Agria Djurförsäkring

Annual Report

2016

Agria Djurförsäkring

The 2016 fiscal year

The year in brief

- Profit before appropriations and tax amounted to SEK 284.9 M (280.7).
- The technical result amounted to SEK 289.7 M (303.2).
- The combined ratio totalled 90.0% (89.2).
- Continued success in foreign business and Agria established new operations in Finland during the year.

Business volume: SEK M

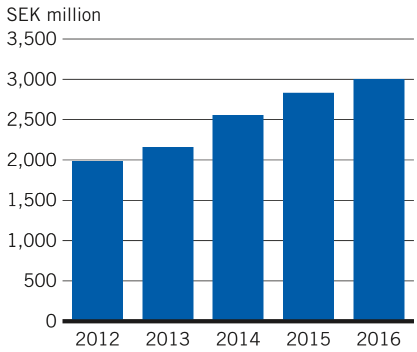
+6%

Key figures

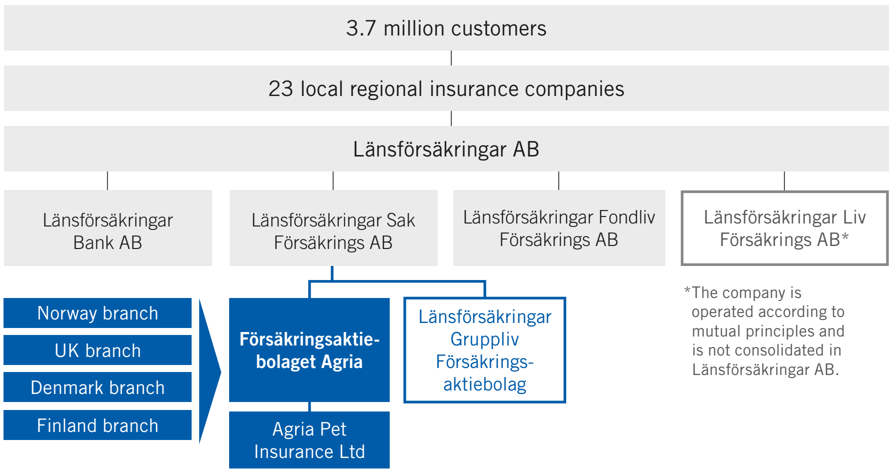
%	2016	2015	2014	2013	2012
Combined ratio	**90**	89	89	90	93
ROE [1]	**22**	24	22	15	14
Total investment income	**1.1**	–1.6	1.8	2.4	5.5
Solvency ratio, % [2]	**159**	210	–	–	–

[1] Profit before appropriations less standard tax at a rate of 22.0% as a percentage of average equity including 78.0% of untaxed reserves.
[2] Own funds divided by solvency capital requirement.

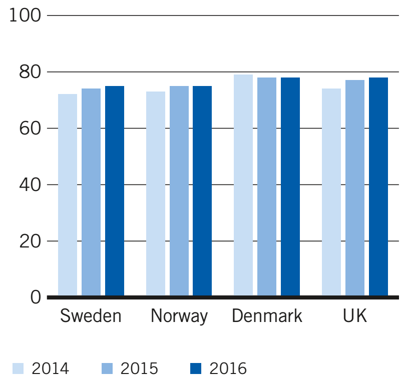
Premium income



Premium income after ceded reinsurance (SEK M).



Customer Satisfaction Index (CSI)



The average Customer Satisfaction Index for all countries increased by 0.5% to 76.5%. Finland is not included since the operations have been conducted only for a short time.

Agria Djurförsäkring

Agria Djurförsäkring is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Our core values are sector expertise, animal friendliness and empathy. This specialisation involves a streamlined focus on and involvement in creating security for animals and their owners.

We immerse ourselves in the world of animals. The strong Agria brand is based on such factors as a deep commitment to animal health and research programmes. We also participate at various animal events, competitions, exhibitions, clinics and trade fairs. We maintain continuous dialogue with our customers through our partnerships with several animal-owner organisations, such as the Nordic and UK kennel clubs and various pedigree clubs.

Our high market share in Sweden limits future growth and means that we are seeking out new markets. We currently operate in Denmark, Norway, the UK and Finland continuing to establish and strengthen the Agria brand building on the highly successful Swedish business model.

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Länsförsäkringar in brief

Customer-owned regional insurance companies with local presence

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary focus. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has more than 3.7 million customers and approximately 6,000 employees.

Statement by the President Joining Agria does not only mean purchasing reliable pet insurance for your animal – it is so much more than that. We set our sights high this year as we raised the value of being part of our community. We have opened new doors to increase closeness to customer service, specialist expertise and advisory services on animal health.

More people are choosing to be part of Agria

Our annual customer survey showed that the clear majority of our customers believe that Agria offers a common platform for animal owners. It is a community in which more and more people want to share knowledge and advice about animal health, combined with joy and love for animals. Availability was increased by updating the Agria app in the Nordic countries, which provides claims prevention advice and the shortest route to a veterinary clinic. Another example of how we strengthened our community was by introducing weekend opening hours at our call centre in Sweden.

We took additional steps during the year to encourage more owners and their animals to share in the security Agria offers. A clear move was Agria establishing new operations in the Finnish market, with dog and cat insurance customers pouring in since we opened. As a result, more animals and people will become part of our community and have access to treatment by highly skilled veterinarians, modern treatment methods and the latest technical equipment. This means more countries with healthier animals that live longer.

We see that our customers are increasingly choosing to use digital channels, particularly mobile telephones. The number of visitors to agria.se is on the rise, as is daily dialogue on social media. Besides specific insurance questions, customers want to make use of our specialist expertise, share their own experiences and communicate with us.

It is not only Anders Bagge and his pets from our Swedish commercials who want to be part of Agria. Cat insurance is taking the lead as we see record-breaking growth in cats as pets. They are no longer out in stables but have now come into the home and are a valuable and cherished member of the family. This also means significant progress for cat health and well-being since more cats now have highly qualified veterinary care within easy reach.

Meanwhile, consumer discussion on veterinary costs has escalated on Swedish social media. Many people are questioning the price for treating their animals and who is really behind this increase in costs. Agria is monitoring developments and is in constant dialogue with both individual clinics and the veterinary care industry as a whole. The claims cost trend we noted three or four years ago has abated and the scenario today is more stable yet at a higher level.

Voices are sometimes raised that we should negotiate with selected veterinary clinics and channel our customers to them. But as part of the customer-owned Länsförsäkringar Alliance we always put the needs of the customer first. If you have your animal insured with Agria, you should have the freedom and the security to choose your own veterinary clinic and the level of care you want to give your animal. Choosing and rejecting specific clinics would not benefit owners who may experience problems due to geographic location, who already have an established relationship with a certain vet or who need specialised care that might not be covered. We also firmly believe that the responsibility for the price scenario in the veterinary care industry must lie with the veterinary care industry itself.

To emphasise the importance of choice, the Agria card offers a SEK 300 discount on the fixed deductible for all vets.

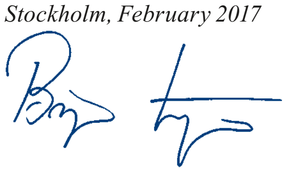
During the year, we made preparations for introducing Danish horse insurance to the market in January 2017. A cooperation agreement was signed with the Danish Equestrian Federation as a key element of our strategy. There is high demand from our customers in Denmark for greater security for horses that are exported and imported to and from the Nordic countries. The Danish offering already includes dog and cat insurance.

It is pleasing to note that both the Danish and Norwegian operations can report a stable performance, as can Agria Pet Insurance in the UK. The new business operations in Finland got off to a flying start and sales have well exceeded our targets.

We are now no longer satisfied with simply providing long-term support for research into dogs, cats and horses – we also want to actively help spread research results. For this reason, we launched the Pälspodden podcast in which researchers discuss their successful results with personalities in the animal world.

For us, sustainability for our customers and animal health is the driving force that makes us want to achieve more in everything we do, and to encourage more people to share in the security, community and increased animal health that we aim to provide. We pay SEK 7.4 M in claims payments every day. We are happy to see this figure increase if it means that more animals come closer and be part of our community.

Stockholm, February 2017



Birger Lövgren
President of Agria Djurförsäkring

Board of Directors' Report

The Board of Directors and the President of Försäkringsaktiebolaget Agria (publ), Corporate Registration Number 516401-8003, hereby submit the 2016 Annual Report. The registered office of the company is in Stockholm.

In accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act, consolidated financial statements were not prepared since the company and its subsidiaries are included in the consolidated financial statements for Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020. Figures in parentheses pertain to the preceding year.

Ownership

Försäkringsaktiebolaget Agria (publ) (referred to below as Agria) is a wholly owned subsidiary of Länsförsäkringar Sak Försäkrings AB (publ) (referred to below as Länsförsäkringar Sak), Corp. Reg. No. 502010-9681. Länsförsäkringar Sak is wholly owned by Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, which is owned by 23 regional insurance companies and 16 local insurance companies.

Focus of operations

Agria is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Agria has a streamlined focus on and involvement with animals and their owners. The roots can be traced back more than 120 years and today the brand is Sweden's strongest in its specific field. Agria conducts operations in Sweden and has branches in Norway, Denmark, Finland and UK. The subsidiary Agria Pet Insurance Ltd (API) also operates in the UK. The Swedish operations are divided into two business areas: Pet and Horse & Agriculture. Agria offers insurance cover for animals and crops to private individuals, the agricultural sector and other companies. Insurance cover comprises veterinary care insurance, life assurance and business interruption insurance. Products and services are developed in collaboration with customers, animal-owner organisations and suppliers of veterinary care services. Agria is the only insurance company to employ in-house veterinarians that provide advice to customers and claims adjusters. The Board of Agria has members appointed by the animal-owner organisations, the Federation of Swedish Farmers (LRF) and the Swedish Veterinary Association. Their duties include contributing expertise, the latest know-how and the animal owner perspective to the Board. The operations are conducted in Länsförsäkringar AB's Non-life Insurance business unit, together with the Parent Company Länsförsäkringar Sak and its other operations.

Market and operations

Agria's Nordic market presence, comprising business activities in Sweden, Norway and Denmark, grew with the latest addition of Finland. More comprehensive Nordic coverage helps customers who cross country borders to buy animals, for breeding, to compete in competitions and visit exhibitions.

The Agria brand is strong and Agria has a clear position as market leader in the Nordic region, particularly in Sweden. However, the high level of insurance for animals in Sweden entails limited growth potential and, accordingly, Agria has worked for several years towards establishments in other markets.

Fewer and larger veterinary care companies are influencing the direction of animal care, and thus availability and costs. We can see that the number of visits to vets is increasing and treatment costs are on the rise. We have noted greater interest in pet insurance in the insurance market. More insurance companies are raising their media profile and are conducting active marketing initiatives, while new players are entering the market. Agria's customers remain satisfied, as seen in the high results of the customer satisfaction index. The outcome for Sweden and Norway was 75, and for the UK and Denmark top the index at 78. We are proud of these figures that show that our priority improvements are the same as those on animal owners' wish lists.

The Agria card is a claims-adjustment card offering animal owners in Sweden greater financial security for visits to the vet. The claims-adjustment process is quicker and compensation is paid directly on to the card. In addition, customers have a SEK 300 lower deductible for veterinary care and the option of interest-free instalment payment. The card has grown steadily and the number of cards increased 88% in 2016, up from a relatively low level. The Agria card is now linked to about 150 clinics throughout Sweden. Customers can also receive offers from the friends of the Agria card, such as vaccine discounts.

In the Swedish market, the Pet business area continued to deliver healthy growth in cat and pet insurance and reported stable earnings. Agria Flock Guld, a new litter insurance for dog breeders was introduced with great success in the summer. To come closer to our cat breeders, we launched Agria Breeders Club Katt at the end of the year. In the autumn, 600 dog owners went on a Dog Walk in Stockholm and raised SEK 36,000 for homeless dogs that are temporarily living at the Hundstallet dog shelter. This successful event will be expanded to include more locations next year with the hope of providing more resources to help homeless dogs.

The trend in equestrian sports was positive, with higher cover figures that was reflected in a large inflow of customers. Earnings improved year-on-year. Our new horse insurance products has been adapted to how horses are used, for example, breeding and racing. Agria Pony Club, aimed at a younger target group, increased its number of members by 25%. One of the highlights of the year was Hästriksdagen at which Agria was the only insurance company to be invited to hold a lecture.

For the UK, the year was characterised by heightened awareness of the Agria brand and significant portfolio growth. Earnings were weaker year-on-year as a result of non-recurring costs for the change in handling capitalised acquisition costs and higher claims costs. The business in Norway reported a satisfactory earnings performance. More companies than ever before have realised that pet insurance is an attractive niche in the insurance industry and the offering in the Norwegian market is increasing. Agria stands firm as the benchmark target and the leading company in the pet insurance segment.

The businesses in Denmark continued to grow rapidly with satisfactory financial earnings. On 1 January 2017, horse insurance was included in Agria's offering in the Danish market and the response from horse owners has already proven to be very positive. Agria extended its main sponsorship agreement with the Danish kennel Club during the year and signed a similar agreement with the Danish Equestrian Federation.

The Finnish operations commenced in June with the head office in Helsinki. In close collaboration with the Finnish Kennel Club, sales of both dog and cat insurance performed very positively in the first half of the year. Animal-owner organisations have shown widespread interest and Agria's entry into the Finnish market matches the need for more extensive products.

A key part of increasing customer satisfaction is to increase possibilities of contacting Agria when help is needed. Weekend opening hours at our call centre enhances the level of service we provide. Combined with a clearer and more frequent presence on social media, we can answer more questions and enhance commitment from animal owners. A new version of the Agria app was launched in the Nordic countries at the end of the year.

Digital communication with customers

The majority of customers prefer using digital channels. The number of visitors to the website agria.se increased by about one million during the year to a total of five million visitors. More than 70% of visitors in digital channels visit us using a mobile device, up 20% year-on-year. We have also made it easier for customers to purchase pet insurance on their mobile telephone. We received praise for our digitisation work when Agria Sweden won the prizes of "Best Website" and "Best Responsive Website" at this year's Web Service Award.

Research

Agria has research partnerships with the Swedish Kennel Club, the Swedish-Norwegian Foundation for Equine Research and the Swedish farmers' foundation for agricultural research. Research applications are processed by an independent, qualified appraiser.

Some of the annual premiums earned in Sweden and Norway are reserved for veterinary research. During the year, Agria paid SEK 8.1 M (6.5) to animal and animal health research in the fields of dogs, cats and horses. In parallel, a new agricultural-research partnership was initiated and a non-recurring amount of SEK 1.4 M was reserved in 2016 for the areas of bulls and sustainability, claims prevention for flooring and handling antibiotics. Agria launched the Pälspodden podcast in the autumn to increase communication on research results. The episodes feature researchers who discuss their projects with a well-known personality about a topical theme. A research seminar was held at the Elmia Scandinavian Horse show in cooperation with the Swedish-Norwegian Foundation for Equine Research, together wither Sweden's leading researchers into lameness and riding surfaces.

Significant events after the end of the fiscal year

The current President Birger Lövgren will leave Agria at the end of February. Agnes Fabricius will take office as the new President in June 2017.

Expectations regarding future development

Agria will continue to endeavour to be at the forefront of meeting animal owners' expectations of modern, easily accessible and reliable insurance products. Increased digitisation forms part of these efforts, as well as offering specialist expertise that many animal owners want. We are also monitoring developments in the veterinary-care industry – Agria needs to change correspondingly to these developments but also pursue an active dialogue with industry players. Expanding Agria's offering to more countries and this creating security for animals and animal owner is another clear path that we aim to continue on.

Employees

Dedicated employees, active change work, a positive work climate and good leadership have always been the basis of the widespread customer confidence in Agria and its ability to develop in line with the changed expectations of animal owners and veterinary care. Agria strives to recruit employees who have a great love of animals. To support such interest in animals, Agria has a dog daycare centre run by personnel next to its office in Stockholm. In our annual employee survey, we saw that the Commitment Index was at 82 (83), roughly the same level as the preceding year, whereas the Leadership Index was slightly lower at 78 (82), yet remained at a high level. Agria endeavours to be perceived to be an equal opportunity workplace and has a reverse gender distribution situation. There is a severe shortage of male applicants throughout the entire recruitment process, but a high number of animal-interested female candidates. However, our work on equality has generated results at managerial level, and we now have an even gender distribution of 50%. Employees in Sweden have comprehensive health care insurance and the opportunity to exercise at Länsförsäkringar's fitness facility in Stockholm. The equality and diversity plan is decided by the management of Länsförsäkringar AB. This plan includes targets and action plans for diversity activities. It also addresses the Equal Opportunities Act, the Discrimination Act and the application of these Acts. Follow-ups take place every year.

Sustainability

Agria wants to create security for animals and people focusing on health and sustainability. A new sustainability policy was adopted in 2016 to replace the former environmental policy.

Environmental and claims-prevention activities are key elements in creating a sustainable society. Agria actively supports research into animal health. We continuously provide advice to animal owners via digital channels and the Agria app, and offer a Telephone Vet service that customers can use to consult a vet free of charge if their animal is ill or in an accident. Agria Breed Profile offers unique claims statistics for researchers and pedigree clubs as a basis for health activities. Pälspodden was launched during the year, a podcast for animal owners who want to learn about scientific discoveries and practical experience regarding pets.

Special campaigns targeted to children and young people increase awareness of different animals and the value of having a pet.

Agria's office properties are environmentally classified in accordance with the Sweden Green Building Council's certification scheme and the Green Building system. Only Good Environmental Choice electricity and district heating that is largely produced from renewable fuels are used. The operations' greatest direct impact on the environment is from business travel and paper consumption in the form of print-outs and customer documentation. The process of digitisation is significantly reducing paper consumption, as well as improving customer service. Rail travel is used instead of flying or driving, and travel is replaced by digital meeting technology wherever possible.

A separate sustainability report is not provided for Agria, although a joint sustainability report for the Länsförsäkringar AB Group is available in Länsförsäkringar AB's Annual Report.

Responsible investments

Agria's ethical guidelines are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. No direct investments are made in companies that conduct operations in controversial weapons, such as biological and chemical weapons, cluster munitions, landmines and nuclear weapons. Länsförsäkringar AB signed the United Nations-supported Principles for Responsible Investment (PRI). All investments in equities and credit bonds for the companies in the Länsförsäkringar AB Group are analysed with the assistance of an external consultant to identify companies that breach international conventions. There are two main alternatives in the event of contraventions of guidelines – divest the asset or seek to influence the company through lobbying and dialogue. Primarily dialogue and lobbying are used to influence companies to act responsibly. Länsförsäkringar AB supports the Carbon Disclosure Project (CDP), which collates environmental data from companies that is used by investors for financial analyses, including measuring carbon footprints. In 2016, Länsförsäkringar held talks with several other investors to persuade more companies to report to the CDP and to encourage companies to take action to reduce their impact on the environment.

Capital situation

The introduction of the EU's new Solvency II rules for insurance operations on 1 January 2016 significantly changed the rules on capital requirements for insurance operations. The performance for the year is described below according to the new rules.

In June 2016, Agria and the other insurance companies in the Länsförsäkringar AB Group became the first Swedish companies to receive permission from the Swedish Financial Supervisory Authority to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks, non-life insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula.

Own funds valued according to the Solvency II rules fell by SEK –169 M during the year to SEK 820 M (989). Own funds includes a dividend of SEK 350 M in accordance with the appropriation of profit.

The Solvency II capital requirement (SCR) at the start of the year was SEK 472 M and increased to SEK 516 M, primarily driven by higher business volumes. The solvency ratio (own funds as a percentage of the solvency capital requirement) was 210% at the start of the year and 159% on 31 December 2016.

Earnings and financial position

Profit before appropriations and tax amounted to SEK 284.9 M (280.7) and the combined ratio to 90.0% (89.2). Profit comprised the following: profit from insurance operations amounted to SEK 289.7 M (303.2), while profit from financial operations after expenses and investment income transferred to insurance operations totalled SEK 1 M (8.3).

Premiums earned after ceded reinsurance increased 6.3% to SEK 2,891.4 M (2,721.1). Volume increases were noted in all business areas due to both price adjustments and a higher number of animals insured. Claims payments after ceded reinsurance amounted to SEK 1,963.9 M (1,852.8) and the claims ratio improved to 67.9% (68.1). Average claims costs for veterinary care displayed a stable trend, although the frequency of veterinary visits is generally rising. Operating expenses amounted to SEK 638.7 M (573.3), with the increase mainly due to establishing cost for the Finnish branch and non-recurring costs attributable to the change in the treatment of capitalised costs in the UK branch. The expense ratio increased year-on-year to 22.1% (21.1).

The total return on investment assets in 2016 was 1.1% (neg: 1.6). The investment portfolio mainly comprises interest-bearing assets comprising housing credits and corporate loans and the level of the total return is impacted by the prevailing low interest-rate scenario. However, the trend in credits has been favourable since both housing and credit spreads narrowed during the year. The improved total return was mainly the result of an improved performance in the fixed-income portfolio's credits.

Proposed appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	279,300,452
Net profit for the year	175,083,477
Total	**454,383,929**

The Board of Directors and the President propose that SEK 8,750 per share of this profit, corresponding to SEK 350,000,000, be distributed to the Parent Company and SEK 104,383,929 be carried forward. The Board of Directors believes that this distribution of profit is justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

The result of the year's operations and the company's financial position at 31 December 2016 are presented in the following financial statements and the accompanying notes.

Five-year summary

Earnings, SEK M	2016	2015	2014	2013	2012
Premiums earned (after ceded reinsurance)	2,891.4	2,721.1	2,395.5	1,590.6	1,447.0
Investment income transferred from financial operations	1	8.3	14.5	13.1	15.3
Claims payments (after ceded reinsurance)	–1,963.9	–1,852.8	–1,656.3	–1,112.9	–979.6
Operating expenses	–638.7	–573.3	–470.3	–324.8	–365.3
Technical result for insurance operations	**289.7**	**303.2**	**283.4**	**166.0**	**117.4**
Net profit for the year	**175.1**	**168.3**	**159.9**	**102.7**	**83.1**
Interest rate of technical provisions, %	0.05	0.5	1.0	1.4	1.8
Key figures for insurance operations					
Claims ratio	67.9	68.1	69.1	70.0	67.7
Expense ratio	22.1	21.1	19.6	20.4	25.2
Combined ratio	90.0	89.2	88.7	90.4	92.9
Key figures for asset management					
Direct yield, %[1]	–0.1	0.1	–0.1	1.6	2.0
Total return, %	1.1	–1.6	1.8	2.4	5.5
FINANCIAL POSITION, SEK M	**2016**	**2015**	**2014**	**2013**	**2012**
Investment assets measured at fair value	1,611.3	1,679.6	1,816.9	1,579.2	1,373.1
Technical provisions (after ceded reinsurance)	1,709	1,602	1,454	953.0	819.3
Solvency capital					
– equity	502.5	324.3	557.8	531.7	429.0
– deferred tax	–1.1	–0.1	1.4	–0.6	–1.6
– untaxed reserves	783.1	729.1	662.3	579.9	536.4
Solvency capital	**1,284.5**	**1,053.3**	**1,221.5**	**1,111.0**	**963.8**
Solvency margin, %	**43**	**37**	**48**	**66**	**64**
Own funds (according to FRL wording on 31 Dec 2015)	–	1,048	1,011	1,099	945
Required solvency margin (according to FRL wording on 31 Dec 2015)	–	466	420	280	252
Own funds for insurance group (according to FRL wording on 31 Dec 2015)[4]	–	–	–	967	870
Required solvency margin for insurance group (according to FRL wording on 31 Dec 2015)[4]	–	–	–	405	386
Own funds	820	989[2]	–	–	–
Solvency capital requirement	516	472[2]	–	–	–
Minimum capital requirement	232	212[2]	–	–	–
Solvency ratio, %	159%	210%[2]	–	–	–
Own funds for the insurance group[3]	40,602	36,905[2]	–	–	–
Solvency capital requirement for the insurance group[3]	30,121	28,233[2]	–	–	–

[1] The direct yield for 2015–2013 was restated in accordance with FFFS 2011:28.
[2] Opening balance on 1 January 2016 under Solvency II. There are no comparative figures since the regulations came into effect on 1 January 2016.
[3] The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite the Länsförsäkringar Liv Group not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from profits in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.
[4] An insurance group together with the subsidiary Agria International prior to the merger.

Financial statements

Income statement

Technical recognition of non-life insurance operations, SEK 000s	Note	2016	2015
Premiums earned (after ceded reinsurance)			
Premium income (before ceded reinsurance)	3	3,004,355	2,842,007
Premiums for ceded reinsurance		–4,224	–4,645
Change in provision for unearned premiums and unexpired risks		–108,721	–116,297
Reinsurers' portion of change in provision for premium reserve		–11	–0
Total		**2,891,399**	**2,721,065**
Investment income transferred from financial operations	4	874	8,294
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		–1,967,422	–1,803,149
Total	5	**–1,967,422**	**–1,803,149**
Change in provision for claims outstanding			
Before ceded reinsurance		3,225	–50,470
Reinsurers' portion		277	820
Total		**3,502**	**–49,650**
Claims payments (after ceded reinsurance)		**–1,963,920**	**–1,852,799**
Operating expenses	6, 7, 8	–638,658	–573,327
Technical result for non-life insurance operations		**289,695**	**303,233**
Non-technical recognition			
Technical result for non-life insurance operations		289,695	303,233
Investment income, revenue	9, 13	41,800	31,239
Unrealised gains on investment assets	10, 13	179	24
Investment income, expenses	11, 13	–37,529	–20,749
Unrealised losses on investment assets	12, 13	–8,401	–24,782
Investment income transferred to non-life insurance operations	4	–874	–8,294
Profit before appropriations and tax		**284,870**	**280,671**
Appropriations			
Change in untaxed reserves	25	–54,000	–66,741
Profit before tax		**230,870**	**213,930**
Deferred tax	14	–4,127	1,610
Tax on net profit for the year	14	–51,660	–47,272
Net profit for the year		**175,083**	**168,268**

Statement of comprehensive income

SEK 000s	2016	2015
Net profit for the year	175,083	168,268
Other comprehensive income		
Items that may subsequently be transferred to profit and loss		
Translation difference for the year in foreign branch	3,095	–1,799
Other comprehensive income/loss for the year	**3,095**	**–1,799**
Comprehensive income for the year	**178,178**	**166,469**

Performance analysis of the insurance operations 2016

SEK 000s	Total	Direct insurance, Swedish risks: Crop	Direct insurance, Swedish risks: Pet	Direct insurance, foreign risks
Premiums earned (after ceded reinsurance)	2,891,399	28,106	1,969,005	894,288
Investment income transferred from financial operations	874	7	591	276
Claims payments (after ceded reinsurance)	-1,963,920	-10,332	-1,320,824	-632,764
Operating expenses	-638,658	-5,827	-404,969	-227,862
Technical result for non-life insurance operations	**289,695**	**11,954**	**243,803**	**33,938**
Gross run-off gain	66,652	37	47,969	18,646
Technical provisions (before ceded reinsurance)				
Provision for unearned premiums and unexpired risks	1,407,332	8,896	939,934	458,502
Provision for claims outstanding	301,857	636	186,110	115,111
Total technical provisions (before ceded reinsurance)	**1,709,189**	**9,532**	**1,126,044**	**573,613**
Notes to performance analysis				
Premium income (before ceded reinsurance)	3,004,355	27,829	2,012,371	964,155
Premiums for ceded reinsurance	-4,224	-424	-3,165	-635
Change in provision for unearned premiums and unexpired risks	-108,721	700	-40,199	-69,222
Reinsurers' portion of change in provision for premium reserve	-11	0	0	-11
Premiums earned (after ceded reinsurance)	**2,891,399**	**28,105**	**1,969,007**	**894,287**
Claims payments (after ceded reinsurance)				
Claims paid				
Before ceded reinsurance	-1,967,422	-10,873	-1,342,956	-613,593
Reinsurers' portion	–	–	–	–
Change in provision for claims outstanding (after ceded reinsurance)				
Before ceded reinsurance	3,225	541	21,866	-19,182
Reinsurers' portion	277		267	11
Claims payments (after ceded reinsurance)	**-1,963,920**	**-10,332**	**-1,320,823**	**-632,764**

Balance sheet

SEK 000s	Note	31 Dec 2016	31 Dec 2015
Assets			
Intangible assets			
Other intangible assets	15	5,619	5,311
Total		**5,619**	**5,311**
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	16	273,223	273,223
Interest-bearing securities issued by Group companies	17	48,443	89,729
Shares and participations in associated companies	18	1,266	1,266
Other financial investment assets			
Shares and participations	19	3	3
Bonds and other interest-bearing securities	20	1,268,768	1,284,986
Derivatives	21, 32	4,407	11,854
Other financial investment assets		15,166	18,495
Total		**1,611,276**	**1,679,556**
Reinsurers' portion of technical provisions			
Unearned premiums and unexpired risks		6	–
Claims outstanding	27	4,018	3,643
Total		**4,024**	**3,643**
Receivables			
Receivables from policyholders		1,122,389	1,009,819
Other receivables	22	434,524	260,001
Total		**1,556,913**	**1,269,820**
Other assets			
Tangible assets and inventories	23	18,470	13,625
Cash and bank balances		85,223	78,308
Deferred tax assets	14	1,381	1,446
Total		**105,074**	**93,379**
Prepaid expenses and accrued income			
Accrued interest and rental income		14,756	13,452
Prepaid acquisition costs	24	181,806	164,644
Other prepaid expenses and accrued income		8,544	8,980
Total		**205,106**	**187,076**
Total assets		**3,488,012**	**3,238,785**

Balance sheet, cont.

SEK 000s	Note	31 Dec 2016	31 Dec 2015
Equity, provisions and liabilities			
Equity			
Share capital (40,000 shares)		40,000	40,000
Statutory reserve		5,525	5,525
Development Expenditures Fund		2,581	
Retained earnings		279,300	110,518
Net profit for the year		175,083	168,268
Total		**502,489**	**324,311**
Untaxed reserves	25		
Equalisation reserve		35,194	35,194
Contingency reserve		464,922	464,922
Tax allocation reserve		282,973	222,973
Accumulated excess depreciation/amortisation		–	6,000
Total		**783,089**	**729,089**
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	26	1,407,332	1,300,295
Claims outstanding	27	301,857	305,281
Total		**1,709,189**	**1,605,576**
Other provisions			
Pensions and similar commitments	28	863	2,342
Deferred tax liabilities	14	257	1,305
Other provisions		1,552	6,781
Total		**2,672**	**10,428**
Liabilities			
Liabilities to policyholders		6,152	5,748
Derivatives	21, 32	3,202	7,334
Current tax liabilities		4,833	21,695
Other liabilities	29	49,709	149,624
Total		**63,896**	**184,401**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	30	426,677	384,980
Total		**426,677**	**384,980**
Total equity, provisions and liabilities		**3,488,012**	**3,238,785**

Statement of changes in equity

SEK 000s	Restricted equity			Non-restricted equity			
	Share capital	Statutory reserve	Development Expenditures Fund	Revaluation reserve	Retained earnings	Net profit for the year	Total equity
Opening equity, 1 January 2015	**40,000**	**5,525**		**-5,311**	**357,741**	**159,888**	**557,842**
Net profit for the year						168,268	168,268
Other comprehensive loss for the year				-1,799			-1,799
Comprehensive income/loss for the year				-1,799		168,268	166,469
Dividends					-400,000		-400,000
Appropriation of profit					159,888	-159,888	-
Closing equity, 31 December 2015	**40,000**	**5,525**		**-7,110**	**117,629**	**168,268**	**324,311**
Opening equity, 1 January 2016	**40,000**	**5,525**		**-7,110**	**117,629**	**168,268**	**324,311**
Net profit for the year						175,083	175,083
Other comprehensive loss for the year				3,095			3,095
Comprehensive income for the year				*3,095*		*175,083*	*178,178*
Provision to Development Expenditures Fund			2,581		-2,581		-
Dividends							
Appropriation of profit					168,268	-168,268	-
Closing equity, 31 December 2016	**40,000**	**5,525**	**2,581**	**-4,015**	**283,315**	**175,083**	**502,489**

Cash-flow statement

SEK 000s	2016	2015
Operating activities		
Profit before tax	230,870	213,930
Tax paid	-52,739	-43,048
Adjustment for non-cash items	150,930	182,485
Cash flow from operating activities before changes in assets and liabilities	**329,061**	**353,367**
Cash flow from changes in working capital		
Investments in investment assets, net	45,081	157,885
Increase (-)/Decrease (+) in operating receivables	-291,421	-170,963
Increase (+)/Decrease (-) in operating liabilities	-72,753	48,032
Cash flow from operating activities	**9,968**	**388,321**
Investing activities		
Acquisition of intangible assets	-2,626	-2,542
Acquisition of tangible assets	-427	-1,951
Cash flow from investing activities	**-3,053**	**-4,493**
Financing activities		
Dividends to Parent Company	-	-400,000
Cash flow from financing activities		**-400,000**
Net cash flow for the year	6,915	-16,172
Cash and cash equivalents, 1 January	78,308	94,480
Cash and cash equivalents, 31 December	**85,223**	**78,308**

Supplementary information to cash-flow statement

SEK 000s	2016	2015
Cash and cash equivalents		
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	85,223	78,308
Interest paid and dividends received		
Dividends received	314	302
Interest received	9,749	13,373
Interest paid	–5,814	–3,119
Adjustment for non-cash items, etc.		
Depreciation/amortisation and impairment of assets	3,612	7,784
Change in value of exchange rates, investment assets	10,845	–46
Unrealised changes in value of investment assets	8,222	–24,758
Changes in provisions for insurance contracts	103,232	148,241
Change in prepaid acquisition costs	–17,162	–21,111
Provision for tax allocation reserve	60,000	69,741
Excess depreciation of assets	–6,000	–3,000
Other	–11,819	5,634
Total adjustment for non-cash items, etc.	**150,930**	**182,485**

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Company information

The Annual Report for Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, pertains to the 1 January – 31 December 2016 fiscal year. Försäkringsaktiebolaget Agria is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Box 70306, SE-107 23 Stockholm, Sweden.

The company is a wholly owned subsidiary of Länsförsäkringar Sak Försäkrings AB (publ), Corp. Reg. No. 502010-9681, with its registered office in Stockholm. The Parent Company in the largest Group in which Försäkringsaktiebolaget Agria is the subsidiary and in which the consolidated financial statements are prepared is Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, with its registered office in Stockholm. Försäkringsaktiebolaget Agria does not prepare its own consolidated financial statements in accordance with Chapter 7, Section 2 of the Swedish Annual Accounts Act.

Compliance with standards and legislation

Försäkringsaktiebolaget Agria's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12 with additions), and the Swedish Financial Reporting Board's recommendation RFR 2.

Agria applies legally restricted International Financial Reporting Standards (IFRS). This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

The Annual Report was approved for publication by the President and Board of Directors on 24 February 2016. Final adoption of the Annual Report will take place at the 2017 Annual General Meeting.

Conditions relating to the preparation of the financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand (SEK 000s). Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value or amortised cost. The accounting policies stated below have been applied to all periods presented in the financial statements, unless otherwise stated.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with legally restricted IFRS requires that corporate management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities presented in the financial statements. These judgements and estimates are based on previous knowledge and experiences and the information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates, but estimates are regularly evaluated to reduce deviations. Changes in the abovementioned estimates are recognised in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods.

Significant judgements applied to the company's accounting policies

An area in which corporate management makes significant judgements is the classification of insurance contracts. Under IFRS 4, contracts that transfer significant insurance risk are classified as insurance contracts. Agria has assessed all insurance contracts, and all significant contracts are classified as contracts with significant insurance risk. The level of insurance risk was assessed by considering whether one or more scenarios of commercial significance exist in which the company would be obligated to pay a significant amount of compensation. For further information, see the section Insurance contracts below.

The company bases the classification of financial assets and liabilities on the purpose of the holding. The categories of financial assets and liabilities are described below under the section Financial assets and liabilities, which also describes the company's classification.

Significant sources of estimation uncertainty

Provisions for claims outstanding and the depreciation period for prepaid acquisition costs are two areas that involve a certain level of uncertainty. When calculating technical provisions, an actuarial estimate of anticipated additional costs for claims incurred and expenses for claims that may be incurred during the remaining term of the insurance policy is made. The valuation of the company's provisions is described in the section below concerning the recognition of technical provisions and in note 2, which provides information on risks in the operations. The assumption for the depreciation period for prepaid acquisition costs is based on statistics relating to the terms of the insurance contracts.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

Pension provisions are calculated on an actuarial basis according to insurance guidelines and assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement. Accounting policies for defined-benefit pension plans are described below under the section Remuneration of employees

Amended accounting policies

New standards and amendments to standards adopted by the EU and that are to be applied from 1 January 2015 did not entail any significant changes to the company's earnings or financial position.

Annual Accounts Act for Insurance Companies (1995:1560)

The Annual Accounts Act for Insurance Companies (1995:1560) has been amended and is to be applied to fiscal years beginning on or after 1 January 2016. The amendments entail that amounts capitalised as expenses for internal development products must be transferred in equity from non-restricted equity to restricted equity to a Development Expenditures Fund. If the useful life of intangible assets that comprise expenses for the company's own development work cannot be determined with a reasonable degree of certainty, the period is set at five years. Other than this, the new regulations did not entail any significant changes to the financial statements.

Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12)

Regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) have replaced the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26).

In the new regulations, the provisions on key figures have been adjusted to the requirements and concepts applied with the introduction of the Solvency II Directive and the division of the insurance classes has been adjusted to the national supervisory reporting. The regulations on the publication of accounting-related information on remuneration and benefits for management are transferred to FFFS 2015:12 from the Financial Supervisory Authority's regulations and general guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2011:2).

The regulations will take effect on 1 January 2016 and be applied for the first time to annual accounts, annual reports and consolidated financial statements for fiscal years beginning after 31 December 2015 and interim reports prepared for periods of such fiscal years.

Other than the changed requirements regarding disclosures and key figures, the new regulations did not entail any significant changes to the financial statements.

New accounting regulations that have not yet been applied

A number of new or amended accounting regulations will take effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or revised accounting regulations may have on the company's financial statements are described below.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new requirements for the classification and measurement of financial instruments, a forward-looking impairment model and simplified conditions for hedge accounting.

IFRS 9 will take effect for fiscal years beginning on or after 1 January 2018 and early adoption is permitted. The standard is to be applied retrospectively with certain exceptions.

The categories in IAS 39 will be replaced by three measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification for debt instruments is determined based on the company's business model for the holdings and the cash flow characteristics that the assets give rise to. Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value in other comprehensive income. The rules regarding financial liabilities are largely consistent with the IAS 39 rules. Based on the analysis performed, the classification of financial assets under IFRS 9 is determined as follows in the table below. With the exception of enhanced disclosure requirements, the effect of the classification of financial assets and liabilities under IFRS 9 is expected to have a minor impact on the consolidated financial statements.

Financial asset	Fair value through profit and loss	Amortised cost	Fair value through other comprehensive income
Bonds and other interest-bearing securities	X		
Shares and participations	X		X
Derivatives	X		
Cash and bank balances		X	
Other receivables		X	

New principles are introduced for the impairment of financial assets measured at amortised cost and for debt instruments measured at fair value through other comprehensive income. The impairment model requires recognition of a 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to be based on the full lifetime expected credit losses. For other receivables measured at amortised cost, an analysis is conducted to produce the most appropriate model for calculating expected credit losses.

The rules on hedge accounting entail, for example, simplified assessments for the effectiveness of a hedging relationship, and expanded limits for what may be identified as a hedging instrument and a hedged item. Hedge accounting is not applied, and therefore these changes are not deemed to have any significant effect on the company's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect for fiscal years beginning on or after 1 January 2018 and will then replace all previously issued standards and interpretations on income. IFRS 15 contains a single, five-step model for recognising revenue from contracts with customers that is not encompassed by other standards (for example, IFRS 4 or IFRS 9). The basis of the standard is a contract on the sale of goods or services between two parties. A customer agreement is initially to be identified, which generates an asset for the seller (rights, a promise to receive consideration) and a liability (obligations, a promise to transfer the goods or services). Under the model, income is to be recognised when an obligation to deliver the promised goods or services to the customers is fulfilled. The EU has adopted the standard. In the Group, Länsförsäkringar has performed an analysis of the effects of IFRS 15, and implementation is ongoing. The assessment is that the standard will not have any significant effect on the company's financial statements, although disclosure requirements will be enhanced. Since the effects of the standard are expected to be limited, comparative information will not be restated in the standard's first year of application.

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. The new standard will take effect on 1 January 2019 and early adoption is permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 has not yet been approved by the EU.

For lessees, the new standard means that essentially the same lease agreements are to be recognised in the statement of financial position. Leases are not to be classified as operating or finance. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a term of 12 months or less. The standard contains more extensive disclosure requirements. The evaluation of the effects of IFRS 16 on the company's reporting has not yet been completed.

Future amendments to IFRSs that have not yet been published

The expected effects that the application of these future new or amended IFRSs may have on the company's financial statements are described below.

IFRS 17 Insurance contracts

The IASB is working on a new version of IFRS 4 Insurance Contracts that will replace the existing standard. The new standard is called IFRS 17. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The updated standard will also impose new disclosure requirements to increase comparability between different companies.

The final standard is not expected to be published until the first half of 2017. The amendment is expected to take effect for fiscal years beginning on or after 1 January 2021. Länsförsäkringar is running a project in the Group to analyse the effects of the new standard. The project is in the pilot study stage.

In September 2016, the IASB amended IFRS 4 to allow insurance companies to use an exception to start applying IFRS 9 which is to be applied for fiscal years beginning on or after 1 January 2018. This exemption means that insurance companies can instead choose to start applying IFRS 9 at the same time as the future standard IFRS 17, that is from the 2021 fiscal year. The standard has not yet been approved by the EU. Länsförsäkringar has tentatively decided not to make use of this exemption.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and in shares and participations in Group companies with the donor.

Group contributions are recognised in accordance with the main rule of RFR 2 and those received from subsidiaries are recognised according to the same policies as dividends. Group contributions paid to a subsidiary are recognised as an increase in shares and participations in Group companies. Group contributions paid or received from the Parent Company aimed at reducing the Group's total tax are recognised in equity after deductions for current tax effects since the Group contributions are equated with dividends and shareholders' contributions.

Related parties

Related legal entities include the Länsförsäkringar AB Group's and the Länsförsäkringar Liv Försäkrings AB Group's companies, all subsidiaries and associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies.

See note 35 Disclosures on related parties for further information.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences are recognised in profit and loss as exchange-rate gains/losses net under investment income, income or investment income, expenses. The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Financial statements of foreign operations

Assets and liabilities in the branches are translated from the functional currency of the foreign operations (NOK, DKK, EUR and GBP) to the Group's presentation currency, SEK, at the exchange rate applicable on the balance-sheet date. Income and expenses in a foreign operation are translated to SEK at the average exchange rate for the year. Gains/losses on currency translations are recognised in other comprehensive income and accumulated in the revaluation reserve under non-restricted equity.

Insurance contracts

Insurance contracts are contracts in which Agria undertakes a significant insurance risk by committing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on insurance risk. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. All significant insurance contracts have been deemed to transfer a sufficiently high level of risk to allow them to be classified as insurance under the definition stipulated by IFRS 4.

Premium income

Premium income is recognised as the total gross premium for direct insurance and assumed reinsurance deposited or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year. Premiums for insurance periods commencing after the end of the fiscal year are also recognised as premium income, if according to contract they fall due for payment during the fiscal year. Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums that are not confirmed by the policyholder and premiums for recently signed insurance contracts are included at the amounts at which they are expected to be received. Cancellations reduce the premium income as soon as the amount is known. Additional premiums are included at the amounts at which they are expected to be received. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

Premiums earned are recognised as the portion of premium income attributable to the accounting period. The portion of premium income from insurance contracts pertaining to periods after the balance-sheet date is recognised as Technical provisions in the statement of financial position. Provision for unearned premiums is usually calculated by strictly allocating premium income based on the term of the underlying insurance contract. Reinsurers' portion of premium income is also allocated and the portion attributable to the period after the balance-sheet date is recognised as a receivable, Reinsurers' portion of technical provisions.

Claims payments

Claims payments correspond to the expense in the accounting period for incurred claims, both those reported to the company and those not reported, regardless of when the claim occurred. Total claims payments include claims paid during the period and changes in provisions for claims outstanding. Expenses for claims adjustment are included in claims paid. Claims recoveries are recognised as a reduction of claims costs.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses.

Investment income

Investment income transferred from financial operations

The insurance operations have been assigned an interest rate based on the total of half of the premiums earned after ceded reinsurance and the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year. The interest rate is risk-free interest, which for 2016 was set at 0.05% for short-term contracts and 0.75% for long-term contracts.

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, cash and cash equivalents and loans. Dividends received, any impairment of financial assets and external expenses for asset management are included in investment income.

Investment income also includes realised gains or losses on investment assets. Realised gains and losses are calculated as the difference between the purchase consideration received and the cost of the asset.

In the insurance operations, provision for claims outstanding is discounted on annuities; the effect of interest-rate revaluations on annuities is recognised in Investment income, net.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised gain and loss.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date, and any adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Other intangible assets

Other intangible assets comprise proprietary and acquired IT investments and partnership agreements with determinable useful lives. These assets are recognised at cost less accumulated amortisation and impairment. Amortisation is commenced when the asset becomes available for use.

The company's proprietary intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of proprietary intangible assets includes all directly attributable expenses. Other development expenses are recognised as an expense in the period in which they arise. Additional expenses for capitalised intangible assets are recognised as an asset in the balance sheet only when these expenses increase the future economic benefits of the specific asset to which they pertain.

The periods of amortisation are determined based on a useful life of five years. Amortisation takes place in the income statement according to the straight-line method. Impairment testing takes place annually.

The corresponding amount for capitalised development expenditures is reserved in equity to the Development Expenditures Fund.

Investment assets

Shares and participations in Group and associated companies

Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

Offsetting financial assets and liabilities

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 32 on Information about offsetting.

Classification and measurement

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. After initial recognition, the classification determines how the financial instrument is measured. For instruments classified as Financial assets measured at fair value through profit and loss, the cost corresponds to the fair value without additions for transaction costs.

Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to. For certain financial instruments where the fair value is not continuously determined, the company applies the option of measuring the instrument at fair value using the fair value option.

Financial assets measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that have a positive market value. The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as financial assets measured at fair value through profit and loss. The category of Financial assets measured according to fair value option comprises the items of Interest-bearing securities issued by Group companies, Shares and participations, Bonds and other interest-bearing securities and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives or quoted in an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items of Other receivables, Cash and bank balances and Prepaid expenses and accrued income.

Financial liabilities measured at fair value through profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company has chosen to classify derivatives that have a negative market value in the category of Held for trading. Changes in fair value of financial liabilities measured at fair value through profit and loss are recognised as Unrealised gains and Unrealised losses on investment assets, respectively. The company has no financial liabilities in the category of Financial liabilities measured according to fair value option.

Other financial liabilities

The category of Other financial liabilities comprises Other liabilities and Accrued expenses and deferred income. Liabilities in this category are measured at amortised cost.

Methods for determining fair value

The note on Financial assets and liabilities by category describes the valuation techniques for financial instruments measured at fair value, and states the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments quoted in an active market

The largest portion of the company's financial instruments are measured at fair value using prices quoted in an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be quoted in an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments quoted in an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not quoted in an active market

If the market for a financial instrument is not active, the fair value is determined by using a valuation technique. The company has OTC derivatives, for example, that are not traded in an active market. The valuation techniques applied are based on market data as far as possible, while company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items Shares and participations and Derivatives. If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items Shares and participations.

Tangible assets

Tangible assets are recognised in the balance sheet if it is probable that the company will receive future economic benefits and the cost can be calculated reliably.

Tangible assets are recognised at cost after deductions for accumulated depreciation and any impairment loss, plus any revaluations.

The carrying amount of a tangible asset is derecognised from the balance sheet in connection with disposal or divestment, or when no future economic benefits are expected from the use, disposal or divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. This difference is recognised as other non-technical income or expenses.

Depreciation takes place according to the straight-line method over the asset's estimated useful life, commencing when the asset becomes available for use, and this depreciation is recognised as operating expenses in profit and loss. IT equipment is depreciated over three years according to plan. Other machinery and equipment is depreciated over five years according to plan. The depreciation method, the residual values and useful lives are re-tested at every year-end.

Impairment tests for tangible and intangible assets and shares and participations in associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated. The recoverable amount of intangible assets that are not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Such impairment us recognised in profit and loss. The impairment of assets attributable to a cash-generating unit is distributed proportionally in relation to assets included in the unit.

The recoverable amount is the higher of fair value less selling expenses and value in use.

Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of impairment of a financial asset. Evidence comprises observable circumstances that have occurred and affect the possibility of recovering the cost.

The recoverable amount for assets belonging to the category of loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Recognised impairment is reversed when there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of Loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can be attributed to an event that occurred after the impairment was applied.

Inventories

Inventories are measured at the lower of cost and the net selling price, taking into account obsolescence. Cost is calculated by applying the First In, First Out method (FIFO) and includes expenses arises in connection with the inventory items and to bring them to their current location and in their current condition. The net selling price is the calculated sales price under normal circumstances in the operating activities after deductions for estimated costs for completion and to achieve a sale.

Cash and bank balances

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions. Balances in Group account and balances with Länsförsäkringar Bank AB (publ) are recognised as "Other receivables" in the balance sheet.

Prepaid acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. These acquisition costs pertain to operating expenses, for example, commission and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. Acquisition costs are depreciated over 12 months. The asset is impairment tested every year.

Untaxed reserves

Changes in untaxed reserves are recognised, according to Swedish practice, in profit and loss under appropriations. Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

The contingency reserve is a collective contingency-related strengthening of technical provisions. Access is limited and requires official permission in certain cases.

The purpose of the equalisation reserve is to even out changes in the profit from insurance operations over time. New provisions may not be made to the equalisation reserve.

An accounting unit can make a provision to the tax allocation reserve to reduce its taxable earnings during an income year, but must reverse the same tax allocation reserve for taxation during the sixth year following the provision year.

Agria has accumulated excess depreciation regarding tangible assets because the tax depreciation exceeds the accounting depreciation. Excess depreciation is recognised as an untaxed reserve and reversed to taxation in line with the recognition of depreciation on assets.

Technical provisions

Technical provisions comprise Unearned premiums and unexpired risks and Claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit and loss.

Unearned premiums and unexpired risks

The provision for unearned premiums and unexpired risks is designed to cover the expected claims cost and operating expenses during the remaining time to maturity of insurance contracts already in force. Normally, the provision is strictly proportional to time, referred to as a pro rata temporis calculation. If the provision for unearned premiums is deemed to be insufficient to cover expected remaining claims costs and operating expenses, it is strengthened with a supplement for unexpired risks.

Claims outstanding

The provision for claims outstanding should cover anticipated future payments for all claims incurred, including claims that have not yet been reported to the company, known as IBNR provisions. The provision also includes anticipated future payments including all expenses for claims adjustment. Accepted actuarial methods are generally used as a basis for estimating provision requirements. Individual assessments are made in the case of major separate claims and claims involving complex liability conditions. The provision for claims outstanding is not discounted.

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time. With the exception of annuities, the provision for claims outstanding is not discounted.

Review of losses

The sufficiency of technical provisions is tested on an ongoing basis in conjunction with the annual accounts. The provisions established for claims outstanding and for unearned premiums are evaluated individually. Provisions for claims outstanding are based on estimated future payment flows. Accepted actuarial methods for the basis of forecasts of provision requirements. These methods include assessments of the current status of all contractual cash flows and other associated cash flows, for example, claims adjustment costs. Future cash flows are calculated without discounting. If testing reveals that the provisions are insufficient, the change is recognised in profit and loss.

The sufficiency of provisions for unearned premiums is tested by line of business. Any insufficiency observed in the premium liability is corrected by establishing a provision for unexpired risks.

Reinsurance

Contracts signed between Försäkringsaktiebolaget Agria (publ) and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance. Assumed reinsurance is classified in the same manner when the company assumes risks from other companies' insurance contracts.

Expenses for reinsurance are recognised in profit and loss under the item Premiums for ceded reinsurance. Premiums for assumed reinsurance are recognised under the item Premium income. The portion of risk for which reinsurance is taken out is recognised in the balance sheet as Reinsurers' portion of technical provisions. Checks to determine any impairment requirements regarding this item are performed continuously and on the balance-sheet date. An impairment requirement exists when it is deemed likely that the reinsurer will be unable to fulfil his commitments under the reinsurance contracts

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of bonus payments and other variable salary is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration for termination of employment

A cost for remuneration in connection with termination of employment of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises expenses for restructuring. Remuneration expected to be paid after 12 months is recognised at its present value. Remuneration not expected to be fully paid within 12 months are recognised in accordance with long-term remuneration.

Defined-contribution pension plans

The company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The company's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer.

The pension agreement for the insurance industry, the FTP plan, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. The defined-benefit portion is insured through the Insurance Industry's Pension Fund (FPK). This pension plan entails that a company, as a rule, recognises its proportional share of the defined-benefit pension commitment and of the plan assets and expenses associated with the pension commitment. The accounts should also include information in accordance with the requirements for defined-benefit pension plans.

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan.

Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years.

Defined-benefit pension plans

The company has a defined-benefit pension plan. The plan is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62. The company has established provisions for the potential future cost that will arise if an employee takes advantage of the benefit of retiring between the ages of 62 and 65, see note 31 Pledged assets and contingent liabilities. Provisions are calculated on an actuarial basis according to assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement.

Cash-flow statement

The cash-flow statement is reported using the indirect method, which means that operating profit is adjusted for transactions that do not involve receipts or payments during the period specified by the various insurance classes.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required, or cannot be measured with sufficient reliability.

Note 2 Risks and risk management

Principles for Agria's risk management

Conducting insurance operations involves risk-taking. Knowledge about risks is a core area of expertise in the insurance industry. An increasingly volatile financial market, and more detailed regulations, impose more rigorous demands on financial companies, particularly risk management. The main purpose of risk management is to ensure that risks are identified and managed, that risk assessment is impartial, and that own funds are adequate in relation to the risks taken. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers. The ultimate owners of the Länsförsäkringar Alliance are also its customers and, accordingly, efforts to govern, manage and control risks are of immediate importance to customers.

Risk-management system at Agria

Risks constitute a significant aspect of Agria's operational environment and business activities. To manage the risks, the company has clearly defined strategies and areas of responsibility, together with a strong commitment to the risk-management process. Risk-management activities are implemented as part of the daily work of all units at the company, and the aim is to fulfil all established commitments to customers by a healthy margin. Another of Agria's targets is that the Parent Company Länsförsäkringar Sak is to maintain a credit rating of a minimum of level A.

Agria is to have an efficient and robust risk-management system to continuously identify, measure, monitor, manage and report the risks associated with the business activities. The company's risk-management system comprises an organisation with well-defined authorities and responsibilities, and includes risk strategy, risk tolerance, risk-management processes, risk-measurement methods, the process for an Own Risk and Solvency Assessment (ORSA) governance documents and reporting procedures. Continuous risk-management work includes handling known risks and also identifying new risks, for example, due to a change in the range of products and services. Prospective analyses of the scope of risk are performed within the ORSA framework.

Agria utilises a variety of analysis tools and simulation models in its risk management activities. An aggregated risk profile for the company is calculated and reported to the Board every quarter. Capital requirements are calculated using a partial internal model approved by the Swedish Financial Supervisory Authority. Using the partial internal model, the company can work with measures of capital requirement for market and non-life insurance risks that are better aligned with the specific risks of the company than those in the standard formula of the Solvency II rules. Other risks are modelled in accordance with the standard formula.

Risk management organisation

The Board of Directors of Agria is responsible for ensuring appropriate risk management and follow-up of the company's risks. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on internal rules in various governance documents. The President is responsible for incorporating these governance documents into the operations. Examples of Group-wide governance documents are the Group manual for Länsförsäkringar AB, guidelines on finance and capital control, guidelines on handling ethical issues, authorisation manual and security policy. In addition to the Group-wide governance documents, Agria has its own governance documents, such as risk policy, authorisation list, investment guidelines and insurance policy. The governance documents are updated and then approved by the Board once each year. The Board of Agria decides on the framework for risk-taking, for example, by adopting investment guidelines with maximum market risk, and up-to-date sub-limits for various market-risk categories in the company. Furthermore, the Board decides on the extent of reinsurance cover.

There is an Investment Committee at management level in the Parent Company Länsförsäkringar Sak which prepares decisions on asset management issues. The Committee examines and prepares proposals regarding management of the company's investment assets. Representatives from the Non-life Insurance business unit's management and the Asset Management Unit participate in the Committee. The Non-life Insurance business unit's Risk Control function is co-opted to meetings.

Ongoing management and follow-ups of different risks are performed in the business operations. Agria's business operations are responsible for identifying, measuring, monitoring, handling and reporting risks in their own specific areas. Risks inherent in Agria's investment assets (market risks) are managed by the Group-wide Asset Management Unit. Any operations that are outsourced to another party, internally or externally, are followed up to ensure that operational risks are correctly managed. Insurance risks are managed in each department.

The Risk Control function is responsible for independent risk control, separate from the business operations. The Risk Control function is also responsible for keeping the President and Board continuously informed of the company's overall risk profile by submitting reports at least four times a year. Furthermore, the function conducts annual risk analyses for business risks and operational risks and at management level in Agria.

Compliance is an independent control function responsible for monitoring, controlling and providing support in ensuring operations are conducted in full regulatory compliance as regard internal and external regulations. The task of the function is to identify and report on risks that may arise as a result of non-compliance with regulations and provide recommendations for action to relevant personnel, the President and the Board.

Internal Audit, which reports directly to the company's Board, is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

Capital planning

The management of risk-taking is closely related to the control of the use of Agria's capital. An Own Risk and Solvency Assessment (ORSA) including a plan for financing the company's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

Agria has own funds that exceed the statutory solvency capital requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is also reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the governance and follow-up of business decisions.

Risk profile

Agria is exposed to a variety of risks that impact the company's financial position, earnings and target fulfilment. The following points describe Agria's operations and risk-taking:

- Conducting non-life insurance operations, specifically pet insurance and crop insurance
- Focusing primarily on private individuals and, to a lesser extent, agricultural companies
- Conducting operations in Sweden, Norway, Denmark, the UK and Finland
- Relatively low retention in all operations
- The risks in the investment assets managed by Agria for own account are held at a relatively low level.
- Agria is indirectly exposed to market risks arising in its holdings in the subsidiary Agria Pet Insurance Ltd that conducts operations in the UK.

Figure 1. Classification of risk at Agria

Non-life insurance risk
- Premium risk
- Reserve risk
- Catastrophe risk

Market risk
- Interest-rate risk
- Equities risk
- Spread risk
- Currency risk
- Concentration risk in investment assets

Counterparty risk
- Counterparty risk in ceded reinsurance
- Counterparty risk in financial derivatives
- Other counterparty risk

Operational risk
- Internal fraud
- External crime
- Labour practices and work environment
- Business conditions
- Compliance risk
- Damage to physical assets
- Interruptions and disturbances to operations and systems
- Transaction management and process control

Business risk
- Strategic risk
- Earnings risk
- Reputation risk

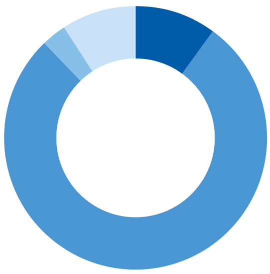
Liquidity risk including financing risk

Concentration risk in insurance operations

Agria's largest gross risk exposure is estimated to be commitments in crop insurance, farm animals insurance and horse insurance (in this order), which are limited with reinsurance cover. The figure below shows the allocation of risk in Agria on 30 September 2016 classified by risk categories.

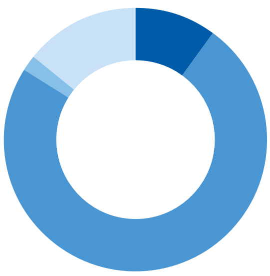
Figure 2.

Capital requirement allocation Q4 2016



- Market risk 10%
- Non-life insurance risk 78%
- Counterparty risk 3%
- Operational risk 9%

Capital requirement allocation Q4 2015



- Market risk 10%
- Non-life insurance risk 74%
- Counterparty risk 2%
- Operational risk 14%

Non-life insurance risk

The purpose of non-life insurance operations is to transfer risk from the policyholder to the insurer. Correct pricing of insurance contracts is crucial for earnings in insurance operations. However, there is an inherent uncertainty in insurance operations such that unfavourable results may occur. To handle this uncertainty, reinsurance is used to reduce the fluctuation in the earnings of insurance operations.

For Agria's Swedish business, life assurance of horses and farm animals and hailstorm damage in crop insurance are reinsured, while veterinary-care insurance for horses and pets has not been deemed to require reinsurance cover due to minor fluctuations. The Danish and Finnish branches have reinsurance for their dog liability product and the Norwegian operations have reinsurance for the horse segment. The insurance operations in Agria comprise the insurance lines Pet and Crop and direct insurance for animals in Norway, Denmark, the UK and Finland.

Länsförsäkringar Sak's reinsurance department is commissioned to acquire reinsurance on Agria's behalf. Where appropriate, the Board limits insurance risks through decisions on the highest permissible retention for different types of insurance risks and on the categories of reinsurer that may be used for ceded reinsurance.

The risks in non-life insurance operations comprise premium risks, reserve risks and catastrophe risks. The implications of these terms and Agria's general methods for handling these types of risk are described below.

Table 1. Sensitivity analysis, non-life insurance risks, SEK M

	Impact on profit before tax		Impact on equity	
Assumption	**2016**	**2015**	**2016**	**2015**
10% lower premium level	-300	-272	-234	-212
10% increased claims frequency	-196	-185	-153	-144
1% higher annual claims inflation	-10	-8.6	-7.8	-6.7

Premium risk

Premium risk is the risk of losses arising due to the coming year's claims being greater than expected.

The business activities conducted by Agria entail that insurance risks (risk of having to pay claims, life-assurance risk including catastrophe risk) are consciously taken as part of performing the business operations. Accordingly, such risks are desirable, provided that they are taken as part of executing an approved business strategy and in accordance with the regulations that have been established for each operation. The company endeavours to maintain a favourable risk balance between different types of business and within each line of business. Insurance risk is limited by structuring insurance terms and individual insurance contracts to give a desirable level of risk exposure and by using reinsurance cover to limit risk-taking in the necessary lines of business. Catastrophe risk in insurance risk is managed through reinsurance cover. Reinsurance needs are specified based on risk analyses in the business operations with support from Business Area Reinsurance. The total risk exposure (risk tolerance) in insurance risk is calculated as a part of the company's total risk in the ORSA.

Premium calculation, risk selection rules, risk inspection and continuous risk monitoring at contract level are the key instruments for managing premium risk. The company has internal risk selection rules for life assurance of horses and farm animals to ensure correct assessment and quantification of the risk that is being underwritten. In conjunction with inspections at animal owners' premises, claims-prevention measures are also implemented primarily in the form of advisory services, thereby further decreasing the company's level of risk.

In an effort to limit the risk in insurance operations, the company has insured itself against the risk of very large claims through ceded reinsurance, as described above. The company's own costs per claim incident, retention, and the limit up to which the reinsurance covers the costs per claim incident – or cover – vary from product to product.

Table 2. Reinsurance per claim incident, SEK M

	2016		2015	
	Retention	**Cover**	**Retention**	**Cover**
Dog liability	1.3	7.7	1.2	7.4
Horse	5	10	5	10
Farm animals[1]	100%	10	100%	10
Crop[2]	200%	50%	200%	50%

[1] Compensation is paid when the claims volume exceeds 100% of the covered premium volume.
[2] Compensation is paid when the claims volume exceeds 200% of the covered premium volume.

Reserve risk

Reserve risk is the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding.

Agria's portfolio comprises a great variety of minor claim incidents with swift claims payments and only a small number of major claims with long durations. The small number of major claims arising within the agriculture and horse-insurance area, and in dog liability, are reinsured, which ensures that the company is able to perform its commitments. The trend in reserves is monitored continuously in cooperation with the other business areas in Agria. Reserves are made mechanically using sets of claims, while major claim incidents are reserved manually following internal instructions. Previous years' taxation of claims costs for individual claim years is a measurement of the company's ability to predict final claims costs. Table 3 shows the trend in claims costs before reinsurance, per claim year. The average duration in Agria's insurance portfolio is relatively short at 0.6 years (0.6). The table below shows how the expected payments of claims outstanding, calculated at present value, are distributed according to duration.

Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Agria has low exposure to catastrophe risks for own account after reinsurance. Examples of slightly higher exposures include epizootic on farm animals for which Agria conducts coinsurance with the government and major hailstorm damage.

Market risk

Market risk is the risk of losses arising due to changes in the level or volatility of financial instruments, such as interest rates, currencies, share prices or prices of commodities.

The Board of Agria decides on the framework for risk-taking, for example, by adopting investment guidelines and limits for maximum market risk, including up-to-date sub-limits for various market-risk categories in the company.

In the management of Agria's investment assets, assessments are made of the potential for favourable returns and the risk level involved for investment strategies The aim of the company's investments is to contribute to stable positive earnings. Assets are to be invested with a suitable risk diversification to ensure that the expected returns are sufficient for the company to be able to meet its obligations and generate additional returns on the investment assets based on the approved risk level. The risk level is to be adjusted to the available capital and approved risk tolerance.

The investing activities are always to be conducted in the best interests of the policyholders. The investing activities are also to be conducted by using adequate expertise and following clear, structured and documented processes that take into account prudence, risk diversification and the situation in the financial markets. These processes ensure that all relevant risks are managed efficiently. The degree of matching between assets and commitments is taken into account when investing the company's investment assets and is determined by the Board.

The main classes in Agria's asset portfolio are interest-bearing securities. Asset management is responsible for the daily risk monitoring in accordance with the sub-limits for the various risk categories decided by the Board, in addition to the total maximum market risk. Derivative instruments are utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. Table 4 shows how changes in the financial markets affect the company's assets and the effect on earnings and equity.

Table 4. Sensitivity analysis, market risks (SEK 000s)

		Impact on profit before tax		Impact on equity	
Sensitivity analysis		**2016**	**2015**	**2016**	**2015**
Interest-rate risk	1% lower interest rate	−10,527	−6,257	−8,211	−4,880
Equities risk[1]	10% low share prices	0	0	0	0
Credit-spread risk	1% higher credit spread	−31,989	−36,399	−24,951	−28,390

[1] A minor impact that is not measureable in SEK 000s.

Table 3. Estimated claims costs before and after reinsurance, per claim year

SEK 000s	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
At end of claim year	1,339,492	1,451,899	1,501,772	1,453,762	1,575,741	1,724,869	1,885,208	
One year later	1,291,792	1,410,071	1,504,668	1,439,606	1,561,443	1,691,646		
Two years later	1,292,941	1,404,137	1,494,592	1,415,905	1,529,353			
Three years later	1,291,875	1,401,872	1,487,513	1,412,242				
Four years later	1,288,403	1,398,399	1,489,944					
Five years later	1,288,239	1,398,419						
Six years later	1,288,257							
Seven years later								
Eight years later								
Nine years later								
Ten years later								
Estimated claims costs	1,286,518	1,397,241	1,488,633	1,412,242	1,529,353	1,691,646	1,885,208	
Accumulated claims payments	1,286,518	1,397,241	1,484,367	1,409,699	1,520,570	1,641,310	1,667,704	
Provision for claims payments	0	0	4,266	2,543	8,783	50,336	217,504	284,300
Provision for claims payments, older year classes								0
Provision for claims payments for assumed reinsurance								0
Total provision for claims payments, gross								284,300
Annuity reserve, gross								0
Claims adjustment reserve, gross								17,557
Provision for claims outstanding, gross								301,857
Provision for claims payments, reinsurers' portion								4,018
Annuity reserve, reinsurers' portion								0
Claims adjustment reserve, reinsurers' portion								0
Provision for claims outstanding, reinsurers' portion								4,018
Provision for claims outstanding, for own account								297,839

Interest-rate risk

Interest-rate risk is the risk of losses arising due to changes in the level or volatility of market interest rates.

The company governs its own risk-taking with sub-limits for interest-rate risk decided by the Board, by taking into account the sensitivity of the insurance undertakings to changes in interest rates, and with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. Derivative instruments can be used to manage interest-rate risk. The insurance undertakings are presented in the table on the maturity analysis for financial assets and liabilities and insurance undertakings that appears at the end of this note.

Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative assets.

The equities exposure in Agria is low and attributable to strategic holdings and holdings. Certain equities risk is also found indirectly through holdings of funds.

Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates.

The credit-spread risk is managed in governance documents that stipulate the approved exposure level per counterparty. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio.

Table 5. Credit quality of financial assets

Specification of financial assets, SEK 000s	2016	2015
Loans to credit institutions		
A	403,212	219,358
Total	**403,212**	**219,358**
Bonds and other interest-bearing securities[1)]		
AAA – Swedish Government	169,707	20,647
AAA – Government securities other than those issued by the Swedish Government	0	86,577
AAA	1,012,443	984,872
AA	1,479	25,366
A	27,982	44,770
BBB	94,257	80,697
BB	11,489	46,679
B	1,943	27,179
CCC	645	7,571
CC	69	180
C	10	141
D	0	–
NR	730	29,842
Total bonds and other interest-bearing securities	**1,320,754**	**1,354,521**

1) The amount under Loans to credit institutions above includes SEK 317,989,000 (141,050,000) that pertains to receivables from Länsförsäkringar Bank. These are classified as other receivables in the balance sheet.

Currency risk

Currency risk is the risk of losses arising due to changes in the level or volatility of exchange rates.

Agria's technical provisions are recognised in SEK and there are also technical provisions in NOK, GBP, DKK and EUR through the company's branches. The currency exposure that arises is limited to the desired level by the use of currency derivatives and assets in foreign currency.

Table 6. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

	Impact on earnings, before tax, SEK 000s	
Currency	**2016**	**2015**
USD	+285	+124
EUR	+271	+61
GBP	+2,006	+10,217
AUD	+38	+35
DKK	+377	–370
NOK	+4,952	–6,401

Property risk

Property risk is the risk of losses arising due to changes in property prices. The property prices are primarily an effect of the assumptions made on applicable yield requirements and rental levels. Agria Djurförsäkring does not currently have any property risk.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that any collateral provided not covering the receivable.

Agria's exposure to counterparty risk primarily arises through ceded reinsurance and the use of financial derivatives.

Counterparty risks to reinsurers pertain to reinsurance receivables and reinsurers' portions of claims outstanding. Regulations on the choice of reinsurance company are in place to limit counterparty risks on reinsurers. For business with long settlement periods, reinsurers are to have a minimum A rating from the Standard & Poor's rating agency and a minimum BBB rating for other types of business. In addition, efforts are made to ensure a spread of ceded reinsurance between many reinsurers, which guarantees overall high quality receivables. The reinsurance department regularly tests impairment requirements on assets related to reinsurance contracts. Past due receivables are controlled continuously.

Counterparty risks in financial derivatives are managed through regulations for approved exposure to counterparties. The size of the permitted exposure depends on the rating of the counterparty. Exposure is limited on the basis of ISDA agreements (netting agreements) and accompanying agreements on pledging collateral for certain attained counterparty exposure.

Table 7. Exposure for externally purchased reinsurance cover for 2016 and 2015.

Exposure for externally purchased reinsurance cover for 2016 and 2015.	Percentage distribution per rating category	
	2016	**2015**
AAA	0	0
AA	90%	62%
A	10%	38%
BBB	0	0
No rating available	0	0
Total	**100%**	**100%**

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events, including legal risk.

Operational risks are a part of Agria's operations. By conducting preventive measures and applying suitable risk management and control, Agria can reduce the probability of operational risks materialising and thus reduce their consequences. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

Operational risk analyses are performed annually both at company level and in the operating activities. A joint method and reporting format are used in these analyses. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter. The Risk Control function facilitates analyses and aggregates results to each company's management group and Board. Risk Control also monitors and reports the implementation of the action plans during the year and performs checks to ensure the quality of the results of actions performed.

Shared system support for the entire Länsförsäkringar AB Group is used for incident management. Furthermore, a continuity plan is adopted annually by executive management. Business-critical processes and their associated risks have been analysed and documented to strengthen the internal control. In conjunction with this, the most important controls, known as key controls, were also documented.

Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions.

Business risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases. Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the company's markets require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position.

Concentration risk can arise in assets, liabilities and sources of income. Agria conducts insurance operations in Sweden and through its branches insurance operations in Norway, the UK, Denmark and Finland. On 31 December 2016, approximately 65% of the operations, measured in premium income, were conducted in Sweden, 19% in the UK, 12% in Norway, 3% in Denmark and 1% in Finland. The product range contains a number of different products, divided into several different animal types without any clear risk correlation. Sweden benefits from the fact that the country is sparsely populated and has a cold climate, which makes it difficult for infectious diseases in horses and farm animals to spread. Concentration risk is also taken into account today regarding the location of sensitive breeding plants for livestock, swine and poultry. Agria's investment assets are essentially highly diversified.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled as a result of a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss.

Agria's liquidity risks are limited since premiums are received in advance and large payments are known some time before they are due. In addition, most of Agria's investment assets are available at short notice. Table 6 shows the forecast cash flows that will occur in each period The amounts presented in maturities are undiscounted cash flows.

Table 8. Maturity analysis for financial assets and liabilities[3] and insurance undertakings

	2016				
SEK 000s	**<3 months**	**3 months–1 year**	**1–5 years**	**> 5 years**	**Total**
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	–50,679	2,298	97,310	–	48,929
Bonds and other interest-bearing securities [1]	68,896	175,523	860,142	20,402	1,124,963
Other receivables	336,605				336,605
Prepaid expenses and accrued income	14,596				14,596
Liabilities					
Technical provisions [2]	707,536	935,786	61,189	4,678	1,709,189
Other liabilities	68,625				68,625
Accrued expenses and deferred income	5,990				5,990
Total cash flows, net	**–412,733**	**–757,965**	**896,263**	**15,724**	**–258,711**
Derivatives, in and outflows, net	1,205				1,205
Total cash flows, net	**–411,528**	**–757,965**	**896,263**	**15,724**	**–257,506**

	2015				
SEK 000s	**<3 months**	**3 months–1 year**	**1–5 years**	**> 5 years**	**Total**
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	4,000	2,881	82,129	3,053	92,063
Bonds and other interest-bearing securities [1]	106,904	48,526	763,211	13,974	932,615
Other receivables	185,853				185,853
Prepaid expenses and accrued income	13,571				13,571
Liabilities					
Technical provisions [2]	718,847	834,089	52,612	28	1,605,576
Other liabilities	69,585				69,585
Accrued expenses and deferred income	3,159				3,159
Total cash flows, net	**–481,263**	**–782,682**	**792,728**	**16,999**	**–454,218**
Derivatives, in and outflows, net	4,520				4,520
Total cash flows, net	**–476,743**	**–782,682**	**792,728**	**16,999**	**–449,698**

[1] The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and have been excluded from the table above.
[2] Technical provisions are recognised gross, before ceded reinsurance.
[3] Note that this applies to financial assets and not the total share of assets, which would include premium receivables, for example.

Note 3 Premium income

	2016	2015
Direct insurance, Sweden	2,040,199	1,962,296
Direct insurance, Denmark	104,279	82,805
Direct insurance, Finland	8,953	–
Direct insurance, Norway	366,350	341,697
Direct insurance, UK	484,572	455,209
Total	**3,004,355**	**2,842,007**

Note 4 Investment income transferred from financial operations

	2016	2015
Transferred investment income	874	8,294
Interest rate of technical provisions	0.05%	0.5%

For information regarding calculations, refer to note 1 Accounting policies.

Note 5 Claims payments

	2016	2015
Claims paid	–1,841,198	–1,681,299
Operating expenses for claims adjustment	–126,224	–121,850
Total claims costs	**–1,967,422**	**–1,803,149**

Note 6 Operating expenses

	2016	2015
Acquisition costs	–480,255	–396,104
Change in prepaid acquisition costs	22,886	20,727
Administration expenses	–181,397	–198,048
Commission and profit shares in ceded reinsurance	108	98
Total	**–638,658**	**–573,327**
Other operating expenses		
Claims adjustment costs included in claims paid	–126,224	–121,850
Expenses for financial management included in investment income, expenses	–5,881	–6,121
Total	**–770,763**	**–701,298**
Total operating expenses specified by type of cost		
Staff costs	–174,646	–154,999
Costs for premises	–11,748	–13,330
Depreciation/amortisation	–3,612	–7,784
Other operations-related expenses	–580,757	–525,185
Total	**–770,763**	**–701,298**

Note 7 Fees and remuneration of auditors

	2016	2015
KPMG		
Audit assignment	1,228	1,134
Audit operations in addition to the audit assignment	–	26
Tax consulting	141	312
Other services	18	306
Total fees to auditors	**1,387**	**1,778**

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments.

Note 8 Employees, staff costs and remuneration of senior executives

Average number of employees, Sweden	2016	2015
Men	28	28
Women	116	107
Total number of employees	**144**	**135**
Norway		
Men	2	1
Women	23	20
Denmark		
Men	1	1
Women	9	7
Finland		
Men	0	-
Women	4	-
UK		
Men	3	3
Women	0	0
Total number of employees		
Men	34	33
Women	152	134
	186	**167**

Brokers	2016	2015
Total number	**23**	**30**

Salaries and other remuneration, as well as social security expenses, other employees	2016	2015
Salaries and remuneration	89,671	81,788
of which, variable salary	510	506
Social security expenses	39,942	38,215
of which, pension costs	11,941	12,847
	129,613	**120,003**

Board of Directors and senior executives, 17 (19)	2016	2015
Salaries and remuneration	13,992	10,655
of which, fixed salary to the President and Deputy President	4,241	4,217
of which, variable salary of the President and Deputy President	0	0
of which, fixed salary to other senior executives	8,785	5,459
of which, variable salary to other senior executives	0	0
Social security expenses	9,393	8,318
of which, pension costs	4,640	4,000
	23,385	**18,973**

Total salaries, other remuneration and social security expenses	2016	2015
Salaries and remuneration	103,663	92,443
of which, variable salary	510	506
Social security expenses	49,335	46,533
of which, pension costs	16,581	16,847
	152,998	**138,976**

Remuneration and social security expenses	2016	2015
Brokers, Sweden	179	152
Total	**179**	**152**

Variable salary
Commission-based remuneration may be paid to certain employees. The terms and conditions of this remuneration are regulated in collective agreements.

Note 8 Employees, staff costs and remuneration of senior executives, cont.

Remuneration of the Board
Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. Employee representatives and employees of the Länsförsäkringar AB Group do not receive any directors' fees.

Remuneration of senior executives
Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

Remuneration of senior executives

2016	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Birger Lövgren, President	2,693	5	947	3,645	35
Monica Dreijer, Deputy President	1,484	59	660	2,203	43
Patrik Sandin, Board member	134			134	
Palle Borgström, Board member	128			128	
Bo Helander, Board member	136			136	
Marja Tullberg, Board member	132			132	
Mikael Bergström, Board member	100			100	
Kjell Lindfors, Board member	100			100	
Ulf Uddman, Board member	83			83	
Henrietta Hansson, Board member	58			58	
Anna-Greta Lundh Nieman, former Board member	42			42	
Hans von Essen, former Board member	54			54	
Other senior executives					
(9 individuals)	10,262	200	3,335	13,797	32
Total 2016	**15,406**	**264**	**4942**	**20,612**	

Remuneration of senior executives

2015	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Birger Lövgren, President	2,654	4	924	3,582	35
Monica Dreijer, Deputy President	1,477	82	650	2,209	43
Hans von Essen, Board member	139			139	
Patrik Sandin, Board member	138			138	
Palle Borgström, Board member	128			128	
Anna-Greta Lundh Nieman, Board member	100			100	
Bo Helander, Board member	132			132	
Marja Tullberg, Board member	132			132	
Mikael Bergström, Board member	75			75	
Kjell Lindfors, Board member	75			75	
Niklas Lundin, former Board member	26			26	
Conny Sandström, former Board member	33			33	
Other senior executives					
(5 individuals)	5,333	126	2,427	7,886	43
Total 2015	**10,442**	**212**	**4,001**	**14,655**	

Pension costs pertain to the impact on net profit for the year.

Pensions
The retirement age for the President is 65. The pension is a defined-contribution plan and the pension premium is to amount to 35% of the monthly salary.

The retirement age for other senior executives is 65. The pension is subject to the terms of the pension agreements between the Swedish Insurance Employers Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). An additional pension premium corresponding to one half of a price base amount per year is also paid for each individual.

Severance pay
A mutual period of notice of six months applies to the President and the Deputy President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Note 8 Employees, staff costs and remuneration of senior executives, cont.

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management
A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy. The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition and mandate of Remuneration Committee
The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and one Board member.

Policies for remuneration of corporate management
Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration
Fixed remuneration is paid according to the general policy above.

Pensions
Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits
In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %	31 Dec 2016	31 Dec 2015
Board members	45	45
Other senior executives	45	29

Note 9 Investment income, revenue

	2016	2015
Dividends		
Dividends on other shares and participations	314	302
Interest income		
Bonds and other interest-bearing securities [1]	6,317	9,929
Interest-bearing securities issued by Group companies	526	1,017
Financial assets that are not measured at fair value through profit and loss [1]	1,116	1,694
Other interest income	12	–
Derivatives	1,779	733
Exchange-rate gains, net	**–**	**46**
Capital gains		
Shares and participations	–	–
Bonds and other interest-bearing securities	30,938	–
Interest-bearing securities issued by Group companies	542	15,815
Other investment assets	256	1,703
Total investment income, revenue	**41,800**	**31,239**

[1] Of which, a negative interest rate on cash and bank balances of SEK 201,000 (42,000) and interest income of SEK 654,000 (320,000).

Note 10 Unrealised gains on investment assets

	2016	2015
Interest-bearing securities issued by Group companies	83	–
Shares and participations	1	24
Bonds and other interest-bearing securities	–	–
Derivatives	94	–
Other financial investment assets	–	–
Total unrealised gains on investment assets	**179**	**24**

Note 11 Investment income, expenses

	2016	2015
Asset management expenses	–5,881	–7,701
Interest expense		
Bonds and other interest-bearing securities	4	–10
Financial liabilities that are not measured at fair value through profit and loss	–161	–344
Other interest expense	–114	–
Derivatives	–5,544	–2,765
Exchange-rate losses, net	–10,845	–
Capital losses		
Shares and participations	–1	–29
Derivatives	–14,989	–9,900
Other financial investment assets	–	–
Total investment income, expenses	**–37,531**	**–20,749**

Note 12 Unrealised losses on investment assets

	2016	2015
Interest-bearing securities issued by Group companies	–	–1,397
Bonds and interest-bearing securities	–7,838	–23,266
Derivatives	–	–136
Other financial investment assets	–563	–
Total unrealised losses on investment assets	**–8,401**	**–24,782**

Note 13 Investment income, per measurement category

	2016	2015
Financial assets measured according to fair value option	31,552	5,517
Held for trading	–18,659	–12,069
Loans and receivables	–238	–82
Other financial liabilities	–80	–13
Items not distributed by category		
Exchange-rate gains	–10,845	46
Asset management expenses	–5,881	–7,701
Non-financial items included in investment income, net	198	34
Total	**–3,953**	**–14,268**

Note 14 Taxes

	2016	2015
Current tax expense		
Tax expense for the year	-46,472	-46,861
Adjustment of tax expense pertaining to prior years	-5,188	-411
Total current tax expense	**-51,660**	**-47,272**
Deferred tax expense		
Deferred tax expense pertaining to temporary differences	-4,127	1,610
Total recognised tax expense	**-55,787**	**-45,662**

Reconciliation of effective tax rate	2016	2015
Profit before tax	230,870	213,930
Tax in accordance with applicable tax rate for Parent Company	-50,791	-47,064
Non-deductible expenses	-725	-1,446
Non-taxable income	5,007	2,209
Tax attributable to earlier years	-5,188	-411
Other	-4,090	1,050
Recognised effective tax	**-55,787**	**-45,662**

Recognised deferred tax assets and tax liabilities are attributable to the following:	31 Dec 2016	31 Dec 2015
Other assets	1,381	1,446
Other liabilities	-257	-1,305
Deferred tax assets (+)/deferred tax liabilities (-)	**1,124**	**141**

The entire change between the years has been recognised as deferred tax expense in profit and loss.

Note 15 Other intangible assets

	Internally developed assets	Acquired assets	Total
Accumulated cost			
Opening balance, 1 January 2015	45,725	16,000	61,725
Acquisitions for the year/divestments and disposals	2,441	-	2,441
Exchange-rate effect	-24	-	-24
Closing balance, 31 December 2015	**48,142**	**16,000**	**64,142**
Opening balance, January 1, 2016	48,142	16,000	64,142
Acquisitions for the year/divestments and disposals	2,766	-	2,766
Exchange-rate effect	-453	-	-453
Closing balance, 31 December 2016	**50,455**	**16,000**	**66,455**
Accumulated amortisation			
Opening balance, 1 January 2015	-36,490	-16,000	-52,490
Amortisation for the year	-6,466	-	-6,466
Exchange-rate effect	125	-	125
Closing balance, 31 December 2015	**-42,831**	**-16,000**	**-58,831**
Opening balance, January 1, 2016	-42,831	-16,000	-58,831
Amortisation for the year	-2,319	-	-2,319
Exchange-rate effect	314	-	314
Closing balance, 31 December 2016	**-44,836**	**-16,000**	**-60,836**
Carrying amount			
On 31 December 2015	**5,311**	**0**	**5,311**
On 31 December 2016	**5,619**	**0**	**5,619**

Amortisation for the year was recognised under operating expenses in profit and loss.

Intangible assets pertaining to software comprise capitalised development expenditures for significant IT investments.
Acquired intangible assets pertain to capitalisations of significant agreements with partners.

Note 16 Shares and participations in Group companies

	Number of participations	Participations in %	Equity 2016	Profit 2016	Carrying amount, 31 Dec 2016	Carrying amount, 31 Dec 2015	Fair value 31 Dec 2016
Agria Pet Insurance Limited, Company nr 04258783, Aylesbury	180,000	100	119,536	8,223	273,223	273,223	297,674

Cost	2016	2015
Opening balance	273,223	273,223
Total cost	**273,223**	**273,223**

Note 17 Interest-bearing securities issued by Group companies

	31 Dec 2016	31 Dec 2015
Listed bonds issued by Länsförsäkringar Hypotek	48,443	89,729
Commercial papers issued by Länsförsäkringar Bank	–	–
Total	**48,443**	**89,729**

Note 18 Shares and participations in associated companies

	Number of participations	Participations in %	Equity 2016	Profit 2016	Carrying amount, 31 Dec 2016	Carrying amount, 31 Dec 2015	Fair value 31 Dec 2016
Svenska Andelshästar AB, 556536-9633, Uppsala county	400	40	1,524	443	0	0	1,883
Trofast Veterinärt IT-stöd AB, 556598-0983, Västmanland county	5,000	45	2,688	43	1,266	1,266	2,732

Note 19 Shares and participations

	31 Dec 2016	31 Dec 2015
Unquoted shares and participations	3	3
Total	**3**	**3**
Cost	2	4

Note 20 Bonds and other interest-bearing securities

	31 Dec 2016	31 Dec 2015
Issued by		
Swedish government	166,648	20,637
Swedish mortgage institutions	730,343	623,559
Other Swedish issuers	222,084	191,353
Other foreign issuers	149,692	449,437
Total	**1,268,768**	**1,284,986**
Amortised cost	1,242,042	1,245,986[1)]
Market status		
Securities listed	1,268,768	1,284,986
Total	**1,268,768**	**1,284,986**
Carrying amounts of the securities compared with their nominal amounts		
Total surplus	59,648	54,672
Total deficit	–	–674

1) Amortised cost in 2015 amounted to SEK 1,245,986, however, only SEK 1,052,370 remained in the 2015 Annual Report since two holdings in Agria Norway were not included in the calculation. This impacts only the disclosures and has no effect on the accounts.

Note 21 Derivatives

	Fair value 31 Dec 2016	Nominal amount 31 Dec 2016	Fair value 31 Dec 2015	Nominal amount 31 Dec 2015
Derivatives with positive values or valued at zero				
Interest-rate derivatives	245	–518,900	199	–658,900
Currency derivatives	4,162	400,969	11,655	436,399
Total	**4,407**	**–117,931**	**11,854**	**–222,501**
Derivatives with negative values				
Interest-rate derivatives	11	1,100	59	–16,700
Currency derivatives	3,191	–394,424	7,275	–182,090
Total	**3,202**	**–393,324**	**7,334**	**–198,790**

Note 22 Other receivables

	31 Dec 2016	31 Dec 2015
Receivables from Group companies	432,309	158,768
Other receivables	2,215	101,233
Total	**434,524**	**260,001**

Note 23 Tangible assets and inventories

	31 Dec 2016	31 Dec 2015
Tangible assets	4,465	5,331
Inventories, market items	14,005	8,294
Total	**18,470**	**13,625**
Tangible assets		
Accumulated cost		
Opening balance	8,546	7,919
Acquisitions for the year	1,487	3,262
Divestments and disposals	-2,531	-2,557
Exchange-rate effect	91	-78
Closing balance	**7,593**	**8,546**
Accumulated depreciation		
Opening balance	-3,215	-3,221
Depreciation for the year	-1,294	-1,318
Divestments and disposals	1,441	1,275
Exchange-rate effect	-60	49
Closing balance	**-3,128**	**-3,215**
Carrying amount	**4,465**	**5,331**

Note 24 Prepaid acquisition costs

	31 Dec 2016	31 Dec 2015
Opening balance	164,644	143,533
Capitalisation for the year	66,054	113,649
Depreciation for the year	-48,892	-92,538
Closing balance	**181,806**	**164,644**

Note 25 Untaxed reserves

	2016	2015
Equalisation reserve	35,194	35,194
Contingency reserve	464,922	464,922
Accumulated excess depreciation/amortisation	–	6,000
Tax allocation reserve		
Reserved for 2013	36,305	36,305
Reserved for 2014	43,461	43,461
Reserved for 2015	73,466	73,466
Reserved for 2016	69,741	69,741
Reserved for 2017	60,000	-
Closing balance of tax allocation reserve	282,973	222,973
Total	**783,089**	**729,089**

Note 26 Unearned premiums and unexpired risks

	31 Dec 2016			31 Dec 2015		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	1,300,295	–	1,300,295	1,198,186	–	1,198,186
Provisions during the period	107,037	–	107,037	102,109	–	102,109
Closing balance	**1,407,332**	–	**1,407,332**	**1,300,295**	**–**	**1,300,295**

Note 27 Claims outstanding

	31 Dec 2016			31 Dec 2015		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	**305,281**	**3,643**	**301,638**	**258,383**	**2,877**	**255,506**
Provisions for the period	–3,424	375	–3,799	46,898	766	46,132
Claims incurred and reported	42,336	4,018	38,318	62,793	3,643	59,150
Claims incurred and not reported	241,964	–	241,964	227,654	–	227,654
Claims adjustment costs	17,557	–	17,557	14,834	–	14,834
Closing balance	**301,857**	**4,018**	**297,839**	**305,281**	**3,643**	**301,638**

Technical provisions in Agria are not discounted.

Note 28 Pensions and similar commitments

Provision for early retirement in accordance with pension agreement	31 Dec 2016	31 Dec 2015
Opening balance	2,342	1,998
Provision for the year(+)/reversal(–)	–1,479	344
Closing balance	**863**	**2,342**

According to the pension agreement for the insurance sector, persons born in 1955 or earlier can voluntarily retire at the age of 62. The provision is calculated on an actuarial basis according to the insurance guidelines and basis for calculation applied for individually issued life assurance. The calculations are based on a summary of the ages and annual pensions calculated as an average per age group. A probability assessment has determined that 40% (40) will utilise the option for early retirement.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees.

FTP plan contributions for 2017 are expected to total SEK 5,991,000.

	2016	2015
Expenses for defined-contribution plans	11,650	10,797

Note 29 Other liabilities

	31 Dec 2016	31 Dec 2015
Liabilities to Group companies	11,098	13,153
Other liabilities	38,611	136,471
Total	**49,709**	**149,624**

Note 30 Other accrued expenses and deferred income

	31 Dec 2016	31 Dec 2015
Prepaid premiums	383,792	350,025
Accrued expenses	42,885	34,955
Total	**426,677**	**384,980**

Note 31 Pledged assets and contingent liabilities

	31 Dec 2016[1]	31 Dec 2015[2]
Registered investment assets on behalf of policyholders	1,705,164	1,998,932

[1] Assets pledged for the benefit of policyholders to cover technical provisions in accordance with Chapter 6, Section 11 of the Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion. All assets recognised in the benefit register amounted to SEK 2,877 M.

[2] Registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act amount to SEK 1,705 M. In the event of insolvency, the policyholders have preferential rights to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Insurance Business Act in accordance with the wording at the end of 2015.

Note 32 Information about offsetting

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The company has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2016	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received(–) / Pledged(+)	Net amount
Assets						
Derivatives	4,407	–	4,407	-340	–	4,067
Liabilities						
Derivatives	-3,202	–	-3,202	340	–	-2,862
Total	**1,205**	**–**	**1,205**	**–**	**–**	**1,205**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2015	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received(–) / Pledged(+)	Net amount
Assets						
Derivatives	11,854	–	11,854	-7,334	–	4,520
Liabilities						
Derivatives	-7,334	–	-7,334	7,334	3,850	3,850
Total	**4,520**	**–**	**4,520**	**0**	**3,850**	**8,370**

Note 33 Financial assets and liabilities by category

	Financial assets measured at fair value through profit and loss				
31 Dec 2016	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies	48,443	–	–	48,443	48,443
Shares and participations	3	–	–	3	3
Bonds and other interest-bearing securities	1,268,768	–	–	1,268,768	1,268,768
Derivatives	–	4,407	–	4,407	4,407
Other financial investment assets	15,166	–	–	15,166	15,166
Other receivables	–	–	336,605	336,605	336,605
Prepaid expenses and accrued income	–	–	14,596	14,596	14,596
Cash and bank balances	–	–	85,223	85,223	85,223
Total	**1,332,379**	**4,407**	**436,424**	**1,773,211**	**1,773,211**

	Financial liabilities measured at fair value through profit and loss			
	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Derivatives	3,202	–	3,202	3,202
Other liabilities	–	49,709	49,709	49,709
Accrued expenses and deferred income	–	5,990	5,990	5,990
Total	**3,202**	**55,699**	**58,901**	**58,901**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Note 33 Financial assets and liabilities by category, cont.

31 Dec 2015	Financial assets measured at fair value through profit and loss: Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies	89,729	–	–	89,729	89,729
Shares and participations	3	–	–	3	3
Bonds and other interest-bearing securities	1,284,986	–	–	1,284,986	1,284,986
Derivatives	–	11,854	–	11,854	11,854
Other financial investment assets	18,495	–	–	18,495	18,495
Other receivables	–	–	185,583	185,583	185,853
Prepaid expenses and accrued income	–	–	13,571	13,571	13,571
Cash and bank balances	–	–	78,308	78,308	78,308
Total	**1,393,213**	**11,854**	**277,462**	**1,682,529**	**1,682,529**

	Financial liabilities measured at fair value through profit and loss: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Derivatives	7,334	–	7,334	7,334
Other liabilities	–	69,585	69,585	69,585
Accrued expenses and deferred income	–	3,159	3,159	3,159
Total	**7,334**	**72,744**	**80,078**	**80,078**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

Fair value valuation techniques

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:
Level 1 refers to prices determined from prices quoted in an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

	31 Dec 2016				31 Dec 2015			
	Level 1	Level 2	Level 3	Total carrying amount	Level 1	Level 2	Level 3	Total carrying amount
Assets								
Interest-bearing securities issued by Group companies and loans to Group companies	48,443	–	–	48,443	89,729	–	–	89,729
Shares and participations	–	–	3	3	–	–	3	3
Bonds and other interest-bearing securities	1,268,768	–	–	1,268,768	1,284,986	–	–	1,284,986
Derivatives	245	4,162	–	4,407	199	11,655	–	11,854
Other financial investment assets	15,166	–	–	15,166	18,495	–	–	18,495
Liabilities								
Derivatives	11	3,191	–	3,202	59	7,275	–	7,334

There were no significant transfers between Level 1 and Level 2 during 2015 or during 2014. There were no transfers from Level 3 in 2015 or 2014.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change Level 3	Shares and participations
Opening balance, 1 January 2016	3
Divestments	0
Recognised in net profit for the year	0
Closing balance, 31 December 2016	3

Change Level 3	Shares and participations
Opening balance, 1 January 2015	13
Divestments	–5
Recognised in net profit for the year	–5
Closing balance, 31 December 2015	3

Note 34 Anticipated recovery dates for assets and liabilities

This table provides an analysis of assets and liabilities based on the anticipated period for the recovery or derecognition of all assets and liabilities in the balance sheet.

	31 Dec 2016			31 Dec 2015		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
Assets						
Other intangible assets	1,292	4,327	5,619	1,288	4,023	5,311
Shares and participations in Group companies	–	273,223	273,223	–	273,223	273,223
Interest-bearing securities issued by Group companies	–	48,443	48,443	4,000	85,729	89,729
Shares and participations in associated companies	–	1,266	1,266	–	1,266	1,266
Shares and participations	–	3	3	–	3	3
Bonds and other interest-bearing securities	266,697	1,002,070	1,268,768	126,438	1,158,548	1,284,986
Derivatives	4,407	–	4,407	11,854	–	11,854
Other investment assets	–	15,166	15,166	–	18,495	18,495
Reinsurers' portion of technical provisions	4,007	18	4,024	3,485	158	3,643
Receivables from policyholders	1,122,389	–	1,122,389	1,009,819	–	1,009,819
Other receivables	434,524	–	434,524	260,001	–	260,001
Tangible assets and inventories	12,928	5,542	18,470	9,564	4,061	13,625
Cash and bank balances	85,223	–	85,223	78,308	–	78,308
Deferred tax assets	–	1,381	1,381	–	1,446	1,446
Prepaid expenses and accrued income	205,106	–	205,106	187,076	–	187,076
Total assets	**2,136,573**	**1,351,439**	**3,488,012**	**1,691,833**	**1,546,952**	**3,238,785**
Provisions and liabilities						
Technical provisions (before ceded reinsurance)	1,643,322	65,867	1,709,189	1,552,936	52,640	1,605,576
Pensions and similar commitments	–	863	863	–	2,342	2,342
Other provisions	–	1,552	1,552	–	6,781	6,781
Deferred tax	–	257	257	–	1,305	1,305
Liabilities to policyholders	6,152	–	6,152	5,748	–	5,748
Derivatives	3,202	–	3,202	7,334	–	7,334
Current tax liabilities	4,833	–	4,833	21,695	–	21,695
Other liabilities	49,709	–	49,709	149,624	–	149,624
Accrued expenses and deferred income	426,677	–	426,677	384,980	–	384,980
Total provisions and liabilities	**2,133,895**	**68,539**	**2,202,434**	**2,122,317**	**63,068**	**2,185,385**

Note 35 Disclosures on related parties

Organisation
Agria is a wholly owned subsidiary of Länsförsäkringar Sak Försäkringsaktiebolag, which in turn is a wholly owned subsidiary of Länsförsäkringar AB. Länsförsäkringar AB is wholly owned by the 23 customer-owned regional insurance companies, together with 16 local insurance companies. Joint operations are conducted in Länsförsäkringar AB, which provides services to Agria. This pertains to such services as asset management, legal, finance, security, personnel and the operation and development of IT systems. The organisation means that there are a large number of ongoing transactions and a number of non-recurring transactions between Agria and Länsförsäkringar AB, the Parent Company, and the regional insurance companies.

Related parties
Related legal entities to Agria include all of the companies in the Länsförsäkringar AB Group, Länsförsäkringar Mäklarservice AB, the regional insurance companies with subsidiaries and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Pricing
Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Development projects and parts of services are financed collectively and invoiced based on an established distribution key.

Agreements
Significant agreements for Agria are primarily outsourcing agreements with Länsförsäkringar AB regarding asset management, IT and service. Agreements were also signed with Länsförsäkringar Sak regarding financial, legal and actuarial services and handling the settlement of Agria's reinsurance. Furthermore, agreements were entered into with Länsförsäkringar AB regarding commission for sales.

Disclosures regarding related-party transactions

2016	Purchases	Sales	Receivables	Liabilities
Parent Company	43,353	-5,263	–	8,855
Group companies	173,318	2,037	481,961	7,291
Regional insurance companies	10,423	224	–	71
Other related parties	445	300	–	238

2015	Purchases	Sales	Receivables	Liabilities
Parent Company	42,774	50	–	3,230
Group companies	160,229	113	249,969	13,225
Regional insurance companies	10,836	273	–	–
Other related parties	540	300	–	293

Bank balances and interest income received from Länsförsäkringar Bank AB in 2015 amounted to SEK 141,050,000 (53,581,000) and SEK – (343,000), respectively.

The functions that have been organised centrally from Länsförsäkringar AB include purchasing of equipment. Agria leases equipment from Länsförsäkringar AB.

Länsförsäkringar Bank AB manages subsidised loans to personnel on behalf of Agria, which are granted after standard credit scoring checks conducted by the bank.

Agria pays commission to the regional insurance companies for sales of products in all business areas and remuneration for administration expenses. The agreements details the remuneration levels for various services, such as sales and customer care, etc.

Remuneration of the Board and senior executives of Agria is stated in note 8. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Note 36 Appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), the following non-restricted equity is at the disposal of the Annual General Meeting.

Retained earnings	279,300
Net profit for the year	175,083
Total	**454,384**

The Board of Directors and the President propose that SEK 8,750 per share of this profit, corresponding to SEK 350,000,000, be distributed to the Parent Company and SEK 104,384,000 be carried forward. The Board of Directors believes that this distribution of profit is justified taking into consideration the demands on the amount of equity imposed by the nature, scope and risks associated with the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

Note 37 Supplementary disclosures on income-statement items by insurance class

2016	Total	Pet	Crop	International
Premiums earned, gross	2,895,634	1,972,171	28,530	894,933
Claims payments, gross	-1,964,198	-1,321,091	-10,332	-632,775
Operating expenses, gross	-639,185	-405,359	-5,839	-227,987
Loss from ceded reinsurance	-3,849	-2,818	-412	-619
Profit	**288,402**	**242,903**	**11,947**	**33,552**
Premium income, gross	3,004,355	2,012,370	27,829	964,155

Note 38 Significant events after the end of the fiscal year

The current President Birger Lövgren will leave Agria at the end of February. Agnes Fabricius will take office as the new President in June 2017.

The Annual Report was approved for publication by the Board of Directors on 23 February 2017.
The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2017.

Ann Sommer
Chairman

Marja Tullberg
Board member

Bo Helander
Board member

Palle Borgström
Board member

Henrietta Hansson
Board member

Mikael Bergström
Board member

Ulf Uddman
Board member

Patrik Sandin
Board member

Kjell Lindfors
Board member

Lotta Möller
Employee representative

Linnéa Niklasson
Employee representative

Birger Lövgren
President

My audit report was submitted on 23 February 2017.

Gunilla Wernelind
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Försäkringsaktiebolaget Agria (publ), corp. id 516401-8003
Translation from the Swedish original

Report on the annual accounts

Opinions

I have audited the annual accounts of Försäkringsaktiebolaget Agria (publ) for the year 2016. The Annual report comprises pages 3–36 in this document.

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Försäkringsaktiebolaget Agria (publ) as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

I conducted my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Försäkringsaktiebolaget Agria (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information than the annual accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises this Annual Report (but does not include the annual accounts and my auditor's report thereon pages 1–2).

My opinion on the annual accounts does not cover this other information and I do not express any form of assurance conclusion regarding this other information.

In connection with my audit of the annual accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure I also take into account my knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to my audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts, I have also audited the administration of the Board of Directors and the Managing Director of Försäkringsaktiebolaget Agria (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of Försäkringsaktiebolaget Agria (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 23 February 2017

Gunilla Wernelind
Authorized Public Accountant

Board of Directors and auditor

1 Ann Sommer

Chairman. Born 1959. President of Länsförsäkringar Sak Försäkringsaktiebolag. Elected: 2000. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Grupppliv, Board member of Länsförsäkringar Mäklarservice, SOS International and Amice (Association of Mutual Insurers and Insurance Cooperatives in Europe), LÖF (Landstingens Ömsesidiga Försäkringsbolag), Chairman of Swedish Theft Prevention Association (SSF). **Previous experience:** President of WASA International, WASA Specialförsäkringar AB, WASA International UK and Stockholm Re.

2 Mikael Bergström

Born 1962. President of Länsförsäkringar Västernorrland Elected: 2015. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Länsförsäkringar Västernorrland, Board member of EkoNord AB, Länsförsäkringar i Norr Holding AB, Fastighetsförvaltningsbolaget Gården 35 AB and Wasa Kredit AB. **Previous experience:** Regional manager Nordea, office manager Nordea, President of Hoting Lamell AB.

3 Palle Borgström

Born 1960. Dairy farmer. Elected: 2012. **Education:** Farmer from Swedish University of Agricultural Sciences. **Other Board appointments:** Group Board member of Arlafoods amba, National Board of Directors of Federation of Swedish Farmers (LRF) and Chairman of Swedish Dairy Association. **Previous experience:** Self-employed in the agriculture sector, various Board appointments in the Lantmännen Group.

4 Henrietta Hansson

Born 1964. President. Elected: 2016 **Education:** Bachelor of Science in Business and Economics, local government administration Lund University. **Other appointments:** Länsförsäkringar Göinge-Kristianstad, Krinova-Science Park, Flyinge AB and Ridskolan Strömsholm. **Previous experience:** President of Agria, worked at Länsförsäkringar since 2000.

5 Bo Helander

Born 1943. Associate professor. Elected: 2014. **Education:** Doctor of Laws, civil law. **Other Board appointments:** Chairman of Swedish Thoroughbred Breeders' Association, Board member of Swedish Horse Council Foundation, European Equestrian Federation, European Horse Network. **Previous experience:** Associate professor, Professor, etc. at Stockholm University, Secretary-General of Federation Equestre Internationale (FEI), farm manager, horse breeder.

6 Kjell Lindfors

Born 1962. President of Länsförsäkringar Norrbotten. Elected: 2015. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Länsförsäkringar Fastighetsförmedling. **Previous experience:** Various Board appointments at Länsförsäkringar Alliance and local companies in Norrbotten.

7 Ulf Uddman

Born 1957. President of Swedish Kennel Club. Elected: 2016 **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Hundstallet – Svenska Hundskyddsföreningen (Swedish Dog Protection Association) and its subsidiaries and Board member of several family companies. **Previous experience:** Deputy Board member of Agria 1987–2011, Chairman of Agria's Pet Product Committee, member of municipal council 1980–1990s in Jordbrukets Försäkringsbolag. Severed as an expert in several government inquiries into dog and animal activities.

8 Patrik Sandin

Born 1948. Self-employed. Elected: 2012. **Education:** High school diploma, Ottowa High School Iowa. **Other Board appointments:** Chairman of Länsförsäkringar Värmland, Länsförsäkringar Värmlands Fastigheter AB, Värmland Sports Historical Society, Board member of Färjestad Trotting Association. **Previous experience:** Chairman of the Swedish Trotting Association and UET European Trotting Union, Forshaga Handball Club, Deputy Chairman of AB Trav och Galopp, Board member of Swedish Dental Trade Association, Swedish Horse Council Foundation and Nordic Trotting Museum.

9 Marja Tullberg

Born 1973. Registered veterinarian, chairman Swedish Veterinary Association. Elected: 2014. **Education:** Swedish Master of Science in Veterinary Medicine, university studies in physiology and learning. **Other Board appointments:** Chairman of Swedish Veterinary Association, Board member of LiaMed AB. **Previous experience:** Operations manager at Swedish University of Agricultural Sciences. Previously worked in animal health in Sweden and the US.

EMPLOYEE REPRESENTATIVES

10 Lotta Möller

Born 1965. Registered veterinarian. Employee representative. Elected: 2009. **Education:** Master of Science in Veterinary Medicine, studies in law and field of peace and conflict. **Other Board appointments:** Board member of Swedish Veterinary Association, SACO Board, Länsförsäkringar AB. **Previous experience:** Veterinarian at Strömsholm, Bagarmossen and Albano animal clinics, Board appointment in Swedish Society of Veterinary Medicine and member of Examination and Steering Committee internal medicine.

Deputy: Margareta Edihl Tomth.

11 Linnéa Niklasson

Born 1958. Object specialist Integration. Employee representative. Elected: 2014. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar Sak, Agria Djurförsäkring, Chairman of Länsförsäkringar AB FTF club. **Previous experience:** Board member of Länsförsäkringar AB, Test Manager, Change Management at Länsförsäkringar AB, Systems Developer Agria, Chairman of Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto.

AUDITOR

Gunilla Wernelind

Elected by the Annual General Meeting: Authorised Public Accountant, KPMG.

Executive management

Birger Lövgren
President

Öystein Berg
Head of Business Development

Jonas Bjerre
Controller Agria

Monica Dreijer
Deputy President,
Head of Agria Concept, Head of Customer Centre

Camilla Jansson
Controller Agria

Stefan Fur
President of Business Area Horse and Agriculture

Kaj Holmberg
Head of Operating Systems

Christian Geelmuyden
President of Business Area Norway

Sonja Karaoglan
President of Business Area Denmark

Anna Linder
President of Business Area Finland

Patrik Olsson
President of Business Area Pet

Pekka Olsson
Head of Veterinary Strategies

Monica Tuvelid
Deputy President of Business Area Pet

EMPLOYEE REPRESENTATIVES

Linnéa Niklasson
Employee representative

Lotta Möller
Employee representative

Definitions

Run-off result
For claims for which final settlement has not been completed at the end of the fiscal year, funds are reserved in the provision for claims outstanding. The assessment of future payments implemented may however prove to be incorrect for various reasons. If the calculated compensation amount for a claim proves to be over-valued, run-off gains will arise when the compensation amount is re-assessed or when the claim has been settled. If the amount is under-valued, a corresponding run-off loss will arise.

Direct yield
Direct yield refers to the total of interest income, interest expense, dividends on shares and participations and administration costs for asset management in relation to the average value of the investment assets during the year. The direct yield was restated in accordance with FFFS 2015:12.

Direct insurance
Insurance contract concluded directly between the insurer and the policyholder. In contrast to assumed reinsurance, the insurance company is directly responsible to the policyholder.

Operating expenses
Operating expenses is a collective term for expenses for sales, management and administration.

Expense ratio
Operating expenses as a percentage of premiums earned after ceded reinsurance.

After ceded reinsurance
The proportion of an insurance transaction for which the insurance company assumes the risk, and which is not reinsured with another company. Sometimes the term "for own account" is used.

Required solvency margin
The lowest permitted level of own funds for insurance companies. The required solvency margin is calculated in accordance with the rules laid down in the Swedish Insurance Business Act.

Unearned premiums
A liability item, corresponding to the portion of premium income that pertains to the next year in the annual accounts.

Claims payments
The cost during the fiscal year for claims incurred, including costs for claims that have not yet been reported to the insurance company. The cost also includes the run-off result, meaning the profit and loss arising in the provision for claims outstanding made in the immediately preceding year-end accounts.

Technical provisions
Provision for unearned premiums and unexpired risks, and provision for claims outstanding and comparable commitments in accordance with signed insurance contracts.

Investment income transferred from financial operations
Premiums are paid in advance, while operating expenses and claims costs are paid in arrears. Funds that have not yet been paid out are invested in order to obtain a return. The estimated interest on these investments – the cost of capital – is transferred from investment income to the insurance operations.

Own funds
Recognised equity after proposed dividend, plus untaxed reserves, less intangible assets. Own funds are to cover the required solvency margin.

Solvency margin
The ratio between solvency capital and premium income for own account, expressed as a percentage. The solvency margin, calculated in this manner, is the measure of capital strength of the insurance company normally used.

Solvency capital
Recognised equity, plus untaxed reserves, plus deferred tax liabilities, less deferred tax assets.

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment. Premium income is a common measure of the volume of insurance operations.

Premiums earned
The proportion of premium income attributable to the fiscal year.

Technical result for non-life insurance operations
Premiums earned less claims payments and operating expenses in the insurance operations plus profit/loss from ceded reinsurance and investment income transferred from financial operations.

Claims ratio
The ratio between claims payments, including claims adjustment costs and premiums earned after ceded reinsurance, expressed as a percentage.

Contingency reserve
Provisions for contingency reserve is an appropriation. The contingency reserve is to equalise fluctuations in the risk process and the uncertainty in the calculation basis for provisions for unearned premiums and claims outstanding.

Total return ratio
The sum of direct yield, realised gains and losses, and unrealised changes in the value of assets in relation to the average fair value of managed assets.

Combined ratio
The sum of operating expenses in the insurance operations and claims payments as a percentage of premiums earned after ceded reinsurance.

Deferred tax
Deferred tax liabilities/assets pertain to taxable temporary differences.

Reinsurance
Risk distribution method entailing that an insurance company purchases coverage for a portion of its liability commitment for insurance and reinsurance contracts, known as ceded reinsurance. Assumed reinsurance refers to the business that an insurance company receives from other insurance company in the form of reinsurance.

Address

Agria Djurförsäkring
Box 70306
SE-107 23 Stockholm, Sweden
Visit: Tegeluddsvägen 11–13
Telephone: +46 8-588 421 00
E-mail: info@agria.se

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