2015

Annual Report
Agria Djurförsäkring

Agria
Djurförsäkring

The 2015 fiscal year

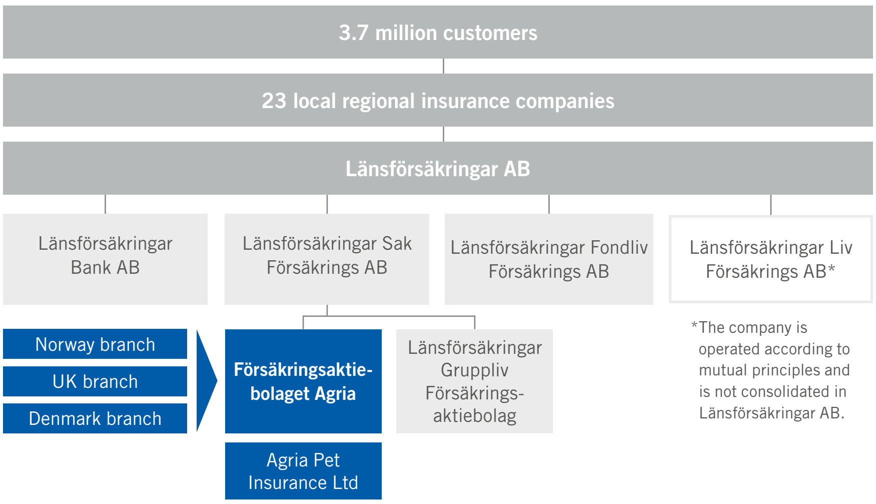
The year in brief

- Profit before appropriations and tax amounted to SEK 280.7 M (290.4).
- The technical result amounted to SEK 303.2 M (283.4).
- The combined ratio totalled 89.2% (88.7).
- Agria commenced establishment in Finland.
- Breakthrough for cat insurance in Denmark and robust growth in Sweden.
- More satisfied customers – customer satisfaction index increased to 76.

KEY FIGURES

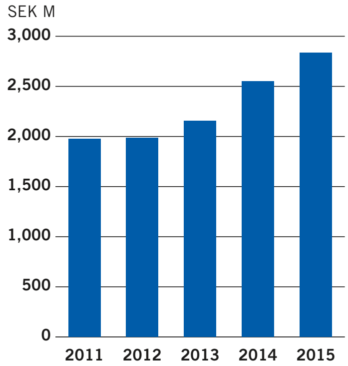
%	2015	2014	2013	2012	2011
Combined ratio	**89**	89	90	93	96
ROE[1]	**24**	22	15	14	8
Total investment income	**–1.6**	1.8	2.4	5.5	2.1
Solvency margin	**37**	48	66	64	58
Solvency ratio according to Solvency I [2]	**225**	241	239	226	202

[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 I capital requirement.



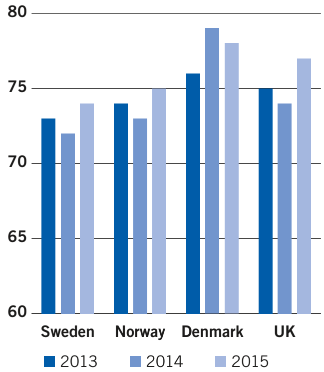
*The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

Premium income



Premium income after ceded reinsurance (SEK M).

Customer Satisfaction Index (CSI)



The average CSI for all countries was 76, up two percentage points compared with 2014.

SEK 2,837 M
BUSINESS VOLUMES

Agria Djurförsäkring

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

We are where our customers are. 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 kennel clubs and various pedigree clubs.

Our high market share of 58% in Sweden limits future growth and means that we are seeking out new markets. We operate in Denmark, Norway and the UK, and are in the process of establishing operations in Finland. We are continuing to build up the Agria brand in these countries, with the same tools and success.

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. The regional insurance companies are owned by the insurance customers, and the principles of customer ownership also apply to Agria Djurförsäkringar. Customers are provided with a complete offering of banking, insurance and real-estate brokerage services through the regional insurance companies. The basis is a local presence and foundation – experience has proven that local decision-making combined with joint administration and business development create added value for customers. Long-term respect for the security of customers is also fundamental. There are no external shareholders and customers' needs and requirements thus comprise Länsförsäkringar's primary task. The Länsförsäkringar Alliance jointly has more than 3.7 million customers and approximately 6,000 employees.

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Closer to pets and pet owners

Statement by the CEO | With our sights set on always going the extra mile for our costumers, we once again this year took several steps to come closer to the everyday lives of animal owners.

My ambition is that our customers should always be more satisfied than I am. We do not need to move mountains, but instead pay close attention every day to how Agria is perceived and capitalise on the valuable feedback we receive. Being close to customers, listening and engaging in dialogue in all channels.

Yet another year of honing our skills has yielded results and the average index for all four countries shows that we increased the customer satisfaction index by two percentage points to 76.

Satisfied customers are always a positive signal and thus is very pleasing for Agria. More and more people are taking out pet insurance, with dog and cat insurance featuring prominently in all countries.

Results from marketing campaigns

Marketing campaigns in Sweden to raise the status of cats generated excellent results that surpassed targets for the year, as did the results for smaller pets, such as rabbits, hamsters and birds. Smaller animals are often the first pets that children have and promote a positive attitude to animal and owning animals in adulthood.

Following intense improvement activities in the Swedish operations, two business areas were merged to form one – Horse & Agriculture. These efforts were rewarded with glimmers of hope and we could see a satisfactory growth curve for farm animals and crops. Horse insurance noted growth in the portfolio. Increased claims costs for horses continued to lead to worrying earnings levels despite stabilising in the latter half of the year.

Strong increase in cat and dog insurance

The operations in Norway, Denmark and the UK reported strong earnings for both dog and cat insurance. It was particularly gratifying that cat insurance increased and exceeded targets in Denmark. It is also pleasing that Norwegian horse insurance has gained real momentum and surpassed targets.

We celebrated the tenth anniversary of Agria in Norway with a customer celebration event in the spring. Everyone was in high spirits with balloons, cake and party hats for both two-legged and our four-legged friends. With the ongoing establishment in Finland, our Nordic map will be complete this coming year. Intense establishment activities were carried out in the second half of the year, triggered by a new partnership with the Finnish Kennel Club that commenced at the start of 2016.

A discussion on higher costs for veterinary care erupted in the Swedish media in the spring. Agria took its position by quickly communicating its view of events and how we managed the situation as early as two or three years ago. We now see that claims costs for pet insurance have stabilised.

Close to customers' everyday lives

We are close to animals and animal owners and we meet many customers in person. We were involved in more than 1,000 events this past year – from the world's largest dog show Crufts and the Sweden International Horse Show to more local animal activities with coffee-filled thermoses, umbrellas and good insurance advice for animal owners.

The mobile version of our website is a natural step now that more than half of our customers who communicate with us via a screen use their mobile phone. Computer, mobile or tablet offer the same customer experience and allow customers to easily manage their insurance.

Free telephone vet

The Agria Telephone Vet, very popular among customers, was made free of charge to Swedish customers in June. Sound advice and tips are only a call away in the evenings and at weekends.

A new social media strategy was introduced at the start of the autumn, taking an overall approach that increased both commitment and range. Two new television commercials were broadcast on TV4, the first was our favourite puppy Buster who was looking for his Agria card, and this was followed by 20 or so puppies and kittens that asked the question "We've joined Agria – have you?"

As animal specialists, we are more than happy to share our knowledge with the world around us. In the spring, the research results of the Agria Cat Breed Profile were presented, containing globally unique material with diagnoses from 500,000 cats.

Animal Hero

Rewarding people who help create security for animals and people is a regular activity at Agria, and the Animal Hero award was handed out in Norway and Denmark.

Agria pays SEK 6.8 M in claims payments every day. Our mission is to help ensure that our four-footed friends have as healthy a life as possible and that their owners can feel secure in being part of Agria. This is the way forward to bring more animal owners closer and join our community.

Stockholm February 2016

BIRGER LÖVGREN
CEO of Agria Djurförsäkring

Board of Directors' Report

The Board of Directors and the CEO of Försäkringsaktiebolaget Agria (publ), Corporate Registration Number 516401-8003, hereby submit the 2015 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), Corp. Reg. No. 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 animal 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 and the 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

For Agria, a market presence in the Nordic region is a natural part of following customers who cross country borders to buy animals, for breeding, to compete in competitions and visit exhibitions. We currently operate in the Nordic region in Sweden, Norway and Denmark. Establishing Agria in Finland began during the year with a partnership agreement with the Finnish Kennel Club signed and a country manager recruited. The operations are scheduled to commence in mid-2016.

The restructuring of veterinary care in Sweden has now stabilised for small animals, whereas we see an increase in claims costs for horses. A few large players are influencing the direction of animal care, availability and costs in veterinary care. The media has examined developments and several signals indicate that many animal owners believe that acceptance levels for costs of veterinary care have now peaked.

A long line of improvements have yielded results and the average index for all four countries shows that we increased the customer satisfaction index by two percentage points to 76. Denmark tops the list as the only country with 77. Given our vision of creating security for people and animals, it is positive that 60% of customers believe that we actually deliver security. Emotional values are important in the animal world and 66% of customers perceive Agria to be emphatic rather than bureaucratic.

The claims-adjustment card, the Agria card, offers animal owners in Sweden greater financial security for visits to the vet. Payments from claims adjustment are made directly to the card. In addition, customers have a SEK 200 lower deductible for veterinary care and interest-free credit for areas not covered by the insurance. The Agria card was linked to more clinics during the year, including AniCura and Evidensia.

Swedish pet owners are continuing to choose Agria. In Sweden, we see continued strong growth in cat and other pet insurance, while new dog insurance policies represented more cautious growth. A new sought-after insurance policy for breeding dogs and cats, under which the animals are insured from birth, was presented in the autumn. The policy also offers greater security for breeders of crossbreed puppies, who can take our breeding insurance with veterinary care.

Two business areas were merged to form the Horse & Agriculture business area at the start of the year as part of a major improvement program. The aim is to strengthen the operations with increased economies of scale in, for example, claims adjustment, customer service and veterinary resources.

The Swedish equine industry continues to suffer problems with fewer riders and fewer horses. Players in the equine industry have not yet recovered from the years of economic slowdown. However, one glimmer of hope is that the number of coverings rose again this year. Swedish born horses are much sought-after internationally, which is positive for Swedish breeders. Claims costs for veterinary care are increasing and thus earnings were weaker year-on-year.

Crop insurance reported a favourable year and delivered stable, positive earnings. Agria carried out trials related to artificial rapeseed hail in Skåne for the fourth consecutive year. The aim is to standardise claims assessments and thus provide customers with a more correct valuation.

The year for the UK operations was characterised by improved brand awareness, significant portfolio growth and continued positive earnings.

The operations in Norway stabilised with a sustained claims ratio and satisfactory financial earnings. A rising number of players have realised that animal insurance is an attractive niche in the insurance industry and the offering is increasing. Agria stands firm as the benchmark target and the leading company in the animal insurance segment.

Agria in Denmark posted a stable, positive performance and delivered positive earnings. The offering is also increasing in this market, although we expect our positive performance to continue.

In its communication, Agria has a clear connection to the Länsförsäkringar brand. A new communication platform was adopted during the year to engage ambassadors with Agria by enhancing the perception that our stakeholders are part of Agria – "We've joined Agria."

Digital communication with customers

Part of increasing customer satisfaction is to expand availability and possibilities of contacting Agria when help is needed. The majority of customers prefer using digital channels. The number of unique visitors to the agria.se website was at about the same level as in the preceding year, slightly more than 4 million. More than 50% of visitors in digital channels contact us by mobile device. Since the use of mobile devices is increasing drastically, a new mobile version of the website was launched in May. We can also see a rise in the number of claims reported via our website, further confirming that customers are choosing digital channels.

Research

Some of the annual premiums earned in Sweden and Norway are reserved for veterinary research at Nordic universities. During the year, Agria paid SEK 6.5 M (6.0) to animal and animal health research in the fields of dogs, cats and horses. Of the 12 projects supported during the year, eight researchers at the University of Copenhagen received funding. Agria has research partnerships with the Swedish Kennel Club and the Swedish-Norwegian Foundation for Equine Research, and research applications are processed by an independent, qualified appraiser.

A research seminar was arranged in the autumn together with the Swedish Kennel Club to highlight current research projects sponsored by the joint fund. An audience of about 400 listened to some 50 researchers talk about progress for the benefit of dogs and cats.

In March, the research results of the Agria Cat Breed Profile were presented, containing globally unique material of analyses of cat diseases and claims between 2009 and 2013 with diagnoses from 500,000 cats. The material is to be used to help ensure healthy, sustainable cat breeds.

Significant events during the year

Agria began establishing operations in Finland, with sales scheduled to start around mid-2016.

Preparations for new risk-based regulatory requirements – Solvency II

The primary focus of the Solvency II work in 2015 was completing the implementation of the regulations. This preparatory work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and developing improved calculation tools for balancing risk-taking with opportunities for yielding returns.

During the year, Agria, together with the other insurance companies in the Länsförsäkringar AB Group, applied to the Swedish Financial Supervisory Authority for permission to use a partial internal model for reporting its solvency capital requirements. Agria will thus be able to work with measures of capital requirement that are better aligned with the specific risks of the company than those in the standard formula of the rules.

Significant events after the end of the fiscal year

No significant events occurred after the end of the fiscal year.

Expectations regarding future development

Agria will continue to endeavour to be at the forefront of meeting animal owners' expectations of modern insurance products. As a specialist company with in-house veterinarians, Agria has unique skills combined with the events that we arrange throughout Sweden that continuously strengthen the brand.

We are monitoring developments in the veterinary-care industry – Agria needs to change correspondingly to these developments but also pursue an active dialogue with industry players.

The Swedish Kennel Club reports lower recruitment figures for litters of pups since more and more people are choosing unregistered crossbreed puppies. For Agria, this means a brand new target group that we are establishing new channels to reach.

Employees

Dedicated employees, active work on improvements, 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. The Employee Satisfaction Index (ESI) was at the same high level as in the preceding year and confirms positive results with an average above benchmark for Agria's employees. A new employee profile in dialogue form was introduced in 2015. Agria endeavours to be perceived to be an equal opportunity workplace and has a reverse gender distribution situation since there is a severe shortage of male applicants throughout the entire recruitment process, but a high number of animal-interested female candidates. Part of equality efforts is to create a more even gender distribution among managers, today 57% are women and 43% men.

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.

Environment

Agria's environmental effort is conducted in several areas with specific and measurable targets. Agria's environmental management system has held ISO 14001 certification since 2001. In accordance with the company's environmental policy, Agria assumes its responsibility for the negative impact on the environment that arises in the operations. The areas in which the company has the greatest direct impact on the environment are business travel, paper communication and documentation sent to customers. To reduce the environmental impact of business travel, train travel is increasingly used in line with applicable travel guidelines. Technology allows meetings to be held by telephone, video and in digital channels, which reduces travel. All company cars meet the company's definition of green cars.

Digital channels for communicating with customers are increasingly important for reducing consumption of paper. About 18% of customer communication now takes place via digital media and our aim is to have a full digital offering for customers preferring these channel by 2017.

A key element of environment work is claims-prevention activities. Environmental impact can be reduced by providing advice and tips to animal owners in our digital media and via Agria's free Telephone Vet service, which result in reduced travel to veterinary clinics and waste from treatment and care. The company also recommends that customers return any left over animal medicines to the chemist for recycling.

The environment, animal protection and animal health are always taken into consideration in Agria's active support to veterinary research and other development activities.

The office property that Agria works in is environmentally classified as energy-efficient and designed to promote health and sustainability, in line with the Sweden Green Building Council's certification scheme and the GreenBuilding system. The electricity used in the properties is Good Environmental Choice electricity and the heating is district heating that is largely produced using renewable fuels.

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 cluster munitions, landmines and nuclear weapons. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. Primarily dialogue and lobbying are used to influence companies to act responsibly.

Earnings and financial position

Profit before appropriations and tax amounted to SEK 280.7 M (290.4). Profit comprised the following: profit from insurance operations amounted to SEK 303.2 M (283.4), while loss from financial operations totalled SEK 22.5 M (profit: 7.0). Premiums earned after ceded reinsurance amounted to SEK 2,721.1 M (2,395.5), up 13.6% year-on-year.

Volume increases were noted in all business areas, although premiums earned primarily increased in the UK and the pet-insurance business in Sweden due to both price adjustments and a higher number of animals insured.

Claims payments after ceded reinsurance amounted to SEK 1,852.8 M (1,656.3). The total claims ratio declined year-on-year to SEK 68.1 M (69.1). Average claims costs displayed a stable trend, although the frequency of veterinary visits is continuing to increase. Previous premium adjustments together with redistribution effects from claims adjustment to operating expenses contributed to the positive trend in the claims ratio.

Operating expenses amounted to SEK 573.3 M (470.3). The increase in expenses was mainly due to volume growth, exchange-rate changes in the UK and redistribution effects from claims adjustment to operating expenses. The expense ratio increased year-on-year to 21.1% (19.6).

The total return on investment assets in 2015 was a negative 0.1% (pos: 1.2). The lower return was primarily due to the negative contribution from the company's fixed-income portfolio which was impacted by low interest rates and widened credit spreads, and the negative contribution from currency exposure.

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	110,517,487
Net profit for the year	168,269,014
Total	**278,786,501**

The Board of Directors and CEO propose that the profit of SEK 278,786,501 be carried forward.

The result of the year's operations and the company's financial position at 31 December 2015 are presented in the following financial statements and the accompanying notes.

Five-year summary

Earnings, SEK M	2015	2014	2013	2012	2011
Premiums earned (after ceded reinsurance)	2,721.1	2,395.5	1,590.6	1,447.0	1,342.1
Investment income transferred from financial operations	8.3	14.5	13.1	15.3	16.7
Claims payments (after ceded reinsurance)	–1,852.8	–1,656.3	–1,112.9	–979.6	–925.6
Operating expenses	–573.3	–470.3	–324.8	–365.3	–361.1
Other income/expenses in the insurance operations	–	–	–	–	–
Technical result for insurance operations	**303.2**	**283.4**	**166.0**	**117.4**	**72.1**
Net profit for the year	**168.3**	**159.9**	**102.7**	**83.1**	**137.2**
Interest rate of technical provisions, %	0.5	1.0	1.4	1.8	2.1
Key figures for insurance operations					
Claims ratio	68.1	69.1	70.0	67.7	69.0
Expense ratio	21.1	19.6	20.4	25.2	26.9
Combined ratio	89.2	88.7	90.4	92.9	95.9
Key figures for asset management					
Direct yield, %[1]	0.1	–0.1	1.6	2.0	2.7
Total return, %	–1.6	1.8	2.4	5.5	2.1

FINANCIAL POSITION, SEK M	2015	2014	2013	2012	2011
Investment assets measured at fair value	1,679.6	1,816.9	1,579.2	1,373.1	1,235.8
Technical provisions (after ceded reinsurance)	1,602	1,454	953.0	819.3	774.6
Solvency capital					
– equity	324.3	557.8	531.7	429.0	300.1
– deferred tax	–0.1	1.4	–0.6	–1.6	–2.5
– untaxed reserves	729.1	662.3	579.9	536.4	500.1
Solvency capital	**1,053.3**	**1,221.5**	**1,111.0**	**963.8**	**797.7**
Solvency margin, %	**37**	**48**	**66**	**64**	**58**
Own funds	1,048	1,011	1,099.3	945.0	771.9
Solvency I capital requirement	466	420	280.1	251.5	233.0
Own funds for the insurance group[2]	–	–	967.2	870.2	697.7
Solvency I capital requirement for the insurance group[2]	–	–	405.1	385.5	346.1

[1] The direct yield for 2015 – 2013 was restated in accordance with FFFS 2011:28.
[2] The insurance group comprises Agria and the subsidiary Agria International prior to the merger.

Financial statements

Income statement

Technical recognition of non-life insurance operations, SEK 000s	Note	2015	2014
Premiums earned (after ceded reinsurance)			
Premium income (before ceded reinsurance)	3	2,842,007	2,558,458
Premiums for ceded reinsurance		–4,645	–6,340
Change in provision for unearned premiums and unexpired risks		–116,297	–156,636
Reinsurers' portion of change in provision for premium reserve		–0	–13
Total		**2,721,065**	**2,395,469**
Investment income transferred from financial operations	4	8,294	14,529
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		–1,803,149	–1,643,324
Reinsurers' portion		–	–
Total	5	**–1,803,149**	**–1,643,324**
Change in provision for claims outstanding			
Before ceded reinsurance		–50,470	–14,352
Reinsurers' portion		820	1,357
Total		**–49,650**	**–12,995**
Claims payments (after ceded reinsurance)		**–1,852,799**	**–1,656,319**
Operating expenses	6, 7, 8	–573,327	–470,291
Technical result for non-life insurance operations		**303,233**	**283,388**
Non-technical recognition			
Technical result for non-life insurance operations		303,233	283,388
Investment income, revenue	9, 13	31,239	39,824
Unrealised gains on investment assets	10, 13	24	24,967
Investment income, expenses	11, 13	–20,749	–40,896
Unrealised losses on investment assets	12, 13	–24,782	–2,327
Investment income transferred to non-life insurance operations	4	–8,294	–14,529
Profit before appropriations and tax		**280,671**	**290,427**
Appropriations			
Change in untaxed reserves	25	–66,741	–82,466
Profit before tax		**213,930**	**207,961**
Deferred tax	14	1,610	–2,151
Tax on net profit for the year	14	–47,272	–45,922
Net profit for the year		**168,268**	**159,888**

Statement of comprehensive income

SEK 000s	2015	2014
Net profit for the year	168,268	159,888
Other comprehensive income **Items that may subsequently be transferred to profit and loss**		
Translation difference for the year in foreign branch	–1,799	–5,311
Other comprehensive loss for the year	**–1,799**	**–5,311**
Comprehensive income for the year	**166,469**	**154,577**

Performance analysis of the insurance operations 2015

SEK 000s	Total	Direct insurance, Swedish risks: Crop	Direct insurance, Swedish risks: Pet	Direct insurance, foreign risks
Premiums earned (after ceded reinsurance)	2,721,065	24,997	1,879,417	816,651
Investment income transferred from financial operations	8,294	82	5,634	2,578
Claims payments (after ceded reinsurance)	–1,852,799	–1,708	–1,281,760	–569,331
Operating expenses	–573,327	–5,428	–374,794	–193,104
Technical result for non-life insurance operations	**303,233**	**17,943**	**228,497**	**56,794**
Gross run-off gain	48,148	6,220	32,000	9,928
Technical provisions (before ceded reinsurance)				
Provision for unearned premiums and unexpired risks	1,300,295	9,597	899,734	390,964
Provision for claims outstanding	305,281	1,177	207,976	96,128
Total technical provisions, before ceded reinsurance	**1,605,576**	**10,774**	**1,107,710**	**487,092**

Notes to performance analysis

Premium income (before ceded reinsurance)	2,842,007	26,517	1,935,779	879,711
Premiums for ceded reinsurance	–4,645	–648	–3,418	–579
Change in provision for unearned premiums and unexpired risks	–116,297	–872	–52,944	–62,481
Reinsurers' portion of change in provision for premium reserve	0	–	–	0
Premiums earned (after ceded reinsurance)	**2,721,065**	**24,997**	**1,879,417**	**816,651**
Claims payments (after ceded reinsurance)				
Claims paid				
Before ceded reinsurance	–1,803,149	–7,130	–1,239,988	–556,031
Reinsurers' portion	–	–	–	–
Change in provision for claims outstanding (after ceded reinsurance)				
Before ceded reinsurance	–50,470	5,421	–41,772	–14,119
Reinsurers' portion	820	–	–	820
Claims payments (after ceded reinsurance)	**–1,852,799**	**–1,709**	**–1,281,760**	**–569,330**

Balance sheet

SEK 000s	Note	31 Dec 2015	31 Dec 2014
Assets			
Intangible assets			
Other intangible assets	15	5,311	9,235
Total		**5,311**	**9,235**
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	89,729	167,434
Shares and participations in associated companies	18	1,266	1,266
Other financial investment assets			
Shares and participations	19	3	13
Bonds and other interest-bearing securities	20	1,284,986	1,364,751
Derivatives	21, 32	11,854	990
Other financial investment assets		18,495	9,176
Total		**1,679,556**	**1,816,853**
Reinsurers' portion of technical provisions			
Claims outstanding	27	3,643	2,877
Total		**3,643**	**2,877**
Receivables			
Receivables from policyholders		1,009,819	859,856
Other receivables	22	260,001	223,161
Total		**1,269,820**	**1,083,017**
Other assets			
Tangible assets and inventories	23	13,625	11,216
Cash and bank balances		78,308	94,480
Deferred tax assets	14	1,446	471
Total		**93,379**	**106,167**
Prepaid expenses and accrued income			
Accrued interest and rental income		13,452	18,118
Prepaid acquisition costs	24	164,644	143,533
Other prepaid expenses and accrued income		8,980	23,729
Total		**187,076**	**185,380**
Total assets		**3,238,785**	**3,203,529**

Balance sheet, cont.

SEK 000s	Note	31 Dec 2015	31 Dec 2014
Equity, provisions and liabilities			
Equity			
Share capital (40,000 shares)		40,000	40,000
Statutory reserve		5,525	5,525
Retained earnings		110,518	352,429
Net profit for the year		168,268	159,888
Total		**324,311**	**557,842**
Untaxed reserves	25		
Equalisation reserve		35,194	35,194
Contingency reserve		464,922	464,922
Tax allocation reserve		222,973	153,232
Accumulated excess depreciation/amortisation		6,000	9,000
Total		**729,089**	**662,348**
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	26	1,300,295	1,198,186
Claims outstanding	27	305,281	258,383
Total		**1,605,576**	**1,456,569**
Other provisions			
Pensions and similar commitments	28	2,342	1,998
Deferred tax liabilities	14	1,305	1,980
Other provisions		6,781	559
Total		**10,428**	**4,537**
Liabilities			
Liabilities to policyholders		5,748	4,319
Derivatives	21, 32	7,334	11,550
Current tax liabilities		21,695	19,921
Other liabilities	29	149,624	119,040
Total		**184,401**	**154,830**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	30	384,980	367,403
Total		**384,980**	**367,403**
Total equity, provisions and liabilities		**3,238,785**	**3,203,529**
Memorandum items			
Assets registered on behalf of policyholders	31	1,998,932	1,736,783
Contingent liabilities	31	3,513	4,661

Statement of changes in equity

	Restricted equity		Non-restricted equity			
SEK 000s	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Net profit for the year	Total equity
Opening equity, 1 January 2014	**40,000**	**5,525**		**383,437**	**102,694**	**531,655**
Net profit for the year					159,888	159,888
Mergers gains/losses				–128,389		–128,389
Other comprehensive income for the year			–5,311			–5,311
Comprehensive income for the year			*–5,311*		*159,888*	*154,577*
Appropriation of profit				102,694	–102,694	–
Closing equity, 31 December 2014	**40,000**	**5,525**	**–5,311**	**357,741**	**159,888**	**557,842**
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 income for the year			–1,799			–1,799
Comprehensive income 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**

Cash-flow statement

SEK 000s	2015	2014
Operating activities		
Profit before tax	213,930	207,961
Tax paid	–43,048	–35,652
Adjustment for non-cash items	182,485	196,082
Cash flow from operating activities before changes in assets and liabilities	**353,367**	**368,391**
Cash flow from changes in working capital		
Investments in investment assets, net	157,885	–204,490
Increase (–)/Decrease (+) in operating receivables	–170,963	–206,630
Increase (+)/Decrease (–) in operating liabilities	48,032	72,290
Cash flow from operating activities	**388,321**	**29,561**
Investing activities		
Acquisition of intangible assets	–2,542	–
Acquisition of tangible assets	–1,951	–1,053
Cash flow from investing activities	**–4,493**	**–1,053**
Financing activities		
Dividends to Parent Company	–400,000	–
Cash flow from financing activities	**–400,000**	**–**
Net cash flow for the year	–16,172	28,508
Cash and cash equivalents, 1 January	94,480	38,061
Merged cash and cash equivalents	–	27,911
Cash and cash equivalents, 31 December	**78,308**	**94,480**

Supplementary information to cash-flow statement

SEK 000s	2015	2014
Cash and cash equivalents		
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	78,308	94,480
Interest paid and dividends received		
Dividends received	302	200
Interest received	13,373	21,122
Interest paid	–3,119	–344
Adjustment for non-cash items, etc.		
Depreciation/amortisation and impairment of assets	7,784	7,839
Change in value of exchange rates, investment assets	–46	1,057
Unrealised changes in value of investment assets	–24,758	–22,640
Changes in provisions for insurance contracts	148,241	192,799
Change in prepaid acquisition costs	–21,111	–65,216
Provision for tax allocation reserve	69,741	73,466
Excess depreciation of assets	–3,000	9,000
Other	5,634	–223
Total adjustment for non-cash items, etc.	**182,485**	**196,082**

Notes to the financial statements

All figures in SEK 000s unless otherwise stated.

1 ACCOUNTING POLICIES

Company information

The Annual Report for Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, covers to the 1 January – 31 December 2015 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 2008:26), with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), 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 IFRSs.

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

Merger

The wholly owned subsidiary Agria International Försäkring AB, Corp. Reg. No. 516406-0542 with its registered office in Stockholm, was merged with the Parent Company in 2014. The merger between the subsidiary and the Parent Company was recognised in accordance with the Swedish According Standards Board's guideline BFNAR 1999:1 Mergers of Wholly Owned Limited Liability Companies. The consolidated value method was applied, meaning that the Parent Company recognised the assets and liabilities of the merged subsidiaries at the values they were assigned in the consolidated financial statements.

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.

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.

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 will 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 are not expected to entail any significant changes to the financial statements.

The 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) will replace the Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:26).

The new regulations introduce expanded disclosure requirements for the discount rate used by the company. 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 year 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 are not expected to entail any significant changes to the financial statements.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard contains new requirements for recognition and measurement of financial instruments, an expected loss impairment model and simplified requirements for hedge accounting.

IFRS 9 will take effect for fiscal years beginning on or after 1 January 2018. Early adoption is permitted provided that the EU adopts the standard. The EU is expected to approve the standard in the first half of 2016. The standard is to be applied retrospectively, except for the rules on hedge accounting that are mainly to be applied prospectively.

Under IFRS 9, financial assets are to be classified into three different measurement categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is determined on initial recognition based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces a recognition inconsistency (an "accounting mismatch"). Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value of instruments not held for trading in other comprehensive income instead. There are no major changes for the rules regarding financial liabilities compared with IAS 39, except for financial liabilities measured at fair value according to the fair value option. For these liabilities, the portion of the change in value attributable to own creditworthiness is recognised in other comprehensive income, unless this would create an accounting mismatch.

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 based on the 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.

The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9 on recognition and measurement. The company does not have any financial liabilities measured according to the fair value option and does not apply hedge accounting, 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 (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). 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 is expected to approve the standard in the first quarter of 2016.

The company has commenced an analysis of the effect of IFRS 15 which has not yet been completed. However, the initial assessment is that most of the company's income is attributable to insurance contracts, which are encompassed by IFRS 4, and thus the effect of IFRS 15 on the company's financial statements is not deemed to be significant.

IASB Annual Improvements cycle 2010–2012

The IASB Annual Improvements cycle 2010–2012 will take effect for fiscal years beginning on or after 1 February 2015. The Annual Improvement project includes a several minor amendments that affect a total of seven standards: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating segment, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IAS 24 Related Party Disclosures. These amendments are not deemed to have a significant effect on the company's financial statements.

Other amendments to IFRS

The IASB has published the following new or revised standards that are not deemed to have a significant effect on the company's financial statements:

- Amendments to IAS 1 Presentation of Financial Statements.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 19 Defined-Benefit Plans: Employee Contributions
- IASB Annual Improvements cycle 2012–2014

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 4 Insurance Contracts – amendments

The IASB is currently working on a new version of IFRS 4 Insurance Contracts that will replace the existing standard. 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 expected to be published in 2016. The amendment is expected to take effect for fiscal years beginning on or after 1 January 2019.

The company has started to analyse the effects of this new standard.

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.

Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the business planning process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Joint development projects are financed collectively and invoiced based on an established distribution key. 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 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, meaning either financial instruments (loans) or service agreements. 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 correspond to the portion of the premium income that is earned. Unearned premiums are recognised under Provision for unearned premiums.

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 2015 was set at 0.5% for short-term transactions and 1.25% for long-term transactions.

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivative, 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 and derivatives. Realised profit and loss is 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. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. 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 financial 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 annual.

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.

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 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. IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. Following initial recognition, the classification determines how the financial instrument is measured. Financial instruments that are not derivatives are initially recognised at fair value, which corresponds to the cost with additions for transaction costs, although no addition for transaction costs is made for instruments classified as Financial assets measured at fair value through profit and loss.

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 are not 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 cost.

Methods for determining fair value

The note on Financial assets and liabilities by category describes the Fair value valuation techniques, and states the financial instruments measured at fair value and 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.

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 in accordance with IAS 36 Impairment of Assets. 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. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

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. Impairment losses on goodwill are never reversed. 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.

Tangible assets

Tangible assets are recognised in the balance sheet if it is probable that the company will receive future financial 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 financial 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.

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 SEB Group account and balances with Länsförsäkringar Bank AB (publ) are recognised as receivables from Group companies under the item 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.

The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet, of which 22% can be considered to be deferred tax liabilities and 78% as restricted equity.

Untaxed reserves are offset, where appropriate, against loss carryforwards or are subject to taxation when they are dissolved.

Contingency reserve

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

Equalisation reserve

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.

Tax allocation reserve

A 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.

Accumulated excess depreciation/amortisation

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 provision for unearned premiums and unexpired risks and provision for claims outstanding and correspond to commitments in accordance with signed insurance contracts. All changes in technical provisions are recognised in profit and loss.

Provision for 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.

Provision for 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. The change in the provision for unexpired risks is recognised in profit and loss.

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 remuneration 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

An expense for remuneration in conjunction with the termination of employment is recognised only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and that the number of employees who may accept the offer can be reliably estimated.

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 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. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK), 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. According to IAS 19 Employee Benefits, this pension plan entails that a company shall, as a rule, report its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or 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 was prepared in accordance with IAS 7. 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.

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. Risk-management activities are implemented as part of the daily work of all units at the company. Agria's risk-taking is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5% and the Parent Company, Länsförsäkringar Sak, maintaining a credit rating of a minimum of level A. The main purpose of risk management is to ensure that risks are identified, that risk assessment is impartial, and that the own funds are adequate in relation to the risks in the operations. This is important for being able to guarantee, with a high degree of reliability, the commitments made to customers.

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. Non-life insurance risk and market risk are calculated in accordance with the risk models that are based on the regulations that applied until 31 December 2015 and on the Solvency II rules, both of which are calibrated to indicate the risk of insolvency occurring within 12 months with a maximum of 0.5% (0.5) probability.

The quarterly risk report is to provide a complete overview of the company's risk situation, measured using the company's Solvency II adapted internal model LIM, the limits set by the Board for selected parts of the management and the rules that applied until 31 December 2015, the Solvency I rules (traffic-light model). The company has a satisfactory solvency margin measured using both models.

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 CEO is responsible for incorporating these governance documents into the operations. Examples of governance documents are the Group manual, guidelines for 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 CEO 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 regulatory requirements and provide recommendations for action to relevant personnel, the CEO 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 the capital base 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 margin requirement (Solvency I) by a healthy margin. The company has a reporting obligation under the Swedish Financial Supervisory Authority's traffic-light model and also reported here a significant capital surplus in relation to the requirements imposed by the model. The overall risk profile under Solvency II is also reported quarterly to the Board and both the current and future regulatory requirements are taken into account to a great extent in the governance and follow-up of business decisions.

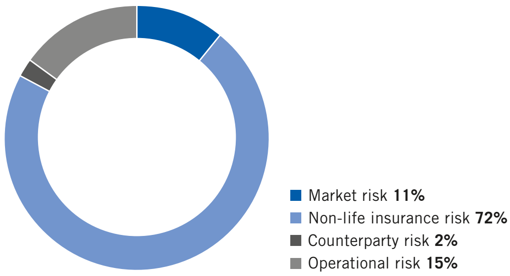
Risk profile

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 and the UK
- 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.

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 2015 classified by risk categories.

Figure 2.
Capital requirement allocation Q3 2015



Risk allocation in Agria Q3 2014

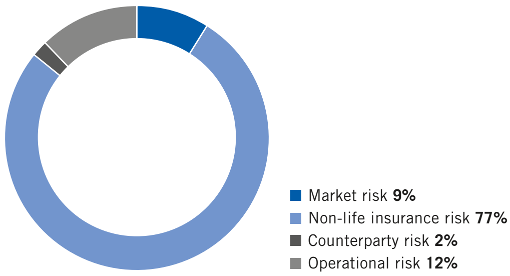


Figure 1. **Classification of risk at Agria**

Non-life insurance risk	Market risk	Counterparty risk
Premium risk Reserve risk Catastrophe risk	Interest-rate risk Equities risk Spread risk Currency risk Concentration risk in investment assets	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		**Liquidity risk including financing risk** **Concentration risk in insurance operations** **Business risk** Strategic risk Earnings risk Reputation risk

The following sections describe Agria's overall risks and their governance and management. A brief description is provided for each specific risk and information about the level of exposure to the risk if it is possible to quantify. The risks presented below are those that affect Agria.

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 branch has reinsurance for its dog liability product and the Norwegian operations have reinsurance for the horse segment. The insurance operations in Agria comprise the insurance classes Pet and Crop and direct insurance for animals in Norway, Denmark and the UK. 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**

	Change in assumption, %	Impact on profit before tax		Impact on equity	
Assumption		**2015**	**2014**	**2015**	**2014**
10% lower premium level	–10%	–272	–240	–212	–187
10% higher claims costs	10%	–185	–166	–144	–129

Premium risk

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 and Special Insurance and the annual Own Risk and Solvency Assessment (ORSA). Premium risk is the risk of losses arising due to the coming year's claims being greater than expected. Premium calculation, risk selection rules, risk inspection and continuous risk monitoring at contract level are the key instruments for monitoring 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. The retention in horse insurance in Sweden was the same as in Norway, which was SEK 5 M in 2015. Reinsurance for dog liability for the Danish branch was acquired for SEK 1 M, and the Norwegian operations have reinsurance cover for Horse insurance. Farm animals and crop insurance is covered by stop loss reinsurance.

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 in Denmark, are reinsured, which ensures that the company is able to perform its commitments (see premium risks and reinsurance above, and counterparty risks below). 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 2 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

Table 2. **Estimated claims costs before and after reinsurance, per claim year**

SEK 000s	2009	2010	2011	2012	2013	2014	2015	Total
At end of claim year	1,015,381	1,370,942	1,484,776	1,523,557	1,454,869	1,573,904	1,725,700	
One year later	1,024,485	1,321,281	1,443,011	1,527,142	1,441,621	1,560,866		
Two years later	1,019,575	1,322,670	1,436,400	1,516,772	1,417,503			
Three years later	1,017,740	1,321,620	1,434,086	1,509,531				
Four years later	1,015,368	1,318,144	1,430,640					
Five years later	1,013,644	1,317,981						
Six years later	1,013,944							
Seven years later								
Eight years later								
Nine years later								
Ten years later								
Estimated claims costs	1,013,944	1,317,981	1,430,640	1,509,531	1,417,503	1,560,866	1,725,700	
Accumulated claims payments	1,013,286	1,317,981	1,430,630	1,507,110	1,409,780	1,516,868	1,490,988	
Provision for claims payments	658	0	10	2,421	7,723	43,999	234,712	**289,521**
Provision for claims payments, older year classes								**926**
Provision for claims payments for assumed reinsurance								**0**
Total provision for claims payments, gross								**290,448**
Annuity reserve, gross								**0**
Claims adjustment reserve, gross								**14,833**
Provision for claims outstanding, gross								**305,281**
Provision for claims payments, reinsurers' portion								**–3,643**
Annuity reserve, reinsurers' portion								**0**
Claims adjustment reserve, reinsurers' portion								**0**
Provision for claims outstanding, reinsurers' portion								**–3,643**
Provision for claims outstanding, for own account								**301,638**

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, allocation mandates and 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 assets corresponding to the technical provisions are to be invested with respect to the nature and term of the commitments.

The main classes in Agria's asset portfolio are interest-bearing securities.

Asset management is responsible for daily risk monitoring within the framework of the 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 3 shows how changes in the financial markets affect the company's assets and the effect on earnings and equity.

Table 3. **Sensitivity analysis, market risks (SEK 000s)**

		Impact on profit before tax		Impact on equity	
Sensitivity analysis		**2015**	**2014**	**2015**	**2014**
Interest-rate risk[1]	1% lower interest rate	–6,257	–6,735	–4,880	–5,253
Equities risk	10% low share prices	0	–1	0	–1
Credit-spread risk	1% higher credit spread	–36,399	–38,150	28,390	–29,757

[1] Net changes in value of investment assets including interest income, less changes in technical provisions, calculated according to the Swedish Financial Supervisory Authority's traffic-light model for which interest rates are assumed to be a minimum of zero.

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 hedge funds, but this risk is not taken into account in the sensitivity analysis of market risk above.

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 4. **Credit quality of financial assets**

Specification of financial assets, SEK 000s	2015	2014
Loans to credit institutions		
A	219,358	148,061
Total	**219,358**	**148,061**
Bonds and other interest-bearing securities[1]		
AAA – Swedish Government	20,647	44,502
AAA – Government securities other than those issued by the Swedish Government	86,577	73,783
AAA	984,872	1,130,693
AA	25,366	21,438
A	44,770	67,572
BBB	80,697	79,663
BB	46,679	28,083
B	27,179	20,370
CCC	7,571	7,560
CC	180	259
C	141	–
D	–	–
NR	29,842	36,212
Total bonds and other interest-bearing securities	**1,354,521**	**1,510,135**

[1] Market values including accrued interest. The amount of loans to credit institutions includes SEK 141,050,000 (53,581,000) 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.

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

Table 5. Impact on earnings at year-end of a 10% change in the exchange rate with SEK

	Impact on earnings, before tax, SEK 000s	
Currency	2015	2014
USD	+124	+320
EUR	+61	+208
GBP	+10,217	–3,342
AUD	+35	+37
DKK	–370	+149
NOK	–25,577	+13

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. Predetermined 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.

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 and Denmark. In 2015, approximately 69% of the operations, measured in premium income, were conducted in Sweden, 12% in Norway, 16% in the UK and 3% in Denmark. The product range contains a number of different products, divided into several different animal types without any clear risk correlation. In Sweden, there is a 60/40 ratio in horse insurance between life assurance and veterinary-care insurance. The ratio 10/90 applies in pet insurance. There is no covariance in the significance between life assurance and veterinary care or between types of animals. The risk of covariance further declines if Agria's farm animal business and crop insurance is included. In addition, 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 cattle, pigs 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 6. **Maturity analysis for financial assets and liabilities and insurance undertakings**

The table shows the forecast cash flows that will occur in each period. The amounts presented in maturities are undiscounted cash flows.

	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**

	2014				
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	2,080	35,085	133,135		170,300
Bonds and other interest-bearing securities[1)]	85,592	263,718	684,451	11,423	1,045,184
Other receivables	208,990				208,990
Prepaid expenses and accrued income	20,116				20,116
Liabilities					
Technical provisions[2)]	1,080,424	321,089	55,056		1,456,569
Liabilities, direct insurance	4,319				4,319
Other liabilities	76,627				76,627
Accrued expenses and deferred income	770				770
Total cash flows, net	**–845,362**	**–22,286**	**762,530**	**11,423**	**–93,695**
Derivatives, in and outflows, net	–10,559				–10,559
Total cash flows, net	**–855,921**	**–22,286**	**762,530**	**11,423**	**–104,254**

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.

Solvency II – future risk-based regulatory requirements

Agria has made significant progress in the Solvency II preparations. The primary focus of the Solvency II work in 2015 was completing the implementation of the regulations. This preparatory work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and developing improved calculation tools for balancing risk-taking with opportunities for yielding returns.

During the year, Agria, together with the other insurance companies in the Länsförsäkringar AB Group, applied to the Swedish Financial Supervisory Authority for permission to use a partial internal model for reporting its solvency capital requirements. The company will thus be able to work with measures of capital requirement that are better aligned with the specific risks of the company than those in the standard formula of the rules. Agria intends to calculate the solvency capital requirement for parts of its market risk and non-life insurance risk by using the internal model. Other risk are calculated using the standard formula.

3 PREMIUM INCOME

	2015	2014
Direct insurance, Sweden	1,962,296	1,855,105
Direct insurance, Denmark	82,805	60,607
Direct insurance, Norway	341,697	314,960
Direct insurance, UK	455,209	327,786
Total	**2,842,007**	**2,558,458**

4 INVESTMENT INCOME TRANSFERRED FROM FINANCIAL OPERATIONS

	2015	2014
Transferred investment income	8,294	14,529
Interest rate of technical provisions	0.5%	1.0%

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

5 CLAIMS PAYMENTS

	2015	2014
Claims paid	–1,681,299	–1,555,167
Operating expenses for claims adjustment	–121,850	–88,157
Total claims costs	**–1,803,149**	**–1,643,324**

6 OPERATING EXPENSES

	2015	2014
Acquisition costs	–396,104	–273,958
Change in prepaid acquisition costs	20,727	59,105
Administration expenses	–198,048	–255,738
Commission and profit shares in ceded reinsurance	98	300
Total	**–573,327**	**–470,291**
Other operating expenses		
Claims adjustment costs included in claims paid	–121,850	–88,157
Expenses for financial management included in investment income, expenses	–6,121	–1,912
Total	**–701,298**	**–560,360**
Total operating expenses specified by type of cost		
Staff costs	–154,999	–140,715
Costs for premises	–13,330	–18,788
Depreciation/amortisation	–7,784	–8,417
Other operations-related expenses	–525,185	–392,440
Total	**–701,298**	**–560,360**

7 FEES AND REMUNERATION OF AUDITORS

	2015	2014
KPMG		
Audit assignment	1,134	1,638
Audit operations in addition to the audit assignment	26	333
Tax consulting	312	177
Other services	306	12
Total fees to auditors	**1,778**	**2,160**

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and CEO, 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.

8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees, Sweden	**2015**	**2014**
Men	28	27
Women	107	103
Total number of employees	**135**	**130**
Norway		
Men	1	1
Women	20	13
	21	**14**
Denmark		
Men	1	1
Women	7	5
	8	**6**
UK		
Men	3	2
Women	0	0
	3	**2**
Total number of employees		
Men	33	31
Women	134	121
	167	**152**

Tied agents	**2015**	**2014**
Total number	**30**	**58**

Salaries and other remuneration, as well as social security expenses, other employees	**2015**	**2014**
Salaries and remuneration	81,788	75,116
of which, variable remuneration	506	2,382
Social security expenses	38,215	29,296
of which, pension costs	12,847	7,605
	120,003	**104,412**

Board of Directors and senior executives, 17 (19)	**2015**	**2014**
Salaries and remuneration	10,655	11,092
of which, fixed salary to the CEO and deputy CEO	4,217	4,085
of which, variable salary to the CEO and deputy CEO	0	0
of which, fixed salary to other senior executives	5,459	6,020
of which, variable salary to other senior executives	0	0
Social security expenses	8,318	8,762
of which, pension costs	4,000	4,247
	18,973	**19,854**

Total salaries, other remuneration and social security expenses	**2015**	**2014**
Salaries and remuneration	92,443	86,208
of which, variable remuneration	506	2,382
Social security expenses	46,533	38,058
of which, pension costs	16,847	11,852
	138,976	**124,266**

Remuneration and social security expenses	**2015**	**2014**
Tied agents, Sweden	152	563
Total	**152**	**563**

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

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. No fee is payable to employee representatives.

8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Remuneration of senior executives

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

Remuneration of senior executives

2015	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Birger Lövgren, CEO	2,654	4	924	3,582	35
Monica Dreijer, deputy CEO	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 Niemann, 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**	

Remuneration of senior executives

2014	Basic salary	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Birger Lövgren, CEO	2,519	9	887	3,415	35
Monica Dreijer, deputy CEO	1,460	97	647	2,204	42
Hans von Essen, Board member	125			125	
Conny Sandström, Board member	128			128	
Patrik Sandin, Board member	130			130	
Palle Borgström, Board member	120			120	
Anna-Greta Lundh Niemann, Board member	95			95	
Bo Helander, Board member	80			80	
Niklas Lundin, Board member	58			58	
Marja Tullberg, Board member	16			16	
Torsten Jakobsson, former Board member	112			112	
Lars B Danielsson, former Deputy Chairman of the Board	78			78	
Peter Björnsson, former Board member	45			45	
Other senior executives					
(6 individuals)	5,764	256	2,713	8,733	44
Total 2014	**10,730**	**362**	**4,247**	**15,339**	

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

8 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont.

Pensions

The retirement age for the CEO 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 CEO and the deputy CEO. 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).

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 2015	31 Dec 2014
Board members	45	45
Other senior executives	29	38

9 INVESTMENT INCOME, REVENUE

	2015	2014
Dividends		
Dividends on other shares and participations	302	200
Interest income		
Bonds and other interest-bearing securities[1)]	9,929	17,087
Interest-bearing securities issued by Group companies	1,017	1,243
Financial assets that are not measured at fair value through profit and loss[1)]	1,694	1,862
Derivatives	733	930
Exchange-rate gains, net	46	–
Capital gains		
Shares and participations	–	1,843
Bonds and other interest-bearing securities	–	16,465
Interest-bearing securities issued by Group companies	15,815	171
Other investment assets	1,703	23
Total investment income, revenue	**31,239**	**39,824**

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

10 UNREALISED GAINS ON INVESTMENT ASSETS

	2015	2014
Interest-bearing securities issued by Group companies	–	1,475
Shares and participations	24	–
Bonds and other interest-bearing securities	–	21,469
Derivatives	–	81
Other financial investment assets	–	1,942
Total unrealised gains on investment assets	**24**	**24,967**

11 INVESTMENT INCOME, EXPENSES

	2015	2014
Asset management expenses	–7,701	–3,851
Interest expense		
Bonds and other interest-bearing securities	–10	–5
Financial liabilities that are not measured at fair value through profit and loss	–344	–53
Derivatives	–2,765	–286
Exchange-rate losses, net	–	–1,057
Capital losses		
Shares and participations	–29	–
Derivatives	–9,900	–35,644
Other financial investment assets	–	–
Total investment income, expenses	**–20,749**	**–40,896**

12 UNREALISED LOSSES ON INVESTMENT ASSETS

	2015	2014
Bonds and interest-bearing securities	–24,646	–103
Shares and participations	–	–2,224
Derivatives	–136	–
Total unrealised losses on investment assets	**–24,782**	**–2,327**

13 INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	2015	2014
Financial assets measured according to fair value option	5,517	60,783
Held for trading	–12,069	–34,918
Loans and receivables	–82	417
Other financial liabilities	–13	–5
Items not distributed by category		
Exchange-rate gains	46	–1,057
Asset management expenses	–7,701	–3,851
Non-financial items included in investment income, net	34	200
Total	**–14,268**	**21,568**

14 TAXES

	2015	2014
Current tax expense		
Tax expense for the year	–46,861	–46,394
Adjustment of tax expense pertaining to prior years	–411	471
Total current tax expense	**–47,272**	**–45,923**
Deferred tax expense		
Deferred tax expense pertaining to temporary differences	1,610	–2,151
Total recognised tax expense	**–45,662**	**–48,074**

Reconciliation of effective tax rate	**2015**	**2014**
Profit before tax	213,930	207,961
Tax in accordance with applicable tax rate for Parent Company	–47,064	–45,751
Non-deductible expenses	–1,446	–1,549
Non-taxable income	2,209	–
Tax attributable to earlier years	–411	–471
Other	1,050	–303
Recognised effective tax	**–45,662**	**–48,074**

Recognised deferred tax assets/tax liabilities are attributable to the following:	**31 Dec 2015**	**31 Dec 2014**
Other assets	1,446	471
Other liabilities	–1,305	–1,980
Deferred tax assets (+)/deferred tax liabilities (–)	**141**	**–1,509**

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

15 OTHER INTANGIBLE ASSETS

	Internally developed assets	Acquired assets	Total
Accumulated cost			
Opening balance, 1 January 2014	38,054	16,000	54,054
Acquisitions for the year/divestments and disposals	7,671	–	7,671
Closing balance, 31 December 2014	**45,725**	**16,000**	**61,725**
Opening balance, 1 January 2014	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 2014	**48,142**	**16,000**	**64,142**
Accumulated amortisation			
Opening balance, 1 January 2014	–25,859	–16,000	–41,859
Amortisation for the year	–10,631	–	–10,631
Closing balance, 31 December 2014	**–36,490**	**–16,000**	**–52,490**
Opening balance, 1 January 2014	–36,490	–16,000	–52,490
Amortisation for the year	–6,466	–	–6,466
Exchange-rate effect	125	–	125
Closing balance, 31 December 2014	**–42,831**	**–16,000**	**–58,831**
Carrying amount			
On 31 December 2014	**9,235**	**0**	**9,235**
On 31 December 2015	**5,311**	**0**	**5,311**

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.

16 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	Number of participations	Participations in %	Equity 2015	Profit 2015	Carrying amount 31 Dec 2015	Carrying amount 31 Dec 2014
Agria Pet Insurance Limited, Company nr 04258783, Aylesbury	180,000	100	123,507	16,202	273,223	273,223

Cost	2015	2014
Opening balance	273,223	471,666
Agria International, merged with Parent Company	–	–471,666
Agria Pet Insurance, subsidiary taken over with merger of Agria International Försäkring AB	–	273,223
Total cost	**273,223**	**273,223**

17 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES

	31 Dec 2015	31 Dec 2014
Listed bonds issued by Länsförsäkringar Hypotek	89,729	165,435
Commercial papers issued by Länsförsäkringar Bank	–	1,999
Total	**89,729**	**167,434**

18 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

	Number of participations	Participations in %	Equity 2015	Profit 2015	Carrying amount, 31 Dec 2015	Carrying amount, 31 Dec 2014
Svenska Andelshästar AB, 556536-9633, Uppsala county	400	40	1,381	334	**0**	**0**
Trofast Veterinärt IT-stöd AB, 556598-0983, Västmanland county	5,000	45	2,726	85	**1,266**	**1,266**

19 SHARES AND PARTICIPATIONS

	31 Dec 2015	31 Dec 2014
Unlisted shares and participations	3	13
Total	**3**	**13**
Cost	4	37

20 BONDS AND OTHER INTEREST-BEARING SECURITIES

	31 Dec 2015	31 Dec 2014
Issued by		
Swedish government	20,637	44,371
Swedish mortgage institutions	623,559	706,858
Other Swedish issuers	191,353	192,496
Other foreign issuers	449,437	421,026
Total	**1,284,986**	**1,364,751**
Amortised cost	1,052,370	1,292,848
Market status		
Securities listed	1,284,986	1,364,751
Total	**1,284,986**	**1,364,751**
Carrying amounts of the securities compared with their nominal amounts		
Total surplus	54,672	65,574
Total deficit	–674	–815

21 DERIVATIVES

	Fair value 31 Dec 2015	Nominal amount 31 Dec 2015	Fair value 31 Dec 2014	Nominal amount 31 Dec 2014
Derivatives with positive values or valued at zero				
Interest-rate derivatives	199	–658,900	393	–668,200
Currency derivatives	11,655	436,399	597	584
Total	**11,854**	**–222,501**	**990**	**–667,616**
Derivatives with negative values				
Interest-rate derivatives	59	–16,700	117	29,900
Currency derivatives	7,275	–182,090	11,433	308,700
Total	**7,334**	**–198,790**	**11,550**	**338,600**

22 OTHER RECEIVABLES

	31 Dec 2015	31 Dec 2014
Receivables from Group companies	158,768	122,411
Other receivables	101,233	100,750
Total	**260,001**	**223,161**

23 TANGIBLE ASSETS AND INVENTORIES

	31 Dec 2015	31 Dec 2014
Tangible assets	5,331	4,698
Inventories, market items	8,294	6,518
Total	**13,625**	**11,216**
Tangible assets		
Accumulated cost		
Opening balance	7,919	5,593
Acquisitions for the year	3,262	1,053
Divestments and disposals	–2,557	–
Merger	–	1,334
Exchange-rate effect	–78	–61
Closing balance	**8,546**	**7,919**
Accumulated depreciation		
Opening balance	–3,221	–1,768
Depreciation for the year	–1,318	–1,133
Divestments and disposals	1,275	–
Merger	–	–461
Exchange-rate effect	49	141
Closing balance	**–3,215**	**–3,221**
Carrying amount	**5,331**	**4,698**

24 PREPAID ACQUISITION COSTS

	31 Dec 2015	31 Dec 2014
Opening balance	143,533	76,411
Capitalisation for the year	113,649	92,127
Merger	–	53,382
Depreciation for the year	–92,538	–76,270
Merger	–	–2,117
Closing balance	**164,644**	**143,533**

25 UNTAXED RESERVES

	2015	2014
Equalisation reserve	35,194	35,194
Contingency reserve	464,922	464,922
Accumulated excess depreciation	6,000	9,000
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	–
Closing balance of tax allocation reserve	222,973	153,232
Total	**729,089**	**662,348**

26 UNEARNED PREMIUMS AND UNEXPIRED RISKS

	31 Dec 2015			31 Dec 2014		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	1,198,186	–	1,198,186	795,093	–	795,093
Provisions during the period	102,109	–	102,109	105,408	–	105,408
Taken over in merger	–	–	–	297,685	–	297,685
Closing balance	**1,300,295**	–	**1,300,295**	**1,198,186**	**–**	**1,198,186**

27 CLAIMS OUTSTANDING

	31 Dec 2015			31 Dec 2014		
	Gross	Rein-surers' portion	Net	Gross	Rein-surers' portion	Net
Opening balance	**258,383**	**2,877**	**255,506**	**159,456**	**1,476**	**157,980**
Provisions for the period	46,898	766	46,132	98,927	1,401	97,526
Claims incurred and reported	62,793	3,643	59,150	36,633	2,877	33,756
Merger	–	–	–	5,690	–	5,690
Claims incurred and not reported	227,654	–	227,654	140,425	–	140,425
Merger	–	–	–	64,504	–	64,504
Claims adjustment costs	14,834	–	14,834	9,053	–	9,053
Merger	–	–	–	2,078	–	2,078
Closing balance	**305,281**	**3,643**	**301,638**	**258,383**	**2,877**	**255,506**

28 PENSIONS AND SIMILAR COMMITMENTS

Provision for early retirement in accordance with pension agreement	**31 Dec 2015**	**31 Dec 2014**
Opening balance	1,998	2,176
Provision for the year(+)/reversal(–)	344	–178
Closing balance	**2,342**	**1,998**

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% (30) will utilise the option for early retirement. The remaining 60% (70) is recognised under contingent liabilities.

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 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. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan includes all company employees. FTP plan contributions for 2016 are expected to total SEK 5,692,000.

	2015	**2014**
Expenses for defined-contribution plans	10,797	9,847

29 OTHER LIABILITIES

	31 Dec 2015	**31 Dec 2014**
Liabilities to Group companies	13,153	21,376
Other liabilities	136,471	97,664
Total	**149,624**	**119,040**

30 OTHER ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2015	**31 Dec 2014**
Prepaid premiums	350,025	336,074
Accrued expenses	34,955	31,329
Total	**384,980**	**367,403**

31 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	31 Dec 2015	**31 Dec 2014**
Assets registered on behalf of policyholders	1,998,932	1,736,783

Registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act amount to SEK 1,999 M. In the event of insolvency, the policyholders have a preferential right 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.

Contingent liabilities	**31 Dec 2015**	**31 Dec 2014**
Early retirement at age 62 in accordance with pension agreement, 60% (70)	3,513	4,661
Total	**3,513**	**4,661**

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 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**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2014	**Gross amount**	**Offset in balance sheet**	**Net amounts in balance sheet**	**Netting framework agreement**	**Collateral Received(–) / Pledged(+)**	**Net amount**
Assets						
Derivatives	990	–	990	–597	–	393
Liabilities						
Derivatives	–11,550	–	–11,550	597	10,330	–623
Total	**–10,560**	–	**–10,560**	**0**	**10,330**	**–230**

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	Financial assets measured at fair value through profit and loss				
31 Dec 2015	**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.

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, cont.

31 Dec 2014	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	167,434	–	–	167,434	167,434
Shares and participations	13	–	–	13	13
Bonds and other interest-bearing securities	1,364,751	–	–	1,364,751	1,364,751
Derivatives	–	990	–	990	990
Other financial investment assets	9,176	–	–	9,176	9,176
Other receivables	–	–	208,990	208,990	208,990
Prepaid expenses and accrued income	–	–	20,116	20,116	20,116
Cash and bank balances	–	–	94,480	94,480	94,480
Total	**1,541,374**	**990**	**323,586**	**1,865,950**	**1,865,950**

	Financial liabilities measured at fair value through profit and loss: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Derivatives	11,550	–	11,550	11,550
Other liabilities	–	76,627	76,627	76,627
Accrued expenses and deferred income	–	770	770	770
Total	**11,550**	**77,397**	**88,947**	**88,947**

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 2015				31 Dec 2014			
	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	89,729	–	–	89,729	167,434	–	–	167,434
Shares and participations	–	–	3	3	–	–	13	13
Bonds and other interest-bearing securities	1,284,986	–	–	1,284,986	1,364,751	–	–	1,364,751
Derivatives	199	11,655	–	11,854	393	597	–	990
Other financial investment assets	18,495	–	–	18,495	9,176	–	–	9,176
Liabilities								
Derivatives	59	7,275	–	7,334	117	11,433	–	11,550

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 2015	13
Divestments	–5
Recognised in net profit for the year	–5
Closing balance, 31 December 2015	3

Change Level 3	Shares and participations
Opening balance, 1 January 2014	3,231
Divestments	–3,362
Recognised in net profit for the year	144
Closing balance, 31 December 2014	13

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 2015			31 Dec 2014		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
Assets						
Other intangible assets	1,288	4,023	5,311	7,172	2,063	9,235
Shares and participations in Group companies	–	273,223	273,223	–	273,223	273,223
Interest-bearing securities issued by Group companies	4,000	85,729	89,729	1,999	165,435	167,434
Shares and participations in associated companies	–	1,266	1,266	–	1,266	1,266
Shares and participations	–	3	3	–	13	13
Bonds and other interest-bearing securities	126,438	1,158,548	1,284,986	542,376	822,375	1,364,751
Derivatives	11,854	–	11,854	277	713	990
Other investment assets	–	18,495	18,495	–	9,176	9,176
Reinsurers' portion of technical provisions	3,485	158	3,643	1,879	998	2,877
Receivables from policyholders	1,009,819	–	1,009,819	859,856	–	859,856
Other receivables	260,001	–	260,001	223,161	–	223,161
Tangible assets and inventories	9,564	4,061	13,625	7,763	3,453	11,216
Cash and bank balances	78,308	–	78,308	94,480	–	94,480
Deferred tax assets	–	1,446	1,446	–	471	471
Prepaid expenses and accrued income	187,076	–	187,076	185,380	–	185,380
Total assets	**1,691,833**	**1,546,952**	**3,238,785**	**1,924,343**	**1,279,186**	**3,203,529**
Provisions and liabilities						
Technical provisions (before ceded reinsurance)	1,552,936	52,640	1,605,576	1,264,626	191,943	1,456,569
Pensions and similar commitments	–	9,123	9,123	–	2,557	2,557
Deferred tax	–	1,305	1,305	–	1,980	1,980
Liabilities to policyholders	5,748	–	5,748	4,319	–	4,319
Derivatives	7,334	–	7,334	–	11,550	11,550
Current tax liabilities	21,695	–	21,695	19,921	–	19,921
Other liabilities	149,624	–	149,624	119,040	–	119,040
Accrued expenses and deferred income	384,980	–	384,980	367,403	–	367,403
Total provisions and liabilities	**2,122,317**	**63,068**	**2,185,385**	**1,775,309**	**208,030**	**1,983,339**

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

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

2014	Purchases	Sales	Receivables	Liabilities
Parent Company	41,969	457	2,087	14,938
Group companies	152,438	4,404	298,591	7,063
Regional insurance companies	6,511	247	–	–
Other related parties	534	200	1,266	–

Bank balances and interest income received from Länsförsäkringar Bank AB amounted to SEK 141,050,000 (53,581,000) and SEK 0 (343,000), respectively, in 2015.

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.

The Annual Report was approved for publication by the Board of Directors on 24 February 2016.
The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2016.

Ann Sommer
Chairman

Marja Tullberg
Board member

Bo Helander
Board member

Palle Borgström
Board member

Hans von Essen
Board member

Mikael Bergström
Board member

Anna-Greta Lundh Niemann
Board member

Patrik Sandin
Board member

Kjell Lindfors
Board member

Lotta Möller
Employee representative

Linnéa Niklasson
Employee representative

Birger Lövgren
CEO

My audit report was submitted on 24 February 2016.

Gunilla Wernelind
Authorised Public Accountant

Audit report

To the annual meeting of the shareholders of Försäkringsaktiebolaget Agria (publ.), corp. id 516401-8003

Report on the annual accounts

I have audited the annual accounts of Försäkringsaktiebolaget Agria (publ) for 2015.

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

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

Auditor's responsibility

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

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

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

Opinions

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 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

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

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts, I have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Försäkringsaktiebolaget Agria (publ.) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act.

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

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

Opinions

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

Stockholm, 24 February 2016

Gunilla Wernelind
Authorised Public Accountant

Board of Directors and auditor

Ann Sommer 1

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

Mikael Bergström 2

Born: 1962. CEO of Länsförsäkringar Västernorrland Elected: 2015. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Board member of EkoNord AB. **Previous experience:** Regional manager Nordea, office manager Nordea, CEO of Hoting Lamell AB.

Palle Borgström 3

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.

Hans von Essen 4

Born 1952. Elected: 2012. **Education:** Biologist, Bachelor of Arts. **Other appointments:** Secretary-General of the Swedish Wetland Foundation, member of The Royal Swedish Academy of Agriculture and Forestry. **Previous experience:** Consultant at Swedish Association for Hunting and Wildlife Management, Swedish Kennel Club's Sporting Dog Committee and Swedish Environmental Protection Agency's Scientific Committee on Game Research.

Bo Helander 5

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.

Kjell Lindfors 6

Born 1962. CEO 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.

Anna-Greta Lundh Niemann 7

Born 1955. CEO of Länsförsäkringar Södermanland. Elected: 2012. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Länsförsäkringar Södermanland, Board member of Länsförsäkringar Fondliv, Eskilstuna-kuriren, Almi Invest Östra mellansverige. **Previous experience:** Marketing Director at Länsförsäkringar AB 1997–2000. Board member of Agria International.

Patrik Sandin 8

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, Nordic Trotting Museum. **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 and the Swedish Horse Council Foundation.



AUDITOR

Gunilla Wernelind

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

Marja Tullberg 9

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

Lotta Möller 10

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:** Anna Sandqvist.

Linnéa Niklasson 11

Born 1958. Object specialist Integration. Employee representative. Elected: 2011. **Education:** Systems developer, business school economist. **Other Board appointments:** Länsförsäkringar AB, Länsförsäkringar Sak, Chairman of Länsförsäkringar AB FTF club, Profit-sharing Association Ekorren. **Previous experience:** Test Manager/Change and Release management at Länsförsäkringar AB, Systems Developer Agria, Chairman of FTF Agria employee club, Group Manager accounts receivable ledger/IT Esselte Meto. **Deputy:** Margareta Edihl Tomth.

Executive management

Birger Lövgren
CEO

Öystein Berg
Head of Business Development

Jonas Bjerre
Controller Agria

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

Camilla Elmesten
Controller Agria

Stefan Fur
Head of Business Area Horse and Agriculture

Kaj Holmberg
Head of Operating Systems

Christian Geelmuyden
Head of Business Area Norway

Sonja Karaoglan
Head of Business Area Denmark

Anna Linder
Head of Business Area Finland

Patrik Olsson
Head of Business Area Pet

Pekka Olson
Head of Veterinary Strategies

Monica Tuvelid
Deputy Head 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 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 the capital base 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.

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