-	-	2,151	**2,151**	2,151	2,151
Total	**228,529**	**2,046**	**6,975**	**237,550**	**237,550**	**256,647**

Financial liabilities	Financial liabilities at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities	Carrying amount, total	Fair value
Derivatives	-	3,801	-	**3,801**	3,801
Other financial liabilities	7,972	-	1 419	**9,391**	9,391
Accrued expenses and deferred income	-	-	247	**247**	247
Total	**7,972**	**3,801**	**1,666**	**13,439**	**13,439**

Loan receivables and Other financial liabilities are short-term in character, and thus the carrying amount is that same as fair value. For example, they may consist of securities settlement claims/liabilities, cash security received or paid, and receivables and liabilities which will be settled against companies in the Skandia or Skandia Liv groups within one month.

Determination of fair value through published price quotations or valuation techniques

Group	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3
Assets			
Financial assets at fair value through profit or loss			
-Shares and participations	105,202	4,830	8,617
-Bonds and other fixed-income securities	129,727	11,766	-
-Alternative investments	0	8,157	1,513
-Repurchase transactions	479	-	-
Held for trading			
-Derivatives	591	1,323	-
Total	**235,999**	**26,076**	**10,130**
Liabilities			
Held for trading			
-Derivatives	216	182	-
Financial liabilities at fair value through profit or loss			
-Repurchase transactions	9,254	-	-
Total	**9,470**	**182**	**-**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	**Total**
Opening balance	**-**	**7,666**	**-**	**2,492**	**-**	**10,158**
Profit/loss in income statement	-	–177	-	155	-	-22
Purchases	-	3,795	-	1,271	-	5,066
Sales	-	–1,486	-	–2,136	-	–3,622
Exchange rate movements	-	–634	-	–81	-	–715
Change in value	-	–547	-	–188	-	–735
Issues	-	-	-	-	-	-
Deductions/settlement	-	-	-	-	-	-
Movements in to level 3	-	-	-	-	-	-
Movements out of level 3	-	-	-	-	-	-
Closing balance	**-**	**8,617**	**-**	**1,513**	**-**	**10,130**
Share of profit/loss that pertains to assets held on the balance sheet date		–177		41		–136

Determination of fair value through published price quotations or valuation techniques

Parent company	Instruments with published price quotations in an active market Level 1	Valuation techniques based on observable market data Level 2	Valuation techniques based on non-observable market data Level 3
Assets			
Financial assets at fair value through profit or loss			
-Shares and participations	104,990	2	8,617
-Bonds and other fixed-income securities	129,727	2,100	-
-Alternative investments	-	7,919	1,513
-Repurchase transactions	479	-	-
Held for trading			
-Derivatives	592	1,157	-
Total	**235,788**	**11,178**	**10,130**
Liabilities			
Held for trading			
-Derivatives	216	54	-
Financial liabilities at fair value through profit or loss			
-Repurchase transactions	9,254	-	-
Total	**9,470**	**54**	**-**

Special disclosures for financial instruments in level 3

	Held for trading	Financial assets at fair value through profit or loss				
Assets	Derivatives	Shares and participations	Bonds and other fixed-income securities	Alternative investments	Other financial assets	**Total**
Opening balance	**-**	**7,666**	**-**	**2,492**	**-**	**10,158**
Profit/loss in income statement	-	–177	-	155	-	–22
Purchases	-	3,795	-	1,271	-	5,066
Sales	-	–1,486	-	–2,136	-	–3,622
Exchange rate movements	-	–634	-	–81	-	–715
Change in value	-	–547	-	–188	-	–735
Issues	-	-	-	-	-	-
Deductions/settlement	-	-	-	-	-	-
Movements in to level 3	-	-	-	-	-	-
Movements out of level 3	-	-	-	-	-	-
Closing balance	**-**	**8,617**	**-**	**1,513**	**-**	**10,130**
Share of profit/loss that pertains to assets held on the balance sheet date		–177		41		–136

Other disclosures
Skandia Liv uses several different valuation techniques for holdings classified in level 3. It is not possible to find any common, specific factor in the valuations which, if they were to change, would result in a significant change in the result. Consequently, Skandia Liv has not performed any sensitivity analysis.
For information on valuation techniques, see note 1, Significant accounting policies and valuation principles.

24 Other debtors

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Unliquidated sales of investment assets	362	346	362	346
Receivables from group companies	-	-	541	934
Receivables from other Skandia companies	270	4	270	16
Tax asset	7	3	-	-
Cash security paid	88	-	88	-
Other	907	492	41	108
	1,634	**845**	**1,302**	**1,404**

25 Distribution of 2008 profit

Distribution of profit as per the 2008 balance sheet by the 2009 Annual General Meeting:	
Reported profit for 2008 including adjustments attributable to earlier years	–68,577
Transferred to the funding reserve for the following lines of insurance	**–68,577**
Defined benefit insurance	–1,302
Defined contribution traditional life assurance	–40,390
Employment-related disability insurance and waiver of premium insurance	307
Individual traditional life assurance	–26,593
Non-cancellable disability and accident insurance and waiver of premium insurance	–516
Group life and occupational group life assurance	–90
Reinsurance accepted	7
	–68,577

In Skandia Liv, profit for the year for the parent company is transferred to the funding reserve, which is part of equity. The funding reserve is the company's risk capital and is used to cover losses if necessary. However, normally it is used to provide the policyholders with the additional bonuses generated by successful asset management. Upon payment, bonuses are deducted directly from the funding reserve and thus do not affect the income statement.

26 Life assurance provision

	Group		Parent company	
Gross provision	**2009**	**2008**	**2009**	**2008**
Closing balance before reinsurance	**177,282**	**200,404**	**163,266**	**187,948**
Reinsurers' share	–113	–102	0	-
Closing balance after reinsurance	177,169	200,302	163,266	187,948
Net opening provision according to 2008 Annual Report	**203,252**	**158,217**	**190,796**	**148,310**
Effect on opening balance of error in calculation of mortality reserve	–2,848	-	–2,848	-
Adjusted opening balance	**200,404**	**158,217**	**187,948**	**148,310**
Currency effect on opening balance	–813	1,655	-	-
Premiums	10,561	13,326	8,801	10,699
Payments	–10,331	–10,512	–9,737	–9,458
Risk result	102	46	62	78
Apportioned interest, gross	5,495	6,611	5,505	6,626
Fee charge	–1,814	–1,583	–1,726	–1,497
Policyholder tax	–1,149	–900	–1,149	–900
Effect of changed market interest rates	–23,512	36,346	–24,389	37,468
Assigned bonuses	294	636	40	28
Portfolio taken over	0	432	0	432
Effect of difference in guaranteed rate and discount rate	–132	-448	–132	-448
Effect of surrenders	–153	–1,707	–153	–1,707
Effect on reserve for mortality, DUS 2006[1)]	-	181	-	181
Reversal of reserve for mortality, DUS 2006[2)]	–2,202	-	–2,202	-
Effect of changes mortality assumptions[2)]	950	-	950	-
Other changes	–418	–1,896	–552	–1,864
Net closing provision	**177,282**	**200,404**	**163,266**	**187,948**

Approximately SEK 12 billion is expected to be dissolved within 12 months.

[1)] The figure has been adjusted for a calculation error, in the amount of SEK 2,848 million, that was discovered in 2009.

[2)] Skandia Liv uses mortality assumptions that are specific to Skandia. The method that is used to determine these is based on an industry-wide mortality survey that was published in spring 2007. The transition from the previous mortality assumption, M90, entailed an effect of SEK 950 million. A previous reserve strengthening of SEK 2,202 million as per 31 December 2008 (a deficiency supplement for longevity), has been dissolved in connection with the transition to the new mortality assumptions.

Parent company:
Provisions are calculated in accordance with generally accepted actuarial principles. This means that the provisions have been discounted to present value and that the calculations are based on assumptions on interest rates, mortality, taxes and operating expenses, among other things.

Life assurance provisions pertaining to occupational pensions are valued in accordance with the prudency principle, i.e,. realistic assumptions are to be used. For Other life assurance (insurance not classified as occupational pensions business), safeguard assumptions are used, i.e., assumptions that each have a built-in safety margin.

In valuations, the assumption on the discount rate has the greatest impact. The choice of discount rate is prescribed by the Financial Supervisory Authority in FFFS 2008:23. This regulation prescribes that market interest rates (interest rate curves) are to be used, which entails that the choice of interest rate depends on the cash flow profile of the lines of insurance, i.e., when in time incoming and outgoing payments from the insurance are expected.

A deduction has been made from the interest rate assumption pertaining to both Occupational pensions and Other insurance for policyholder tax and general overheads, totalling approximately 1%-2%.

27 Provision for claims outstanding

	Group		Parent company	
Dissolution analysis	**2009**	**2008**	**2009**	**2008**
Opening balance	**7,645**	**8,391**	**7,599**	**8,358**
Effect of changed accounting policy	0	-	-	-
Adjusted opening balance	**7,645**	**8,391**	**7,599**	**8,358**
Currency effect on opening balance	–3	5	-	-
Cost for claims incurred during current year	791	671	795	678
Paid/transferred to insurance liabilities or other current liabilities	–1,020	–1,138	–1,020	–1,138
Run-off result	141	–313	152	–329
Effect of changed market interest rates	361	–145	361	–145
Other changes	–461	174	–476	175
Closing balance	**7,454**	**7,645**	**7,411**	**7,599**
Provision for confirmed claims	111	142	111	142
Claims handling reserve	180	180	180	180
Provision for unconfirmed claims	974	720	931	674
Provision for disability annuities	6,189	6,603	6,189	6,603
	7,454	**7,645**	**7,411**	**7,599**

Approximately SEK 1 billion is expected to be dissolved within 12 months.

Parent company:
Claims outstanding that pertain to occupational pensions are valued in accordance with the prudency principal, i.e., realistic assumptions are to be used..

For Other life assurance (insurance not classified as occupational pension insurance), safeguard assumptions are used, i.e., assumptions that each have a built-in safety margin.

In valuations, the assumption on the discount rate has the greatest impact. The choice of discount rate is prescribed by the Financial Supervisory Authority in FFFS 2008:23. This regulation prescribes that market interest rates (interest rate curves) are to be used, which entails that the choice of interest rate depends on the cash flow profile of the lines of insurance, i.e., when in time incoming and outgoing payments from the insurance are expected.

For Other insurance with indexed disability annuities, a real interest rate assumption of 1.02% has been used, while for contracts classified as occupational pension insurance, an assumption of 1.49% has been used. For disability annuities in which benefits are set at a fixed amount, the discounted value has been calculated using a nominal interest rate of 2.93% for other insurance and 3.42% for contracts classified as occupational pension insurance. The provision for disability annuities has been calculated based on run-off assumptions that are based on the company's own experience. The provision also includes a provision for future operating expenses for handling ongoing disability annuities (the Claims handling reserve). The change in the claims handling reserve, amounting to SEK 0.3 million, is reported in the income statement under the item Claims paid. For calculations of reserves for disability annuities, assumptions on reactivation of disabled claimants are also needed. The assumptions used are also based on the company's own experience.

28 Conditional bonuses

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Opening balance	**226**	**278**	**226**	**278**
Utilised conditional bonuses[1)]	–47	–84	–47	–84
Change in conditional bonuses	25	32	25	32
Closing balance	**204**	**226**	**204**	**226**

[1)] Utilised, conditional bonuses may only be used to pay new premiums. The amount is thus transferred directly to premiums written.

29 Provision for taxes

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Policyholder tax	–	–	–	–
Income tax liability	143	534	95	529
Payroll tax liability	34	30	13	13
Deferred tax	3,037	2,598	166	0
	3,214	**3,162**	**274**	**542**

Preliminarily paid-in tax pertains primarily to the policyholder tax and secondarily to income tax.

Provision for deferred tax	2009 Tax asset	2009 Tax liability	2008 Tax asset	2008 Tax liability
Group				
Deferred tax attributable to:				
Intangible assets	18	0	15	1
Land and buildings	373	2,492	363	2,357
Shares and participations	-	94	72	0
Alternative investments	-	6	-	-
Bonds and other fixed-income securities	-	54	-	0
Derivatives	-	12	-	-
Untaxed reserves	-	327	-	216
Tax-loss carryforwards	244	-	211	-
Shares in partnerships and limited partnerships	124	-	123	-
Provisions	3	25	3	0
Pension liability	-	27	-	24
	762	**3,037**	**787**	**2,598**
Of the year's change in deferred tax, everything except SEK 1 million is included in profit for the year. SEK 1 million was acquired through the purchase of real estate.				
Parent company				
Deferred tax attributable to:				
Shares and participations	-	94	-	-
Alternative investments	-	6	-	-
Bonds and other fixed-income securities	-	64	-	-
Derivatives	-	12	-	-
All changes are included in profit for the year.	**-**	**166**	**-**	**-**

30 Other provisions

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Restructuring reserve	2	21	2	21
Deferred registration of title costs	193	234	-	-
Tax liability stemming from tax dispute	26	546	14	-
Other provisions	8	44	8	5
	229	**845**	**24**	**26**

Of provisions, SEK 8 million will be discontinued within 12 months.

31 Creditors arising out of direct insurance operations

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Liabilities to policyholders	612	973	559	920
	612	**973**	**559**	**920**

The liabilities pertain mainly to preliminary tax withheld from paid-out benefits, totalling SEK 471 million (447), and late payment of premiums, which have not yet been invested in the insurance, totalling SEK 107 million (163). The liability will be settled within 12 months.

32 Derivative instruments with negative values

Fair value	2009 Nominal amount	2009 Equities	2009 Currency	2009 Fixed-income	2009 Commodities	2009 Total	2008 Equities	2008 Currency	2008 Fixed-income	2008 Commodities	2008 Total
Group											
Derivative instruments reported in the balance sheet:											
Options with negative values	3,651	37	-	-	-	37	186	-	-	-	186
Forward contracts with negative values	40,762	0	208	30	-	238	-	685	40	-	725
Swaps with negative values	9,872	-	70	29	24	123	-	2,779	297	-	3,076
Total	**54,285**	**37**	**278**	**59**	**24**	**398**	**186**	**3,464**	**337**	**-**	**3,987**
Parent company											
Derivative instruments reported in the balance sheet:											
Options with negative values	38,612	0	117	30	-	147	-	685	40	-	725
Swaps with negative values	9,872	-	70	29	24	123	-	2,779	297	-	3,076
Total	**48,484**	**0**	**187**	**59**	**24**	**270**	**-**	**3,464**	**337**	**-**	**3,801**

In the parent company and group, all of the above, except for SEK 30 million, will be discontinued within 12 months.

33 Other creditors

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Unliquidated purchases of investments	390	139	390	139
Liabilities to group companies	-	-	176	184
Liabilities to other Skandia companies	115	108	115	107
Cash security received	804	-	804	-
Other	547	870	260	447
	1,856	**1,117**	**1,745**	**877**

34 Pledged assets

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Margin security for derivative contracts	5,090	6,022	5,088	6,021
Securities pertaining to repurchase transactions	8,776	7,815	8,776	7,815
Property mortgages pledged for loans, etc., nominal value	55	110	-	-
	13,921	**13,947**	**13,864**	**13,836**
Assets for which policyholders have beneficiary rights[1)2)]	**222,270**	**237,759**	**207,274**	**226,177**

[1)] Creditors arising out of direct insurance operations.

[2)] Assets as per 31 December 2009 consist of SEK 86,916 million in fixed-income securities, SEK 101,999 million in equities, and SEK 18,359 million in real estate.

These assets may be utilised to secure the policyholders' guaranteed benefits in the event of an insolvency situation.

35 Contingent liabilities

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Committed private equity investments	21,570	17,290	21,570	17,290
Other contingent liabilities	6	8	-	-
	21,576	**17,298**	**21,570**	**17,290**

36 Leasing

In its capacity as a **lessee,** the group has entered into a number of operating leases, which pertain to the lease of premises for some of the group's subsidiaries. Total leasing costs for the year were SEK 13 million (8). The maturities for the combined amount of future, minimum leasing payments pertaining to non-cancellable operating leases as per 31 December, are listed below:

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Operating leases				
within one year	8	7	-	-
later than one year but within five years	32	31	-	-
later than five years	41	43	-	-
Total leasing payments	**81**	**81**	**-**	**-**

As a result of the joint organisation in Sweden, Skandia Liv's leases have been renegotiated and are now part of the agreement that regulates costs between Skandia Liv and Skandia. This agreement has a term of one year, and the cost varies along with Skandia Liv's use of space. See note 38.

In its capacity as a **lessor,** the group has entered into a number of operating leases. The contracts pertain to leases for residential properties and other premises. The maturities for the combined amount of future, minimum leasing payments pertaining to non-cancellable operating lease contracts as per 31 December, are listed below:

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Operating leases				
within one year	795	733	-	-
later than one year but within five years	1,026	983	-	-
later than five years	288	348	-	-
Total leasing payments	**2,109**	**2,064**	**-**	**-**

The variable part of leases, which is included in result for the period, amounts to SEK 51 million (72).

37 Average number of employees; wages, salaries and remuneration

Average number of employees	2009 Women		Men		Total	2008 Women		Men		Total
Parent company in Sweden	118	48%	130	52%	248	128	47%	145	53%	273
Subsidiaries in Sweden	86	53%	77	47%	163	91	53%	82	47%	173
Total, Sweden	**204**	**50%**	**207**	**50%**	**411**	**219**	**49%**	**227**	**51%**	**446**
Subsidiaries in Denmark	60	62%	37	38%	97	54	60%	36	40%	90
Total, foreign subsidiaries	**60**	**62%**	**37**	**38%**	**97**	**54**	**60%**	**36**	**40%**	**90**
Total, group	**264**	**53%**	**244**	**47%**	**508**	**273**	**51%**	**263**	**49%**	**536**

Gender breakdown of executive management as per 31 December	2009 Women		Men		Total	2008 Women		Men		Total
Parent company, Sweden										
Board of Directors	3	27%	8	73%	11	3	27%	8	73%	11
Chief Executive and other members of executive management	1	14%	6	86%	7	2	25%	6	75%	8
Subsidiaries										
Boards of directors	3	20%	12	80%	15	7	32%	15	68%	22
Chief executives and other members of companies' management	6	38%	10	62%	16	8	36%	14	64%	22
Total, group										
Board of Directors	**6**	**23%**	**20**	**77%**	**26**	**10**	**30%**	**23**	**70%**	**33**
Chief executives and other members of companies' management	**7**	**30%**	**16**	**70%**	**23**	**10**	**33%**	**20**	**67%**	**30**

Wages, salaries and other benefits during the year, SEK thousand	2009 Base salary/ Directors' fees	Variable remunera-tion	Other benefits and remu-neration	Pension cost	Social security charges	Total
Parent company						
Bo Eklöf, Chairman of the Board	1,138	-	-	-	116	1 254
Leif Victorin, director	250	-	-	-	26	276
Lars Otterbeck, director	200	-	-	-	20	220
Sverker Lundqvist, director	688	-	-	-	216	904
Elisabet Annell, director	350	-	-	-	110	460
Monica Lindstedt, director	250	-	-	-	79	329
Gunnar Palme, director	288	-	-	-	90	378
Gunnar Holmgren, director	360	-	-	-	113	473
Bengt-Åke Fagerman, Chief Executive	4,087	86	102	2,844	2,027	9,146
Other senior executives (7 persons)[1]	10,833	1,424	492	5,749	5,305	23,803
Other employees	130,800	12,934	3,991	43,964	52,121	243,810
Total, parent company in Sweden	**149,244**	**14,444**	**4,585**	**52,557**	**60,223**	**281,053**
Subsidiaries						
Chairmen	535	-	-	-	27	562
Chief executives	6,528	211	88	1,663	2,001	10,491
Other senior executives (17 persons)[1]	15,899	501	360	1,864	5,162	23,786
Other employees	134,637	923	2,978	29,502	35,430	203,470
Total, subsidiaries	**157,599**	**1,635**	**3,426**	**33,029**	**42,620**	**238,309**
Total, group						
Chairmen	1,673	-	-	-	143	1,816
Directors	2,386	-	-	-	654	3,040
Chief executives	10,615	297	190	4,507	4,028	19,637
Other senior executives[1]	26,732	1,925	852	7,613	10,467	47,589
Other employees	265,437	13,857	6,969	73,466	87,551	447,280
Total, group	**306,843**	**16,079**	**8,011**	**85,586**	**102,843**	**519,362**

[1] By other senior executives in the parent company is meant the seven persons who, together with the Chief Executive, make up Skandia Liv's management team. In the group, it also includes the persons who, in addition to the chief executive of each company, make up the respective company's management teams.

Specification of variable remuneration in the parent company, SEK thousand	Chief Executive[1]	Other senior executives (7 persons)[1]	Other employees
Additional or reversed remuneration for 2008	–805	–2,323	–3,503
Other variable remuneration paid out	-	635	1,250
Estimated provision for 2009	891	3,112	15,187
Total amount applied to profit in 2009	**86**	**1,424**	**12,934**
Estimated provision for 2008	805	2,323	11,365
Amount paid out in 2009 pertaining to 2008[1]	-	-	7,862
Total additional or reversed amount for 2008	**–805**	**–2,323**	**–3,503**

[1] The Chief Executive and other senior executives abstained from variable remuneration in 2008.

Pension cost in relation to pensionable salary	Defined contribution	Defined benefit
Parent company		
Chief Executive	24%	29%
Other senior executives (7 persons)	26%	7%
Subsidiaries		
Chief executives	70%	2%
Other senior executives (5 persons)	29%	10%

	2008					
Wages, salaries and other benefits during the year, SEK thousand	Base salary/ Directors' fees	Variable remunera-tion	Other benefits and remu-neration	Pension cost	Social security charges	Total
Parent company						
Chairman of the Board	1,300	-	-	-	133	1,433
Directors	2,187	-	-	-	691	2,878
Chief Executive	4,112	850	99	2,874	2,281	10,216
Other senior executives (8 persons)[1]	10,436	3,234	461	5,657	5,737	25,525
Other employees	150,562	10,230	5,733	45,180	63,428	275,133
Total, parent company in Sweden	**168,597**	**14,314**	**6,293**	**53,711**	**72,270**	**315,185**
Subsidiaries						
Chairmen	438	-	-	-	0	438
Chief executives	6,687	936	86	1,583	2,637	11,929
Former chief executive	0	-	-	0	0	0
Other senior executives (21 persons)[1]	15,452	2,315	316	1,653	5,461	25,197
Other employees	123,159	8,674	2,216	22,699	34,810	191,558
Total, subsidiaries	**145,736**	**11,925**	**2,618**	**25,935**	**42,908**	**229,122**
Total, group						
Chairmen	1,738	-	-	-	133	1,871
Directors	2,187	-	-	-	691	2,878
Chief executives	10,799	1,786	185	4,457	4, 918	22,145
Former chief executive	0	-	-	0	0	0
Other senior executives[1]	25,888	5,549	777	7,310	11,198	50,722
Other employees	273,721	18,904	7,949	67,879	98,238	466,691
Total, group	**314,333**	**26,239**	**8,911**	**79,646**	**115,178**	**544,307**

[1] By other senior executives in the parent company is meant the eight persons who, together with the Chief Executive, make up Skandia Liv's management team. In the group, it also includes the persons who, in addition to the chief executive of each company, make up the respective company's management teams.

Pension cost in relation to pensionable salary	Defined contribution	Defined benefit
Parent company		
Chief Executive	24%	37%
Other senior executives (7 persons)	29%	13%
Subsidiaries		
Chief executives	59%	8%
Other senior executives (5 persons)	23%	13%

Specification of variable remuneration in the parent company, SEK thousand	Chief Executive[1)]	Other senior executives (8 persons)[1)]	Other employees
Additional or reversed remuneration for 2007	45	372	–1,761
Other variable remuneration paid out	-	539	626
Estimated provision for 2008[1)]	805	2,323	11,365
Total amount charged against profit in 2008	**850**	**3,234**	**10,230**
Estimated provision for 2007	736	1,710	11,419
Amount paid out in 2008 pertaining to 2007	781	2,082	9,658
Total additional or reversed amount for 2007	**45**	**372**	**–1,761**

[1)] The Chief Executive and other senior executives abstained from variable remuneration in 2008.

Principles for the parent company, Skandia Liv

Drafting and decision-making process:

Skandia Liv has a remuneration committee consisting of four board members, of whom three are independent in relation to the company and the shareholder. The committee is tasked with conducting drafting work for the Board's guidelines for remuneration and benefits of employees of the company, including its subsidiaries. In addition, the committee draws up the terms of employment for the Chief Executive. In accordance with the grandfather principle, the Remuneration Committee shall also approve the Chief Executive's decisions on salary and benefits of members of the company's management team, with the exception of variable remuneration, which is set by the Board.

Salaries and fees:

The Chairman of the Board and the directors are paid a fee in accordance with the decision made by the Annual General Meeting. No fees are paid to directors who are employees of the Skandia group. Remuneration for the Chief Executive and other senior executives consists of a fixed base salary, variable remuneration, special obligations and pension contributions. Loans totalling SEK 12,874 thousand have been granted to directors, the Chief Executive and senior executives. These loans have been issued by Skandiabanken.

Variable remuneration:

In 2009 Skandia Liv applied four different models for variable remuneration. However, every employee can only be covered by one of these models, which pertains to remuneration for:

- the Chief Executive and other members of the executive management team
- other senior executives and key persons
- senior executives and employees of Skandia Liv Asset Management
- other employees

For the Chief Executive and other members of the executive management team, except for the Head of Asset Management, variable remuneration can amount to a maximum of 30% of base salary. Of this 30%, 12 percentage points are coupled to the three Livianen targets (see fact box), and 18 percentage points are coupled to individual targets set by the Chief Executive. The Chief Executive's individual targets are set by the Board of Directors.

For other senior executives and key persons, the opportunity for variable remuneration amounts to a maximum of 10% or 20% of base salary. Of these amounts, 2 and 4 percentage points are coupled to the Livianen targets. The other 8 and 16 percentage points are individual and tied to the respective persons' specific areas of responsibility.

For senior executives of Skandia Liv Asset Management, the opportunity for variable remuneration amounts to a maximum of 50% of base salary, and for other employees in the asset management unit, the opportunity for variable remuneration amounts to 10%-40% of base salary. For all of these persons, one of the Livianen targets accounts for a maximum of a third of the variable remuneration. Any other variable remuneration is based on individual targets with a direct coupling to the respective persons' areas of responsibility.

For other employees, variable remuneration corresponding to a maximum of 125% of one-half of the Price Base Amount can be payable. For 2009 this entails a maximum of SEK 26.8 thousand. See the fact box on Livianen.

Skandia Liv's form of operation has been studied with the aim of finding a new structure for the company. During the course of this work, which was conducted in project form, it was important to ensure that a number of key persons with unique competence can work in the company's interests with full integrity without the risk of them leaving the company in a critical stage, which could cause considerable harm to the policyholders. Consequently, six persons in leading positions, including the Chief Executive, received a promise for special remuneration. The promises compensate the respective executives for their contribution to the project and safeguards their integrity by providing some protection for loss of income due to loss of position or similar. The project has now been concluded, and the work on finding a new structure for the company has been put on hold until further notice. In connection with this, the special promises were redeemed, after a decision by the Board, with payments in 2010 corresponding to 9 months' salary for each of the executives concerned.

Livianen is a foundation similar to a profit-sharing foundation. The aim is to promote motivation and participation among employees by offering an opportunity for financial incentive when set targets are met.

Rewards from Livianen are payable if one or more of the following targets are met:

- Skandia Liv's total return is better than a weighed average of the competitors' total returns
- Skandia Liv's change in new business is better than the average for competitors
- Operating expenses do not exceed the savings target set by the Board of Directors

The variable remuneration can amount to a maximum of 125% of one-half of the Price Base Amount, and can be payable in full or in part. Rewards are allocated to an employee foundation, Livianen, and are not available until the fourth year after they have been rewarded.

Pensions:

Upon turning 60 years of age, Chief Executive can request a defined benefit pension for salary amounts equivalent of up to 52 times the Income Base Amount. His ordinary retirement age is 65. On salary amounts in excess of 52 times the Income Base Amount, the pension is a defined contribution solution with an annual premium of 35% on said salary amounts. The Chief Executive's variable salary is not included in his pensionable salary.

Other senior executives of the parent company have defined benefit pension obligations which, upon completion of service to the contracted retirement age (varies from 60-65 years of age), pay a lifetime pension corresponding to 60%–70% of base salary. In addition, one of these executives has a defined contribution pension corresponding to 17% of base salary.

Severance pay:

In the event the company serves notice, the Chief Executive is entitled to salary during the notice period, which is 12 months. In addition, the Chief Executive is entitled to severance pay equivalent to 12 months' salary (base salary), which in 2009 corresponded to SEK 3,960 thousand. This is the only severance pay obligation in Skandia Liv. For other senior executives, in the event the company serves notice, they are entitled to salary during the notice period, which is 6 or 12 months. In the event the senior executives give notice, they have a notice period of 3–6 months.

New system for variable remuneration:

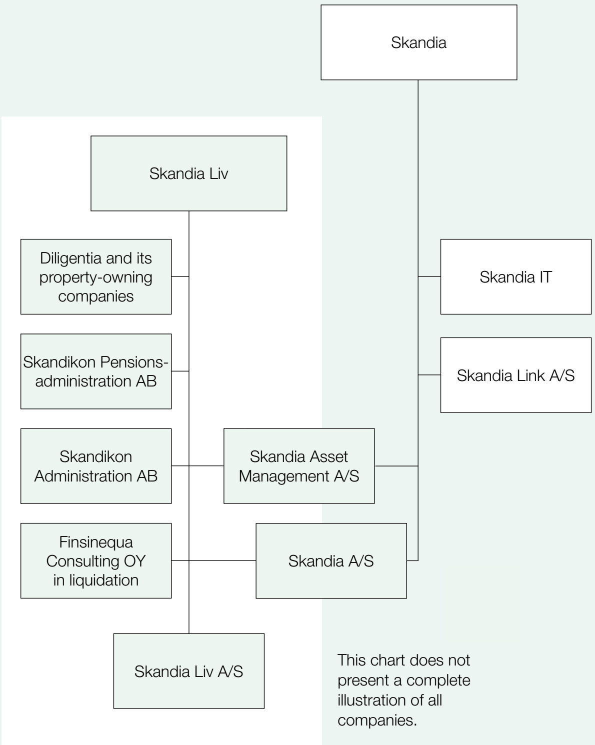
The Financial Supervisory Authority has issued "general guidelines regarding remuneration policies in insurance undertakings, exchanges, clearing organisations and institutions for the issuance of electronic money" (FFFS 2009:7). These general guidelines provide guidance regarding how a company should measure, govern, report and maintain control over the risks that remuneration systems can give rise to. These recommendations are now being adopted in the company's rules and regulations. This will entail, among other things, that a certain portion of earned variable remuneration for 2010 and forward, for certain executives, will be paid out after three years at the earliest. The amount of the payments is coupled to the change in value of Skandia Liv's portfolio for at least three years. In the opinion of external legal expertise, contracts already entered into for variable remuneration with senior executives and employees in the asset management unit for 2009 are binding, and the vesting period is therefore not being made retroactively for this part for 2009. A report on Skandia Liv's new remuneration system is available for viewing or downloading at www.skandia.se/liv.

	Parent company	
Total sickness-related absence	**2009**	**2008**
Sickness-related absence as a percentage of total ordinary working time, i.e., excluding any form of leave of absence. Ordinary working time includes vacation and compensation time:		
- Total sickness-related absence	3.02%	2.57%
- Long-term sickness-related absence (uninterrupted absence of 60 days or more)	1.16%	1.08%
Sickness-related absence as percentage of total ordinary working time for each category below:		
- Sickness-related absence, men %	1.63%	1.70%
- Sickness-related absence, women %	4.55%	3.48%
- Employees –29 years	1.49%	0.66%
- Employees 30–49 years	6.81%	2.87%
- Employees 50– years	4.98%	2.19%

38 Related party disclosures

Related parties
Skandia Liv is a wholly owned subsidiary of Skandia. Skandia Liv's business is conducted on a mutual basis. This means that all value in Skandia Liv shall be returned to the policyholders. No profit distribution may take place to the shareholder. Skandia Liv is therefore not consolidated in the accounts of the Skandia group.

Overall illustration of the Skandia and Skandia Liv groups



This chart does not present a complete illustration of all companies.

Process
The Board of Skandia Liv has adopted guidelines for transactions and other relations between Skandia Liv and Skandia. These entail, among other things, that agreements of an economic nature between Skandia Liv and Skandia must be specially reviewed to ensure that they are compatible with the prohibition against profit distribution, and valuations must be tested in a thorough and impartial manner. Clear documentation shall be prepared for agreements and valuations in which it is clear who is commercially responsible for the transaction. All agreements shall be specified and reported yearly to the Board of Skandia Liv. Skandia Liv's audit committee has special oversight responsibility for ensuring adherence to the guidelines adopted by the Board for transactions and other relations between Skandia Liv and Skandia. Transactions of material significance and a nonrecurring nature shall be decided on by Skandia Liv's board. In connection with the sale of significant assets in which a market quotation is lacking, a valuation shall be performed by external appraisers. Such valuation shall be documented. With respect to transactions of an ongoing nature, an established process is in place. Skandia Liv and Skandia have an outsourcing agreement in place with regulates on an overall level the assignments that Skandia Liv has contracted Skandia to perform. The outsourcing agreement also specifies how the outsourced assignment is to be governed and planned. An outsourcing agreement also exists with Skandiabanken, which is largely in agreement with and refers to the agreement with Skandia. The outsourcing agreements include numerous specifications that describe in detail the service content, level and execution of the respective assignments. For every assignment, Skandia Liv has appointed an agreement head who has the financial responsibility as well as responsibility for governance and follow-up. The finance unit is responsible for structure and the handling of the outsourcing agreement and therewith associated specifications and the process for following up these. Consultation groups have been set up for the respective assignments, and the parties consult with each other regarding the level of service, how errors are to be handled, compensation levels, follow-up and other questions. The pricing methods used are market price or cost-price. Market price is used in cases where it is possible to make comparisons with similar services in the market, such as insurance distribution or Diligentia's leasing of premises. In other respects, the cost-price method is used.

In connection with business planning, a budget is prepared which includes the total cost per assignment, broken down into separate costs and joint costs, along with an allocation formula that reflects degree of use. During the latter part of 2009 an ABC model was introduced as documentation for the cost allocation. The budgets for the respective assignments are initially negotiated by representatives from both parties in the consultation group. These budgets are ultimately reviewed by and decided on by Skandia Liv's board. Compensation is based on the actual outcome. Departures from the budget must be presented to and approved by the consultation groups, and a review of the allocation formulas is performed on a quarterly basis in the aim of changing these if material changes have taken place. Any major deviations shall be approved by Skandia Liv's Chief Executive and, in certain cases, by the Board of Directors.

Transactions

1) The entire Old Mutual Group has joint liability insurance. Skandia Liv pays its share of this cover.

Between the Skandia Liv group and companies consolidated in the Skandia group

2) In 2004 Skandia Liv and Skandia entered into an agreement in principle and framework agreement on co-operation in Sweden by co-ordinating market-related functions and certain staff functions in order to increase efficiencies between the companies. The co-ordinated services involve distribution and distribution support, customer service, market communication, business development in both the corporate and private segments, administration of group insurance products, and diverse staff and service functions. With respect to distribution, Skandia receives going-rate compensation for performed services, but at the same time is responsible to reimburse Skandia Liv in the event of a surrender of the sold policies. Compensation for sales via Skandia's own sales channel is based on the level of commissions to external insurance brokers plus the client's special risks and outlays for its own sales channel. The compensation that is payable for other areas covered by this point is based on cost-price, broken down into degree of actual use.

3) Skandia Liv provides occupational pensions for the employees of the Skandia group. These pension benefits are based on agreements made in the Swedish labour market, and the premiums are thus in line with the going rate in the market.

4) Skandia rents office premises at various locations around Sweden from Skandia Liv and pays market rents for these.

5) Skandia IT provides IT services for the entire Skandia group. Compensation is paid according to the cost-price principle, with costs allocated based on use of the various IT services.

6) As a result of the new asset management agreement with DnBNOR, the compensation ordered by the arbitration ruling in 2008 regarding the dispute with Skandia on the asset management agreement with DnBNOR has been changed. Starting in September 2009, the compensation has been changed in the form of a fixed amount of SEK 13.9 million per quarter through 2013. The amount corresponds to the lump-sum payment that Skandia Liv made to DnBNOR in 2009. The amount has been recognised in its entirety in order to match the compensation paid to DnBNOR. The discounted receivable amounts to SEK 213 million. The compensation that Skandia was ordered to pay to Skandia Liv through the arbitration ruling for time that has passed has been paid and remains unchanged.

7) A management agreement exists between Skandia and Skandia Liv which describes the group-wide functions that Skandia provides for Skandia's entire Nordic division. This covers, among others, the Head of the Nordic division, communication, overall risk control and the Chief Operating Officer.

8) Through the Skandia Link unit, Skandia Liv and Skandia have a joint occupational pensions concept. Skandia Liv handles the administration and receives compensation for administrative services based on cost-price.

9) Skandia Liv A/S hedges its currency positions through forward contracts with Skandia Treasury at the prices that apply in the currency market.

10) Skandia provides joint functions for accounting systems, treasury and certain legal functions for the Skandia group. The compensation that Skandia Liv pays to Skandia is based on cost-price and is allocated according to actual degree of use.

11) Skandia reinsures a significant share of its disability insurance risks in the Swedish operations with Skandia Liv. In this way, co-ordination gains are obtained in risk assessment, etc. Skandia pays a going-rate premium for the reinsurance, which has been secured in such way that Skandia Liv, in turn, each year reinsures part of its risk in the open market.

12) Skandia Liv's property-owning group has sold the companies Fastighets AB Stockholms Badhus and Skandia Fastighet AB to Skandia. The acquired companies have had tax deferments attributable to capital gains that arose in connection with previous sales of participations in partnerships. According to new tax rules, the capital gains must be taken up for taxation during the 2011 tax year. Due to this tax liability, the purchase price has fallen below the net assets in the company. External parties have participated in the sales process, which ensured a purchase price that was in line with the going-rate in the market. In addition, a Fairness Opinion was obtained.

13) Skandiabanken administers a small loan portfolio for Skandia Liv in return for going-rate compensation. The bank also conducts lending to employees of Skandia Liv. These loans are made at so-called personnel interest rates, and Skandia Liv compensates the bank for the difference between the personnel interest rate and the market interest rate.

The Skandia group employs a system of automatic settlement of payments that are not invoiced. Settlement of payments is made on a daily or monthly basis. As per 31 December 2009, Skandia Liv's net liability to Skandia amounted to SEK 3 million (net liability of 67), including the receivable according to point 2. In addition, Skandia Liv has a liability to Skandia amounting to SEK 17 million (29) pertaining to retrocessions that have not yet been paid out. Skandia has no corresponding receivable from Skandia Liv for retrocessions, since Skandia applies other accounting policies.

Between companies in the Skandia Liv group

14) Livförsäkringsaktiebolaget Skandia Fastighetsinvesteringar AB has loans from Skandia Liv amounting to a total of SEK 18,000 million (18,000) as per 31 December 2009. Market rates of interest are paid, which are based on statements on the going rate in the market issued by major credit institutions.

15) Skandikon Pensionsadministration AB performs administrative services regarding occupational pensions for employees of the Skandia group. Going-rate compensation is paid, which is based on the same model used for the company's external customers.

16) All Swedish subsidiaries in the Skandia Liv group are included in a joint group-account structure and receive or pay market interest from/to Skandia Liv for their share of holdings in the account.

17) Skandia Liv A/S has loans from Skandia Liv amounting to a total of SEK 179 million (192) as per 31 December 2009. A market interest rate is paid.

Between Skandia Liv and its board of directors and executive management

18) Compensation to the board and senior executives of Skandia Liv is shown in note 37. In other respects, there are no transactions with these persons or their relatives other than normal customer transactions made according to commercial terms.

Character	Receiving company	Rendering company	Compensation, SEK million	Reference
Liability insurance	Skandia/Old Mutual	Skandia Liv	2	1)

Between the Skandia Liv group and companies consolidated in the Skandia group.

TRANSACTIONS BY ORDER OF SIGNIFICANCE

Character	Receiving company	Rendering company	Compensation, SEK million	Reference
Distribution support, market communication, customer service centre, group insurance, staffs and business development	Skandia	Skandia Liv	448	2)
Retrocessions	Skandia	Skandia Liv	407	2)
Occupational pensions for Skandia employees	Skandia Liv	Skandia	233	3)
Rent of office premises	Skandia Liv	Skandia	179	4)
IT operation and service	Skandia IT	Skandia Liv	80	5)
Compensation stemming from former asset management agreement	Skandia Liv	Skandia	51	6)
Compensation stemming from new asset management agreement	Skandia Liv	Skandia	23	6)
Management agreement	Skandia	Skandia Liv	42	7)
Joint occupational pensions concept	Skandia Liv	Skandia	37	8)
Forward exchange contracts, net	Skandia Liv A/S	Skandia	37	9)
Accounting systems, treasury and legal	Skandia	Skandia Liv	15	10)
Reinsurance contracts (net)	Skandia Liv	Skandia	11	11)
Sale of property companies	Skandia	Skandia Liv	0	12)
Other	Skandia	Skandia Liv	0	13)

Between companies in the Skandia Liv group

Character	Receiving company	Rendering company	Compensation, SEK million	Reference
Interest on long-term loans	Skandia Liv	Diligentia AB and others	876	14)
Pension administration	Skandikon Pensions-administration AB	Skandia Liv	26	15)
Interest on long-term loans	Skandia Liv	Skandia Liv i Denmark	10	16)
Interest on group account, net	Skandia Liv	Skandia Liv subsidiaries	5	17)

Danmark

In Denmark, Skandia Liv's subsidiary Skandia Liv A/S co-operates with Skandia Link A/S through the companies Skandia A/S and Skandia Asset Management A/S. Skandia A/S is 50%-owned by Skandia Liv and 50% by Skandia, and is operated as a joint venture. The purpose is to co-ordinate all administrative resources, which provides opportunities for cost synergies. Skandia A/S's costs are invoiced to the respective companies according to use. In 2009 Skandia A/S's costs amounted to SEK 253 million (213). Of this amount, SEK 123 million (136) was invoiced to Skandia Liv A/S and SEK 82 million (77) to Skandia Link A/S.

Skandia Asset Management A/S provides asset management services to Skandia and Skandia Liv's subsidiaries in Denmark in return for a going-rate fee that is based on the level of managed assets. The company is 70%-owned by Skandia Liv and 30%-owned by Skandia. In 2009, compensation from Skandia Liv A A/S and Skandia Liv A/S amounted to SEK 34 million (9) and from Skandia Link A/S to SEK 17 million (8).

39 Provision for pensions

Group according to IAS 19

Pension costs	2009	2008
Costs pertaining to current service cost	10	10
Interest expense	11	14
Anticipated return on plan assets	–1	–4
Effects of reorganisation and new FTP plan	-	6
Redemption of defined benefit pension obligations	-	–3
Effects of agreement on surpluses and deficits[4]	–123	-
Amortisation: actuarial gains (-) and losses (+)	2	0
Pension costs for defined benefit plans	**–101**	**23**
Pension costs for defined contribution plans	46	58
Total pension costs	**–55**	**81**
Reconciliation of defined benefit pension plans in the balance sheet		
Present value of entirely or partly funded defined benefit obligations	19	21
Fair value of plan assets	–48	–52
Unreported actuarial gains (+) and losses (-)	5	3
Present value of obligation less plan assets	**–24**	**–28**
Present value of entirely unfunded plans	419	422
Effects of agreement on surpluses and deficits[4]	–123	-
Unreported actuarial gains (+) and losses (-)	–44	–57
Reported defined benefit liability (+) or asset (-)	**228**	**337**
Specification of change in reported defined benefit pension liability		
Opening balance	**337**	**318**
Net cost reported in income statement	22	23
Effects of agreement on surpluses and deficits[4]	–123	-
Benefits paid by company	–8	–4
Closing balance	**228**	**337**
Present value of defined benefit obligations		
Opening balance	**443**	**417**
Costs pertaining to current service cost	10	10
Interest expenses	11	14
Redemption of defined benefit pension obligations	-	–36
Effects of reorganisation and new FTP plan	-	5
Effects of agreement on surpluses and deficits[4]	–123	-
Paid benefits	–14	–13
Actuarial gains (-) and losses (+)	–11	46
Closing balance	**316**	**443**
Plan assets		
Opening balance	**52**	**92**
Anticipated return on plan assets	1	4
Redemption of defined benefit pension obligations	-	–36
Benefits paid from plan assets	–7	–9
Actuarial gains (+) and losses (-)	2	1
Closing balance	**48**	**52**
Return on plan assets		
Anticipated return on plan assets	1	4
Actuarial gains (+) and losses (-)	2	1
Actual return	**3**	**5**
Actuarial gains (+) and losses (-)		
Opening balance	**–54**	**–7**
Amortisation	2	0
Redemption of defined benefit pension obligations	-	–3
Effects of reorganisation and new FTP plan	-	1
Actuarial gains (+) and losses (-): obligations	10	–46
Actuarial gains (+) and losses (-): plan assets	2	1
Closing balance	**–40**	**–54**
Plan assets, breakdown		
Fixed-income securities	100%	100%
Actuarial calculation assumptions[1]		
Discount rate	4.00%	3.50%
Anticipated long-term return on plan assets[4]	2.75%	2.75%
Estimated future rate of salary growth[3]	3.25%/4.75%	3,.25%/4.75%
Estimated future inflation	2.00%	2.00%

Of total pension costs, the service cost for previous periods and the current period, totalling SEK -67 million (64), is accounted for as an operating expense. The remaining costs, SEK 12 million (17), are reported as net investment charges in the non-technical account.

[1] The assumptions are provided as a balanced median value for the respective pension plans.

[2] After policyholder tax.

[3] For senior executives, the rate of salary growth is estimated to be 4.75%.

[4] The effect of the agreement in 2007 under which Skandia Insurance Company Ltd accounts for surpluses as well as deficits in the defined benefit occupational pension structure (Tjep), attributable to occupational pension premiums paid prior to year-end 2002.

The pension costs for defined benefit pensions in accordance with the Pension Obligations Vesting Act ("Tryggandelagen") for 2010 are estimated to be SEK 10 million.

The Skandia Liv group has two types of pension plans: defined contribution and defined benefit. Defined benefit pension plans entail that employees are guaranteed a certain level of post-retirement benefits based on their final salary. Consequently, Skandia Liv has an obligation to current and former employees that must be reported on the balance sheet. The defined benefit pension plans exist only in Sweden and consist primarily of pension benefits provided through collective agreements with respect to the FTP plan (occupational pension insurance for salaried employees in the insurance industry), and to some extent of supplemental pension benefits for senior executives. They also include the Diligentia Pension Foundation. The pension plans provide primarily retirement pension, disability pension and family pension cover. In the parent company and subsidiaries, the cost of the pension plans is reported as the operating expense that arises when the invoiced premiums are paid. At the group level, however, a calculation is performed which better shows the final obligation that the company is considered to have to employees when they retire. The company's outstanding obligations and costs for defined benefit pension plans are to be calculated on a yearly basis using actuarial methods that are based on the company's long-term assumptions on the discount rate, return on plan assets, rate of salary growth, service period and inflation. The outstanding pension obligation and pension cost are determined using the Projected Unit Credit Method. Briefly, this method entails a more linear cost allocation over each employee's inclusion in the plan and their retirement age. Skandia Liv has no assets that can be directly unbundled from its defined benefit occupational pension plans. However, the company may credit assets in the Diligentia Pension Foundation. This also entails that Skandia Liv may only credit itself with the return on these assets.

The actuarial assumptions are set annually in connection with the book closing. In the absence of markets in Sweden for high-grade corporate bonds with maturities that correspond to the time period during which obligations are intended to be settled (approximately 20 years), the discount rate is based on the yield of 10- to 30-year government bonds as per the accounting date. Assumptions on the return on plan assets take into account the allocation among fixed-income securities and other assets, such as equities. For fixed-income securities, the 10-year government bond yield (risk-free interest rate) is used, and for other assets the risk-free rate is used plus a risk premium of 3%. The anticipated rate of return on plan assets takes into account 0.50% per year as an allowance for the policyholder tax in Sweden. Other financial assumptions are based on Skandia's long-term anticipations on the accounting date for the period over which the obligations are intended to be settled.

Effects on the present value of pension obligations caused by changed actuarial assumptions and the difference between the actual and anticipated return on plan assets constitute actuarial gains and losses. The same applies for changes in the value of the defined benefit pension obligation and of the plan assets that deviate from the long-term assumptions. Actuarial gains and losses are not reported in the income statement immediately when they are incurred. Since these exceed a corridor of 10% of the larger of pension obligation or the market value of the plan assets at the end of the preceding reporting period (the corridor limit value), the excess amount is reported through profit or loss over the time period during which the obligation is intended to be settled. This amortisation is applied separately for each plan. Provisions for pensions by Skandia Liv correspond to the present value of the obligations as per the accounting date, after deducting the fair value of applicable plan assets and unrecognised actuarial gains or losses. In the consolidated income statement, Skandia Liv's cost for defined benefit pension plans consists of the sum of the current and past service cost, interest on the defined benefit obligation, the anticipated return on the plan assets, and the amortisation of actuarial gains and losses exceeding the corridor limit value. The service cost for current and previous periods is accounted for as an operating expense. Other items are reported as Investment income, net, in the non-technical account. Payroll tax has been taken into account in adjustments for defined benefit pension plans in the balance sheet and income statement.

Employees of the group who are not covered by defined benefit pension agreements are instead included in defined contribution pension plans. In defined contribution pension plans, the company's pension cost is recognised as a percentage share of the employees' salary in each accounting period in which the employees worked for the company. Reporting of defined contribution pension plans entails that premiums are expensed in pace with the earnings of the benefits. According to an agreement made in 2007, which has subsequently been clarified, Skandia Insurance Company Ltd is responsible for both surpluses and deficits in the defined benefit occupational pensions structure (Tjep), attributable to occupational pension premiums paid in prior to year-end 2002. Thereafter, the companies that paid the premiums are responsible for any surpluses or deficits. This has entailed that Skandia Liv, in a one-time transaction, has reduced its pension liability by SEK 123 million.

40 Effects of correction of error in 2008

In calculating the reserve for changed mortality assumptions according to the DUS 2006 mortality table, an incorrect assumption was made. This reserve is included in "Other technical provisions". The error was made in December 2008. Therefore, no correction has been made of the opening balance in 2008 or previous years' results.

	Group			Parent company		
Effects on income statement 2008	**Before adjustment**	**Adjustment DUS 2006**	**After adjustment**	**Before adjustment**	**Adjustment DUS 2006**	**After adjustment**
Premiums written, net of reinsurance	14,819		14,819	12,618		12,618
Investment income, net	10,493		10,493	10,773		10,773
Unrealised investment income, net	–51,430		–51,430	–46,915		–46,915
Claims incurred, net of reinsurance	–11,215		–11,215	–10,302		–10,302
Changes in other technical provisions	–42,651	2,848	–39,803	–41,882	2,848	–39,034
Bonuses and discounts	–6		–6	–6		–6
Operating expenses	–1,960		–1,960	–1,743		–1,743
Other technical result, net	554		554	537		537
Result, other	–12		–12	-		0
Other investment income, net	–9		–9	-		0
Provision to tax allocation reserve	-		0	340		340
Taxes	–434		–434	–1,798		–1,798
Result for the period	**–81,851**	**2,848**	**–79,003**	**–78,378**	**2,848**	**–75,530**
Effects on the balance sheet, 31 December 2008						
Total assets	**282,194**		**282,194**	**264,710**		**264,710**
Equity	51,916	2,848	54,764	50,881	2,848	53,729
Technical provisions	210,897	–2,848	208,049	198,395	–2,848	195,547
Other liabilities	19,381		19,381	15,434		15,434
Total equity, liabilities and provisions	**282,194**	**-**	**282,194**	**264,710**	**-**	**264,710**

reconciliation of return in total return table against financial statements

	2009	2008	2007	2006	2005
Balance sheet items					
Investments					
Land and buildings	27,776	27,523	31,465	27,798	28,403
Shares and participations	113,868	83,622	129,193	126,033	111,041
Bonds and other fixed-income securities	131,827	137,830	136,836	134,469	134,426
Alternative investments	9,432	7,206	-	-	-
Derivatives	1,749	2,046	1,131	664	640
Other financial assets	479	-	-	618	1,080
Debtors					
Unliquidated sales of investments[1]	362	346	735	1,631	444
Accrued interest income	2,253	2,151	2,093	2,048	1,876
Other receivables	102	91	19	33	16
Creditors					
Derivatives	–270	–3,801	–585	–308	–821
Unliquidated purchases of investments[2]	–390	–139	–285	–1,407	–582
Repurchase transactions[2]	–9,254	–7,972	–165	-	–2,645
Accrued interest expenses	–14	–55	–468	–54	–114
Other liabilities	–1,107	–204	-	-	-
Other assets					
Cash at bank and in hand[3]	2,644	4,234	934	1,315	797
Total market value	**279,457**	**252,878**	**300,903**	**292,840**	**274,561**
Adjustments					
Bid-close according to IFRS	87	185	210	-	-
Exchange rate differences	153	291	–20	-	-
Updated market values	44	228	335	-	-
Other adjustments	–152	–61	–334	136	–137
Market value according to total return table	**279,587**	**253,521**	**301,094**	**292,976**	**274,424**
Difference	-	-	-	-	-

[1] See note 24, Other debtors.
[2] See note 33, Other creditors.
[3] Bank accounts + deposits.

The adjustments made in the reconciliation between balance sheet and income statement items and the total return table are explained mainly by the following factors:
- According to IFRS, in the accounting the purchase price is to be used in setting the value of investments. In the total return table, the stock exchange's closing prices are used in order to reconcile with the benchmark indexes that are used for assessing the performance of the asset management.
- Due to the time aspect, certain assets on the balance sheet are stated at a preliminary valuation. In the total return table, not enough time is available to include a large share of definitive valuations.
- The exchange rates in the balance sheet and income statement are not the same as those used in the total return table.

	2009	2008	2007	2006	2005
Income statement items					
Investment income					
Rents from land and buildings (Group)[1]	2,226	2,135	2,153	2,261	1,130
Dividends from shares and participations					
Other shares and participations (Parent company)	2,172	3,314	3,864	2,760	3,069
Alternative investments	57	7	-	-	-
Interest income, etc.					
Bonds and other fixed-income securities (Parent company)	5,226	5,421	5,854	4,244	3,913
Foreign exchange gains, net (Parent company)	814	13,199	-	-	1,196
Capital gains, net					
Land and buildings (Group)	1,289	1,440	842	2,290	1,213
Other shares and participations (Parent company)	-	-	9,741	9,691	4,639
Bonds and other fixed-income securities (Parent company)	2,928	-	-	582	2,494
Alternative investments	1,264	-	-	-	-
Unrealised gains on investments					
Land and buildings (Group)	-	-	3,138	1,082	1,310
Shares and participations (Parent company)	32,313	-	-	12,100	15,941
Bonds and other fixed-income securities (Parent company)	-	5,255	-	-	-
Other financial assets (Parent company)	-	-	-	-	54
Alternative investments	2,138	-	-	-	-
Investment charges					
Operating expense for land and buildings (Group)[1]	–1,004	–1,083	–1,147	–1,422	-
Other financial expenses (Parent company))	–86	–121	–115	–73	-
Foreign exchange losses, net (Parent company)	–3,517	-	–1,938	–6,492	-
Other interest expenses	–103	-	-	-	-
Capital losses, net					
Bonds and other fixed-income securities (Parent company)	-	–43	–793	-	-
Shares and participations (Parent company)	–2,372	–9,601	-	-	-
Alternative investments	-	–4,209	-	-	-
Unrealised losses on investments					
Land and buildings (Group)	–499	–3,748	-	-	-
Shares and participations (Parent company)	-	–51,233	–7,532	-	-
Bonds and other fixed-income securities (Parent company)	–2,111	-	–964	–1,977	–831
Other financial assets (Parent company)	-	-	-	-	-
Alternative investments	-	–937	-	-	-
Total return	**40,735**	**–40,204**	**13,103**	**25,046**	**34,128**
Adjustments					
Exchange rate differences	153	291	–20	-	-
Updated market values	44	228	335	-	-
Other adjustments	–739	–42	–992	–73	–14
Return according to total return table	**40,193**	**–39,727**	**12,426**	**24,973**	**34,114**
Difference	-	-	-	-	-

[1] Net figure 2005.

auditors' report

To the Annual General Meeting of Livförsäkringsaktiebolaget Skandia (publ)
Reg. no. 502019-6563

We have audited the annual accounts, the consolidated accounts (pages 18–19, 21–26, 28–30 and 32–75), the accounting records and the administration of the board of directors and chief executive of Livförsäkringsaktiebolaget Skandia (publ) for the year 2009. These accounts and the administration of the company, as well as application of the Annual Accounts Act for Insurance Companies and the Swedish Financial Supervisory Authority's regulations and general guidelines (on annual accounts for insurance companies) when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and significant estimates made by the board of directors when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member. We also examined whether any board member has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and the Financial Supervisory Authority's regulations and general guidelines (about annual accounts of insurance companies) and give a true and fair view of the company's and group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report, and that the members of the board of directors and chief executive be discharged from liability for the financial year.

Stockholm, 12 March 2010

Svante Forsberg
Authorised Public Accountant

Thomas Thiel
Authorised Public Accountant

glossary

ACQUISITION COST RATIO
Deferred acquisition costs (including selling costs, among others) in relation to premiums written.

ASSET ALLOCATION
Allocation of assets among various asset classes, such as real estate, equities and bonds.

BONUSES
Surpluses arise when the actual total return is higher than the assumed return (the guaranteed rate), or when the actual risk and operating expenses are lower than the underlying assumptions. Surpluses that arise in life assurance policies with discretionary participation features (the right to bonuses) are returned to the policyholders in the form of bonuses upon disbursement.

BONUS RATE
The interest rate used to distribute the company's investment return. The bonus rate is calculated on the total insurance capital.

COLLECTIVE FUNDING RATIO
A key ratio used for policies with a savings element which describes the value of assets in relation to the guaranteed obligations and non-guaranteed bonuses allocated to the underlying insurance policies.

DIRECT INVESTMENT INCOME, %
The net sum of interest income, interest expenses, dividends on shares and participations, and surpluses or deficits in own properties, in relation to the average market value of the investments.

DISABILITY INSURANCE
Pays benefits should you become incapacitated from working for a long period.

EARLY RETIREMENT PENSION
Entails that an employer purchases pension insurance as compensation for salary so that an employee can retire at an earlier age than the normal retirement age.

ENDOWMENT INSURANCE
A class of life assurance in Sweden with different tax rules than for pension insurance. Endowment insurance premiums are not tax-deductible, however, benefits payments are exempt from income tax.

FTP PLAN
FTP is occupational pension insurance for salaried employees in the insurance industry. The new FTP agreement went into effect on 1 January 2008.

INSURANCE CAPITAL
The insurance capital is a value of a policy that is intended to reflect the actual outcome of the policy's value development taking into account investment returns, mortality and overheads. If the insurance capital is greater than the guaranteed value, then a surplus has been generated. This surplus is preliminarily allocated to the policy and can increase and decrease over time.

INSURANCE EVENT
Activation of an insurance policy, such as in the event of death or disability.

ITP PLAN
A collective supplementary pension plan for salaried employees in industry and commerce. Under the ITP plan, employers set aside money to retirement pension plans, among other things. The new ITP plan entails a transition from a defined benefit pension system to a defined contribution system. The new ITP agreement took effect on 1 July 2007.

LIFE ASSURANCE PROVISION
The value of future claims guaranteed to the policyholders, less the value of future, contracted premium payments.

MANAGED ASSETS
The fair value of the assets managed for the benefit of the policyholders.

MANAGEMENT EXPENSE RATIO
The relation between operating expenses and average managed assets.

NET ASSET VALUE
Share capital, surplus funds and deferred tax on unrealised gains and untaxed reserves.

NEW BUSINESS
Consists of annual premium volume of new insurance contracts, measured according to the industry-wide definition of single premiums divided by 10 plus annual premiums. Used in the Swedish Insurance Federation's market share statistics for new business.

OCCUPATIONAL PENSION
A pension plan provided to employees by their employer. Employees of companies with collective agreements have collectively bargained occupational pension plans, such as the ITP plan and the SAF–LO Contractual Pension Plan. Employees of companies not bound by collective agreements, persons who earn more than ten times the Base Amount per year, and persons belonging to a company's so-called independent management category can have individual occupational pension solutions.

OCCUPATIONAL PENSIONS DIRECTIVE
An EU directive with a large body of rules governing – among other things – the handling of occupational pensions by life assurance companies.

OPERATING EXPENSES IN THE INSURANCE OPERATIONS
Expenses for administration, business development, marketing and sales. Asset management charges are not included in this concept.

OPERATING EXPENSE RATIO
Operating expenses divided by premiums written net of reinsurance.

PENSION INSURANCE
Retirement savings which are tied up until the policyholder turns 55 at the earliest, with a minimum disbursement period of 5 years. Pension insurance premiums are tax-deductible. The normal, maximum allowable deduction is SEK 12,000 per year as from 1 January 2008.

PREMIUM
The amount paid toward an insurance policy. In addition to savings and/or risk protection, premiums are also used to cover the company's overheads.

REALLOCATION
A reallocation is a one-time adjustment of the insurance capital from its current value. A reallocation is conducted when the company's assets do no correspond to its obligations to the policyholders.

RISK PREMIUM
The portion of insurance premiums intended to cover the actual insurance risk.

SOLVENCY/SOLVENCY LEVEL
The relationship between the company's net assets and technical provisions.

SOLVENCY CAPITAL
The value of assets in excess of the guaranteed capital.

SOLVENCY MARGIN
The requirement under the Insurance Business Act for the minimum amount of solvency capital that an insurance company must have on hand.

SOLVENCY RATIO
Measures the ratio between the company's available solvency capital and the solvency margin.

SURPLUSES
Accumulated surplus funds without guarantees are apportioned preliminarily among the individual policyholders. Together with the cash surrender value, the surplus forms the basis for calculating the benefits to be paid out in connection with contractual disbursements or surrenders.

SURRENDER
An insurance company's payment to the policyholder of the policy's cash surrender value for a policy that has been cancelled prematurely. There may be obstacles to conducting surrenders for actuarial, tax and civil-law reasons.

TECHNICAL PROVISIONS
A liability item in the balance sheet of a life assurance company that pertains to guarantee obligations toward the policyholders.

TICK-BOX
"Tick-box" refers to an occupational pensions segment in which the employees choose the form of management and insurer from a selection provided by their employer. Premiums toward the "tick-box" component are expressed as a percentage of salary.

TOTAL INVESTMENT INCOME
The sum of direct investment income, realised gains and losses, impairment losses and reversals of impairment losses, foreign exchange gains/losses and change in unrealised gains/losses on investments.

TOTAL RETURN
The relation between total investment income and the sum of the fair value of investments adjusted for flows to and from the portfolio, expressed as a %.

TRADITIONAL LIFE MANAGEMENT
With traditional life management, the money you save in your policy is managed in a collective portfolio containing equities, fixed-income investments, real estate and other assets. With traditional life management you are guaranteed a certain level of benefits.

TRANSFER RIGHT
The right to transfer insurance capital from one insurance company to another.

WAIVER OF PREMIUM INSURANCE
If you have waiver of premium cover the insurance company will continue to pay the premiums toward the savings portion of your insurance should you become incapacitated from working for a long period.

interested in more information or in contacting Skandia Liv?

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