Agria Djurförsäkring

Annual Report

2018

Agria Djurförsäkring

About us

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Agria Djurförsäkring

Pet and crop specialist

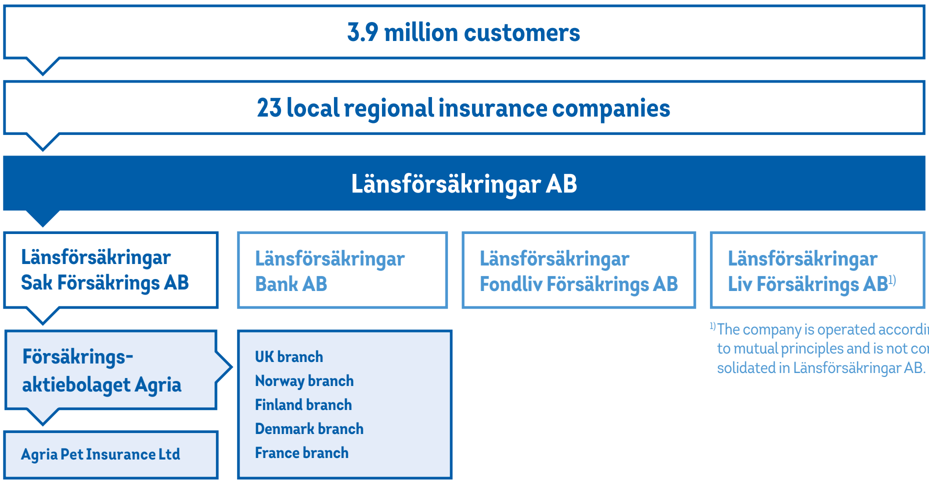
Agria Djurförsäkring is the Länsförsäkringar Alliance's specialist company for pet and crop insurance and Länsförsäkringar's subsidiary brand. Our core values are closeness, innovation, dedication and simplicity. This means we are part of the animal world, we think in new ways and go the extra mile yet remain convenient and understandable. We are also specialists in pet insurance with immense empathy and are dedicated to creating security for animals and their owners.

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 in the form of competitions, exhibitions and clinics. 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 in Sweden limits future growth and means that we are seeking out new markets. We currently operate in Denmark, Norway, the UK, Finland and France. We are also continuing to build up the Agria brand in these countries, with the same tools and success.

Länsförsäkringar in brief

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers. There are no external shareholders and meeting customer needs and requirements is always the primary task. The Länsförsäkringar Alliance has 3.9 million customers and 6,700 employees.



[1] The company is operated according to mutual principles and is not consolidated in Länsförsäkringar AB.

The 2018 fiscal year

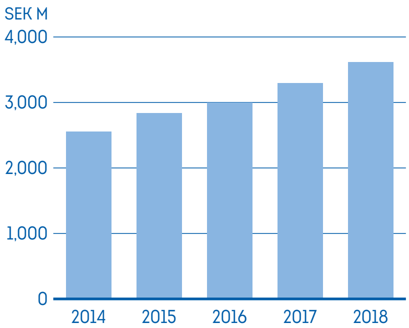
Significant events

- Profit before appropriations and tax amounted to SEK 186 M (274).
- The technical result amounted to SEK 216 M (268).
- The combined ratio amounted to 94% (92).
- Continued success in international business and operations established in France during the year.

Business volume: SEK 3,614 M

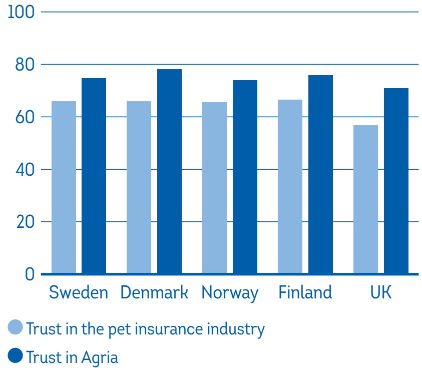
+10%

Premium income



Premium income after ceded reinsurance (SEK M).
The average annual growth in premiums is 9%.

Trust in the pet insurance industry and in Agria



Swedish Quality Index 2018.

Key figures

%	2018	2017	2016	2015	2014
Combined ratio	94	92	90	89	89
ROE[1]	15	22	22	24	22
Total investment income	-1.6	0.5	1.1	-1.6	1.8
Solvency ratio[2]	174	175	159	210	–

[1] Profit before appropriations less standard tax at a rate of 22.0% as a percentage of average equity including 78.0% of untaxed reserves.
[2] Solvency ratio according to Solvency II rules (SII), applicable from 1 January 2016. The ratio is calculated as a ratio of SII-valued own funds in relation to the SII solvency capital requirement, calculated using a partial internal model.

Change for the better

Statement by the President Agria's mission of creating security for animals and animal owners is more relevant than ever. Our market presence in six European countries means that more dogs, cats and horses now have the opportunity to receive the veterinary care they need, resulting in an improvement in general animal health. We have seen this in Sweden ever since the start in 1890, and also in the new markets in which the level of insurance has increased following our entry.

Focus on better animal health

It is clear that Agria has and will continue to contribute to animal welfare. Agria's research fund celebrated its 80th anniversary during the year. Since it was founded in 1938, Agria has made donations each year to research for the benefit of pets, horses and livestock. This has helped finance hundreds of research projects that in different ways have improved veterinary medicine expertise in animal health, diagnoses, treatment methods and rehabilitation. Examples of research supported by the fund are a vaccine against the parvovirus in dogs, identifying the causes of diabetes in cats and new methods for measuring lameness in horses. We have made the lives of animals even better, together with our customers. We are very proud of this!

The first version of Agria Breed Profiles was produced between 1995 and 2002. This year, Agria updated the profiles for the fourth time together with Canadian professor Brenda Bonnett. The content is based on Agria's unique collection of data on the health status of dogs and cats. Pedigree clubs and breeders now have access to the most recent version and thus gain insight into the illnesses and injuries that are most common for a certain breed of cat or dog. In doing this, we hope to help make breeding, and thereby cats and dogs, more healthy.

> Agria is growing and internationalisation is our growth strategy. Our desire to create security for animals and people has no limits.

For horses, Agria received widespread attention for the important #stoppahältan (stop lameness) project during the year. Two outdoor riding grounds were opened at Flyinge and Strömsholm where future hippologists, scholarship holders and upper-secondary school pupils can use a specially built riding ground in the forest as an alternative to an indoor riding hall. It is very important to incorporate riding outdoors at an early stage as a natural part of a horse's training for these future role-models. It is vital to vary exercises, terrain and intensity in horse riding to ensure more healthy and strong horses. Through the horse-riding media, seminars and its own channels, Agria has spread the message of how we can work together to reverse the trend of the rising problem of lameness among horses. We call it the endemic disease for horses and are continuing to pursue the long-term change needed for the horses' best.

Highlighting the greater contribution of animals to society is another important part of our communication. An example is the "Animal Hero of the Year" competition that was held in Norway and Denmark. This year's competition was won by a pony that brings a sparkle of joy to the lives of elderly people at a home for the elderly in Denmark, and in Norway, the blood donor dogs Akeelah and Kipawa received the illustrious prize. Change for the better permeated much of the year.

Shared culture

A new organisation was launched at year-end, giving us the conditions to implement the strategic advances that will lay the foundation for continued success. But no strategic advances will be possible without a shared and supportive corporate culture. This is particularly challenging in an international company. For this reason, Agria has created a platform for internal values and conduct together, with all of its employees in all countries. It is based on our history and leads to a tool for building a shared culture in our everyday work. The platform will be launched at the start of 2019, while the work on incorporating the culture throughout the company will extend over a prolonged period.

Focus on digital channels

Capitalising on all opportunities in digitisation goes without saying. Customers must be able to meet us where they want, when they want and quickly and easily receive information, participate in a discussion or have their insurance case solved. The Agria website was improved during the year and communication with animal owners increased in digital channels. We see a clear increase in visitors to our digital meeting points, downloads of our app and greater activity on social media. Over the next few years, we will now focus on developing automated claims adjustments so that customers' claims will be adjusted even quicker and more simply by using the new opportunities presented by the digital world.

A step in strengthening Agria's brand is an updated visual identity. The new design shows a clear affiliation with Länsförsäkringar, but also provides scope for Agria's softer and animal-oriented profile. The new brand platform centres on Agria's role as a specialist in animals and pet insurance as well as a set of core values that permeate the company's communication and thus strengthen brand awareness in new markets.

New operations in France
Agria is growing and internationalisation is our growth strategy. Our desire to create security for animals and people has no limits. With Agria's most recent operations established in France, we work every day to earn our customers' trust in six different markets. We are now continuing to change for the better, and our aim is that we, as specialists, will make life with animals simple and enjoyable, and encourage more people to discover the advantages of living together with animals.

Stockholm, March 2019

Agnes Fabricius

Agnes Fabricius
President of Agria Djurförsäkring

Board of Directors' Report

The Board of Directors and the President of Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, hereby submit the 2018 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 Försäkringsaktiebolag (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 pet and crop insurance and Länsförsäkringar's subsidiary brand. Agria has a streamlined focus on and involvement with animals and their owners. The roots can be traced back more than 125 years and today the brand is Sweden's strongest in its specific field.

Agria conducts operations in Sweden and has branches in Norway, Denmark, Finland and the UK, and from summer 2018 also in France. The subsidiary Agria Pet Insurance Ltd (API) also operates in the UK. The Nordic business area includes Norway, Denmark and Finland, and the Europe business area contains the branches in the UK and France. 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 animal-owner organisations, the Federation of Swedish Farmers (LRF) and the Swedish Veterinary Association. Their duties include contributing expertise 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

The market for pet well-being remains strong. In the European countries, excluding the Nordic region, in which Agria has now established operations, the level of insurance is between 5 and 10% compared with 90% for dogs and 50% for cats in Sweden. Yet the number of animals is high; France, for example, has about 7.6 million dogs. There is immense potential for pet insurance here as veterinary care develops and new technology presents new opportunities for our pets.

Agria was the first pet insurance company to carry out a customer survey together with the Swedish Quality Index/Epsi Group. The results showed that Agria's customers remain satisfied with a solid average index in all countries. We can also see that customers who have used their insurance are happy with how their claims were adjusted. Simplicity and good service were particularly highly praised. Customers in Denmark and customers with cat insurance in several countries were the most satisfied.

Europe business area

Agria's growth strategy mainly encompasses the international market. Agria started operations in France in 2018, focusing on the sale of dog and cat insurance. This was well received in the French market and awareness of Agria is gradually increasing. In the second half of the year, Agria participated in several national and regional events for pets – as in other countries, employees and agents can be found where our customers are, operate locally and demonstrate understanding of animal owners' needs.

Growth remained strong for dog and cat insurance in the UK. Challenges such as increased costs for veterinary care are impacting the industry, resulting in higher premium levels. Agria is actively engaged in dialogue with the veterinary sector on this subject. Improvements in our distribution channels are being made, such as automation, integration and digitisation, focusing on the customer experience. This also helps enhance internal efficiency.

The announced Brexit in spring 2019 will affect the regulatory and business conditions for Agria's operations in the UK. There remains great uncertainty regarding both the type of exit deal and future insurance regulations. Uncertainty mainly surrounds how the transition between the current and future regime will be handled. The UK Prudential Regulation Authority (PRA) has communicated in various steps the measures that are necessary to take regarding future permissions to conduct insurance for those operations that are currently carried out as cross-border services under EU rules. This includes information about the temporary permissions regime that could apply in the event of a hard Brexit. Agria is closely following developments and taking the necessary actions to handle this transition, focusing on ensuring that the impact on the company's customers is as little as possible.

Agria is continuing its active work on increasing brand awareness among dog and cat owners in new markets in Europe where it is a lesser known company. The potential for growth is immense as care for animals is gradually increasing in the same way as in the Nordic region, which means a higher level of insurance in the long term.

Nordic business area
Growth in Denmark remained favourable with high customer loyalty. The claims adjustment process has improved with 90% of claims handled within one day. Following strong growth since it was founded in 2011, Agria has now taken the step to become a market leader in the Danish market.

Agria is also a market leader in the pet insurance segment in Norway. The business reported healthy earnings performance despite a competitive market. The previously outsourced call centre was relocated back to Norway and is now operated from the office in Oslo.

The Finnish operations that have existed for two years are continuing to perform according to plan. Business is growing with high sales results and the office has already expanded with new employees and relocated to larger premises.

Pet business area
Following the success of the 423 dog insurance policies launched in 2017, 86 new cat policies were launched in the spring of 2018 and welcomed by cat owners.

Agria's "dog walk" was arranged in 16 cities in the spring, enabling us to meet our customers and providing us with the opportunity to donate to charity. More than 3,600 parties walked to raise money for dogs who receive help from the Hundstallet dog shelter and Bosses hundhjälp.

Agria Djurförsäkring and the Swedish Kennel Club signed a new agreement to continue their long-term partnership.

Horse & Agriculture business area
The business area continued to report a positive performance with a larger portfolio, despite the protracted late winter with delays to foals being born and a dry summer resulting in fodder shortages. Successful development on social media and online led to increased internet sales.

A new partnership was signed with the Skåne District of the Swedish Equestrian Federation during the year and also with Grevlunda estate, where two riders from the Swedish show jumping team work.

The agriculture business was characterised by a decline in crop sales, while the portfolio of livestock continued to grow. The summer drought had a major impact on agricultural customers with negative financial consequences. As a result of a fodder shortages and the slaughter of animals, Agria can expect a smaller livestock portfolio moving forward. To support agricultural customers, Agria has taken action by adjusting insurance terms and adapting the remuneration levels for crop insurance to the market.

Greater focus on digital channels
Initiatives to establish Agria in several digital channels are continuing. Intense focus is being directed to monitoring in order to optimise the results of these initiatives in digital channels.

Agria's six websites registered almost 12 million visitors during the year. Most of these visits were via mobile telephone. The Agria app also reported strong growth with a further 22,000 new downloads.

Agria works in a structured and deliberate manner to increase digital sales and knows that many customers want to take out insurance online. This year's initiatives have generated good results for all types of animals and strengthened our position in the digital sphere, which is based on simplicity and closeness.

In Sweden, Agria's website won the "Information and Service" category of the Web Service Awards. It was particularly pleasing that it was customers who voted the winners of the competition.

We launched a new version of the "Ask the Vet" service on the website and on the Agria app in response to the great interest shown by our customers in learning about their animals. Animal owners can ask questions about common and rare illnesses and injuries to dogs, cats and horses. It helps build up a knowledge bank that is available to all.

Agria has offered a digital inbox to Norwegian customers since October. The service, already provided in Sweden and Denmark, quickly and securely distributes digital insurance policies directly to customers. The solution also contributes to a better environment with less paper consumption.

Research
Together with its customers, Agria has helped improve animal health since it first started in 1938. Part of premium income is set aside for research into pets, horses and farm animals every year. A total of SEK 9.5 M was awarded in 2018.

The Agria Swedish Kennel Club research fund donated almost SEK 8 M to 14 research projects in Sweden, Norway and Denmark. These projects include interesting studies in better animal health, new vaccines and new technology in veterinary medicine as well as research projects into the influence of dogs on humans' physical and mental health. The research fund also finances a PhD post at the Swedish University of Agricultural Science that is studying knee-joint diseases in dogs.

In partnership with the Swedish-Norwegian Foundation for Equine Research, SEK 1.7 M was granted to ten new projects. The main focus is on key areas, such as movement and lameness in horses.

The popular Pälspodden podcast produced research results from Swedish universities in six episodes during the year.

The Agria concept
The Agria concept is the core of what sets the company apart and provides a framework for how business is to be conducted. In conjunction with the international expansion strategy, the concept is our tool for long-term success in both old and new markets. The Agria concept is to provide a cohesive company profile and offer guidance in the development of the company. This involves, for example, such components as employees' shared animal interest, our specialist expertise, our processes and products as well as our sustainability activities.

Significant events during the year

Fredrik Bergström took office as the new President and CEO of Länsförsäkringar AB on 10 September 2018.

In 2018, Agria grew internationally with a new branch in France after initiating a partnership with the French Kennel Club in 2017.

Expectations regarding future development

The possibility of capitalising on even more animal owners' needs and requirements is rising in line with Agria's growth in both new markets and in Sweden. The various conditions of the markets provide a source of know-how that strengthens our entire offering. As a market leader, Agria endeavours to exceed customer expectations and be at the forefront of products, distribution, communication and service. As a leading player in the segment, we are also to work towards a sustainable society for animals and improved animal health.

Employees

Employees are the Länsförsäkringar AB Group's most important resource. They posses specialist and professional expertise that is vital to carrying out and developing the operations. Being a responsible employer is important for Agria to attract new employees and retain existing employees. Diversity and equality, skills development, learning, health and work environment and an activity-based working method are deemed the key components of a responsible and an attractive employer.

In 2018, this resulted in, for example, recruitment processes focusing on diversity, a good gender distribution in working groups and no cases of discrimination being reported.

Agria's employees have access to a broad range of mainly internal training opportunities as well as external courses and seminars. The Länsförsäkringar AB Group has applied a long-term approach to health and the organisational, social and physical work environment for many years. The organisational and social work environment is regularly monitored in accordance with the Swedish Work Environment Authority's provisions (AFS 2015:4). Health care insurance is offered to all employees that includes medical consultations, counselling, preventive health services and rehabilitation.

All business units and departments have diversity-related activities in the Länsförsäkringar AB Group's 2019 business plan. Work on equality in working groups is continuing. An activity-based working method centering on people, IT and flexibility will start to be implemented.

Agria's high ambition is to be a responsible and attractive employer. Dedicated employees, a positive work climate and good leadership are the basis of the widespread customer confidence in Agria and its ability to develop in line with the expectations of animal owners. 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.

Sustainability

Försäkringsaktiebolaget Agria's sustainability activities are based on the vision of "Together we create security and opportunities." Länsförsäkringar can reduce its sustainability risks and also contribute to the positive development of society and create business value by taking economic, social and environmental aspects into consideration in business development and business decisions. Försäkringsaktiebolaget Agria does not prepare a statutory Sustainability Report in accordance with Chapter 6, Section 10 of the Swedish Annual Accounts Act. Länsförsäkringar AB prepares a Sustainability Report for the Group in which Försäkringsaktiebolaget Agria is included. The Group's Sustainability Report can be found in Länsförsäkringar AB's 2018 Annual Report on the pages listed in the Index ÅRL Sustainability Report on page 130.

Agria's sustainability efforts are an integrated part of the Agria's endeavour for sustainable, long-term value creation for its owners, customers, employees and society at large and to safeguard the brand. We are convinced that being close to animals promotes good health and is an important part of a sustainable society.

Agria proactively conducts claims-prevention and health-promotion activities for animals. For example, this may take place in the form of advice and information to animal owners via various digital channels, such as the Agria app and the Pälspodden podcast. Agria also offers free services for digital vet consultations where customers use a video link to talk with a vet when their animal is ill or has been injured.

Agria's research fund supports research on animal health and well-being and the importance of animals to people and society. Agria has extensive claims statistics that are used by researchers and breed clubs to improve animal health and sustainable breeding, for example, Agria Breed Profile, which contains health statistics for dogs and cats.

Capital situation

Länsförsäkringar AB and its insurance subsidiaries have had permission from the Swedish Financial Supervisory Authority since May 2016 to calculate the capital requirement for insurance operations using a partial internal model. Capital requirements for most market risks and non-life insurance risks are calculated using an internal model, whereas other types of risk are calculated by applying the standard formula. Own funds valued according to the Solvency II rules increased by SEK 66 M during the year to SEK 1,050 M. Own funds includes a dividend of SEK 10 M in accordance with the appropriation of profit. The Solvency II capital requirement (SCR) at the start of the year was SEK 563 M and increased to SEK 602 M at the end of the year, primarily driven by higher business volumes. The solvency ratio (own funds as a percentage of the solvency capital requirement) was 175% at the start of the year and 174% on 31 December 2018. A more detailed description of the company's capital situation according to Solvency II is provided in the Länsförsäkringar AB Group's Solvency and Financial Condition Report. An updated report on the capital situation on 31 December 2018 will be published on Länsförsäkringar's website in June 2019.

Risk and risk management

Agria's operations give rise to various types of risks. Market risks primarily arise due to changes in the level or volatility of interest rates, financial asset values and exchange rates. Exposure to underwriting risks includes non-life insurance risks such as premium, reserve and catastrophe risk. A more detailed description of the risks to which the company is exposed and how these risks are managed is presented in note 2 Risk and capital management.

Earnings and financial position

Profit before appropriations and tax amounted to SEK 186 M (274) and the combined ratio to 94% (92). The technical result amounted to SEK 216 M (268). Asset management's earnings declined to SEK -28 M (7).

Agria reported strong but slightly weaker earnings for the insurance operations compared with the preceding year. This was mainly the result of establishing the branch that was opened in France in spring 2018 and lower run-off gains than in the preceding year. Agria's largest business line in terms of volume – Pet in Sweden – continued to deliver stable, positive earnings, although claims costs were slightly higher year-on-year. Earnings in the UK continued to trend positively, while claims costs in Norway and Denmark were slightly higher than in the preceding year.

Premiums earned after ceded reinsurance increased 11% to SEK 3,496 M (3,136). Volume increases were noted in all business areas, with the highest growth noted in the international business lines, due to both premium adjustments and a higher number of animals insured. Claims payments after ceded reinsurance amounted to SEK 2,459 M (2,143) and the claims ratio increased to 70% (68). Average claims costs for veterinary care displayed a stable trend, although we can see a general increase in the frequency of visits to the vet, but with varying effects between the different business lines. Operating expenses amounted to SEK 823 M (727) and the expense ratio to 24% (23). The increase was mainly due to the costs for establishing the branch that was opened in France in spring 2018, adjustments to new and future regulations and strengthening resources to meet the strong growth primarily in the international business and to adapt to new digital work methods.

The total return on investment assets in 2018 was -1.6% (0.5). The investment portfolio mainly consists of interest-bearing assets, with a certain number of credits, and has a short duration. The portfolio also contains minor equities exposure. The fixed-income portfolio contributed a total of -0.8 of a percentage point, with mainly wider US credit spreads and rising US interest rates making a negative contribution. Equities made a negative contribution of -0.3 of a percentage point to the total return. Currencies also made a negative contribution of -0.5 of a percentage point. The negative contribution was mainly attributable to costs for protecting the exposure of the portfolio in US holdings. The lower return year-on-year was mainly due to the weaker performance of the fixed-income and equities portfolio in 2018.

Proposed appropriation of the insurance company's profit or loss

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), non-restricted equity of SEK 323,921,228 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	210,417,366
Group contributions paid	-45,000,000
Tax on Group contributions	9,900,000
Net profit for the year	148,603,862
Total	**323,921,228**

The Board of Directors proposes that profit be appropriated as follows:

To be distributed to the owner	10,000,000
To be carried forward	313,921,228
Total	323,921,228

The dividend, comprising 2.6% of the insurance company's equity, has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act.

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 174% (175).

The insurance company's financial position does not result in any other assessment than the expectation that the insurance company will fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position in general, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

Five-year summary

Earnings, SEK M	2018	2017	2016	2015	2014
Premiums earned (after ceded reinsurance)	3,495.8	3,135.6	2,891.4	2,721.1	2,395.5
Investment income transferred from financial operations	2.0	1.8	0.9	8.3	14.5
Claims payments (after ceded reinsurance)	–2,458.9	–2,142.5	–1,963.9	–1,852.8	–1,656.3
Operating expenses	–823.3	–727.4	–639.1	–573.3	–470.3
Other technical revenue	0.4	0.5	0.4	–	–
Technical result for insurance operations	**216.0**	**268.0**	**289.7**	**303.2**	**283.4**
Net profit for the year	**148.6**	**164.9**	**175.1**	**168.3**	**159.9**
Interest rate of technical provisions, %	0.10	0.10	0.05	0.5	1.0
Key figures for insurance operations					
Claims ratio, %	70.3	68.3	67.9	68.1	69.1
Expense ratio, %	23.6	23.2	22.1	21.1	19.6
Combined ratio, %	93.9	91.5	90.0	89.2	88.7
Key figures for asset management					
Direct yield, %[1]	0.3	–0.1	0.2	0.5	–0.1
Total return, %	–1.6	0.5	1.1	–1.6	1.8
FINANCIAL POSITION, SEK M	**2018**	**2017**	**2016**	**2015**	**2014**
Investment assets measured at fair value	1,670.3	1,676.6	1,626.0[6]	1,679.6	1,816.9
Technical provisions (after ceded reinsurance)	1,969.0	1,814.6	1,705.2	1,602.0	1,453.8
Solvency capital					
– equity	378.9	316.6	502.5	324.3	557.8
– deferred tax	0.1	–3.8	–1.1	–0.1	1.4
– untaxed reserves	837.8	833.1	783.1	729.1	662.3
Solvency capital	**1,216.8**	**1,145.9**	**1,284.5**	**1,053.3**	**1,221.5**
Solvency margin, %	**34**	**35**	**43**	**37**	**48**
Own funds (according to FRL wording on 31 Dec 2015)		–	–	1,048	1,011
Required solvency margin (according to FRL wording on 31 Dec 2015)		–	–	466	420
Own funds for insurance group (according to FRL wording on 31 Dec 2015)[4]		–	–	–	–
Required solvency margin for insurance group (according to FRL wording on 31 Dec 2015)[4]		–	–	–	–
Own funds	1,050[5]	984	820	989[2]	–
Solvency capital requirement	602	563	516	472[2]	–
Minimum capital requirement	271	253	232	212[2]	–
Solvency ratio, %	174	175	159	210[2]	–
Own funds for the insurance group[3]	43,870	44,172	40,602	36,905[2]	–
Solvency capital requirement for the insurance group[3]	33,874	33,441	30,121	28,233[2]	
Solvency ratio, % for insurance group[3]	130	132	135	131[2]	–

1) The direct yield for 2015–2014 was restated in accordance with FFFS 2011:28.
2) Opening balance on 1 January 2016 under Solvency II, partial internal model. There are no comparative figures since the regulations came into effect on 1 January 2016.
3) The group under the insurance-operation rules comprises the Parent Company Länsförsäkringar AB, all of the insurance companies in the Group, Länsförsäkringar Bank AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB and Länsförsäkringar Fondförvaltning AB. The financial conglomerate also includes Länsförsäkringar Liv Försäkrings AB, despite Länsförsäkringar Liv not being consolidated in the Länsförsäkringar AB Group. As stated in the EU Solvency II Directive, the calculations are made in accordance with the consolidation method, except where the insurance-operation rules require deductions from surplus capital in subsidiaries that are not transferable to another company unless the subsidiary in question is an insurance company.
4) An insurance group together with the subsidiary Agria International prior to the merger.
5) Of which SEK 1,050 M is Tier 1 capital.
6) Comparative figures for 2016 (but not 2014–2015) have been restated because accrued interest is recognised together with financial instruments measured at fair value. See note 1 for further information.

Financial statements

Income statement

Technical recognition of non-life insurance operations, SEK M	Note	2018	2017
Premiums earned (after ceded reinsurance)			
Premium income (before ceded reinsurance)	3	3,618.8	3,299.2
Premiums for ceded reinsurance		-5.1	-4.9
Change in provision for unearned premiums and unexpired risks		-117.9	-158.7
Reinsurers' portion of change in provision for unearned premiums and unexpired risks		0.0	-0.0
Total		**3,495.8**	**3,135.6**
Investment income transferred from financial operations	4	2.0	1.8
Other technical revenue		0.4	0.5
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,440.9	-2,179.3
Reinsurers' portion		1.0	0.3
Total	5	**-2,439.9**	**-2,179.0**
Change in provision for claims outstanding			
Before ceded reinsurance		-17.5	34.0
Reinsurers' portion		-1.5	2.5
Total		**-19.0**	**36.5**
Claims payments (after ceded reinsurance)		**-2,458.9**	**-2,142.5**
Operating expenses	6, 7, 8	-823.3	-727.4
Technical result for non-life insurance operations		**216.0**	**268.0**
Non-technical recognition			
Technical result for non-life insurance operations		216.0	268.0
Investment income, revenue	9, 13	15.5	30.2
Unrealised gains on investment assets	10, 13	0.1	1.6
Investment income, expenses	11, 13	-32.3	-22.1
Unrealised losses on investment assets	12, 13	-11.4	-2.3
Investment income transferred to non-life insurance operations	4	-2.0	-1.8
Profit before appropriations and tax		**185.9**	**273.6**
Appropriations			
Change in tax allocation reserve	26	-4.7	-50.0
Profit before tax		**181.2**	**223.6**
Deferred tax	14	-3.9	2.7
Tax on net profit for the year	14	-28.7	-61.4
Net profit for the year		**148.6**	**164.9**

Statement of comprehensive income

SEK M	2018	2017
Net profit for the year	148.6	164.9
Other comprehensive income		
Items that have been transferred or can be transferred to profit or loss		
Translation difference for the year in foreign branch	-1.5	-0.8
Tax attributable to translation difference	0.3	0.2
Other comprehensive income for the year	**-1.2**	**-0.6**
Comprehensive income for the year	**147.4**	**164.3**

Performance analysis 2018

SEK M	Total	Direct insurance Swedish risks	Direct insurance, foreign risks
Technical result for non-life insurance operations			
Premiums earned (after ceded reinsurance)	3,495.8	2,246.4	1,249.4
Investment income transferred from financial operations	2.0	1.2	0.8
Claims payments (after ceded reinsurance)	−2,458.9	−1,556.8	−902.1
Operating expenses	−823.3	−506.2	−317.1
Other technical revenue	0.4	0.3	0.1
Technical result for non-life insurance operations, 2018	**216.0**	**184.9**	**31.1**
Run-off result (before ceded reinsurance)	30.5	15.8	14.7
Technical provisions (before ceded reinsurance)			
Provision for unearned premiums and unexpired risks	1,682.7	1,069.3	613.4
Provision for claims outstanding	286.3	139.8	146.5
Total technical provisions, before ceded reinsurance	**1,969.0**	**1,209.1**	**759.9**
Reinsurers' portion of technical provisions			
Provision for unearned premiums and unexpired risks	–	–	–
Provision for claims outstanding	5.3	–	5.3
Total technical provisions, before ceded reinsurance	**5.3**	**–**	**5.3**
Notes to performance analysis			
Premium income (before ceded reinsurance)	3,618.8	2,293.1	1,325.7
Premiums for ceded reinsurance	−5.1	−3.3	−1.8
Change in provision for unearned premiums and unexpired risks	−117.9	−43.5	−74.4
Reinsurers' portion of change in provision for premium reserve	0.0	0.0	0.0
Premiums earned (after ceded reinsurance)	**3,495.8**	**2,246.3**	**1,249.5**
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance	−2,440.9	−1,548.2	−892.7
Reinsurers' portion	1.0	–	1.0
Change in provision for claims outstanding			
Before ceded reinsurance	−17.5	−7.9	−9.6
Reinsurers' portion	−1.5	−0.7	−0.8
Claims payments (after ceded reinsurance)	**2,458.9**	**1,556.8**	**902.1**

Balance sheet

SEK M	Note	31 Dec 2018	31 Dec 2017
Assets			
Intangible assets			
Other intangible assets	15	10.8	10.6
Total		**10.8**	**10.6**
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	16	273.2	273.2
Interest-bearing securities issued by Group companies	17	119.4	102.1
Shares and participations in associated companies	18	–	–
Other financial investment assets			
Shares and participations	19	69.3	61.4
Bonds and other interest-bearing securities	20	1,202.8	1,236.0
Derivatives	21, 22	5.6	3.9
Total		**1,670.3**	**1,676.6**
Reinsurers' portion of technical provisions			
Unearned premiums and unexpired risks		–	–
Claims outstanding	28	5.3	6.6
Total		**5.3**	**6.6**
Receivables			
Receivables, direct insurance		1,469.3	1,283.3
Receivables, reinsurance		1.0	0.3
Other receivables	23	345.6	242.4
Total		**1,815.9**	**1,526.0**
Other assets			
Tangible assets and inventories	24	22.0	20.7
Cash and bank balances		161.5	87.9
Deferred tax assets	14	0.0	3.8
Total		**183.5**	**112.3**
Prepaid expenses and accrued income			
Deferred acquisition costs	25	159.9	162.7
Other prepaid expenses and accrued income		14.0	10.1
Total		**173.9**	**172.8**
Total assets		**3,859.7**	**3,505.0**

Balance sheet, cont.

SEK M	Note	31 Dec 2018	31 Dec 2017
Equity, provisions and liabilities			
Equity			
Share capital (40,000 shares)		40.0	40.0
Statutory reserve		5.5	5.5
Development Expenditures Fund		9.5	8.9
Retained earnings		175.3	97.3
Net profit for the year		148.6	164.9
Total		**378.9**	**316.6**
Untaxed reserves	26		
Equalisation reserve		35.2	35.2
Contingency reserve		464.9	464.9
Tax allocation reserve		337.7	333.0
Total		**837.8**	**833.1**
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	27	1,682.7	1,555.2
Claims outstanding	28	286.3	266.0
Total		**1,969.0**	**1,821.2**
Other provisions			
Pensions and similar commitments	29	–	–
Deferred tax liabilities	14	0.1	–
Other provisions		2.7	2.8
Total		**2.8**	**2.8**
Liabilities			
Liabilities, direct insurance		21.3	18.2
Liabilities, reinsurance		0.2	0.1
Derivatives	21, 22	13.2	2.3
Current tax liabilities		0.0	4.0
Other liabilities	30	152.3	48.9
Total		**187.0**	**73.6**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	31	484.2	457.7
Total		**484.2**	**457.7**
Total equity, provisions and liabilities		**3,859.7**	**3,505.0**

Statement of changes in equity

	Restricted equity			Non-restricted equity			
SEK M	**Share capital**	**Statutory reserve**	**Development Expenditures Fund**	**Revaluation reserve**	**Retained earnings**	**Net profit for the year**	**Total equity**
Opening equity, 1 January 2017	**40.0**	**5.5**	**2.6**	**-4.0**	**283.1**	**175.1**	**502.5**
Net profit for the year						164.9	164.9
Change in translation difference				-0.8			-0.8
Tax on change in translation difference					0.2		
Comprehensive income for the year				-0.8	0.2	164.9	164.1
Provision to Development Expenditures Fund			6.3		-6.3		-
Dividends					-350.0		-350.0
Appropriation of profit					175.1	-175.1	-
Closing equity, 31 December 2017	**40.0**	**5.5**	**8.9**	**-4.8**	**102.1**	**164.9**	**316.6**
Opening equity, 1 January 2018	**40.0**	**5.5**	**8.9**	**-4.8**	**102.1**	**164.9**	**316.6**
Net profit for the year						148.6	148.6
Change in translation difference				-1.5			-1.5
Tax on change in translation difference					0.3		0.3
Comprehensive income for the year				-1.5	0.3	148.6	147.4
Provision to Development Expenditures Fund			0.6		-0.6		-
Dividends					-50.0		-50.0
Group contributions paid					-45.0		-45.0
Tax on Group contributions paid					9.9		9.9
Appropriation of profit					164.9	-164.9	-
Closing equity, 31 December 2018	**40.0**	**5.5**	**9.5**	**-6.3**	**181.6**	**148.6**	**378.9**

Cash-flow statement

SEK M	**2018**	**2017**
Operating activities		
Profit before tax	181.2	223.6
Tax paid	-60.2	-92.8
Adjustment for non-cash items	172.0	180.5
Cash flow from operating activities before changes in assets and liabilities	**293.0**	**311.3**
Cash flow from changes in working capital		
Investments in investment assets, net	6.0	-66.3
Increase (-)/Decrease (+) in operating receivables	-342.2	107.5
Increase (+)/Decrease (-) in operating liabilities	172.0	9.4
Cash flow from operating activities	**128.8**	**361.9**
Investing activities		
Divestment of associated companies	0	1.3
Acquisition of intangible assets	-2.6	-6.8
Acquisition of tangible assets	-2.6	-3.7
Cash flow from investing activities	**-5.2**	**-9.2**
Financing activities		
Dividends to Parent Company	-50.0	-350.0
Cash flow from financing activities	**-50.0**	**-350.0**
Net cash flow for the year	73.6	2.6
Cash and cash equivalents, 1 January	87.9	85.2
Cash and cash equivalents, 31 December	**161.5**	**87.9**

Supplementary information to cash-flow statement

SEK M	2018	2017
Cash and cash equivalents		
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	161.5	87.9
Interest paid and dividends received		
Dividends received	0.5	0.3
Interest received	9.5	6.3
Interest paid	-7.0	-7.3
Adjustment for non-cash items, etc.		
Depreciation/amortisation and impairment of assets	4.3	3.1
Change in value of exchange rates, investment assets	-0.1	-1.9
Unrealised changes in value of investment assets	11.3	0.7
Changes in provisions for insurance contracts	149.1	109.5
Change in deferred acquisition costs	2.8	19.1
Provision for tax allocation reserve	4.7	50.0
Excess depreciation of assets	–	–
Other	-0.1	0.1
Total adjustment for non-cash items, etc.	**172.0**	**180.5**

Notes to the financial statements

All figures in SEK M unless otherwise stated.

Note 1 Accounting policies

Company information

The Annual Report for Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, pertains to the 1 January – 31 December 2018 fiscal year. Försäkringsaktiebolaget Agria is an insurance company registered in Sweden, with its registered office in Stockholm. The address of the head office is Box 70306, SE-107 23 Stockholm, Sweden.

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

Compliance with standards and legislation

Försäkringsaktiebolaget Agria's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2015:12) and its amendments, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Agria applies legally restricted International Financial Reporting Standards (IFRS). This means that all IFRS and interpretations approved by the EU are applied as far as possible within the framework of Swedish legislation and taking into consideration the connection between accounting and taxation. The Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRS.

The Annual Report was approved for publication by the Board of Directors and President on 4 March 2019. Final adoption of the Annual Report will take place at the 2019 Annual General Meeting.

Conditions relating to the preparation of the financial statements

The company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts are rounded to the nearest million with one decimal point (SEK M), unless otherwise stated. Assets and liabilities are recognised at cost, except for most of the company's financial assets and liabilities that are measured at fair value. 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 on Insurance contracts below.

Agria assesses the business model used to manage financial assets, which determines the classification. 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 deferred 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 Risks and risk management. The assumption for the depreciation period for deferred 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 applied from 1 January 2018

From 1 January 2018, Agria applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 and contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and simplified conditions for hedge accounting. The new rules on hedge accounting did not have any effect on Agria since hedge accounting is not applied.

Effect of transition to IFRS 9

Agria has made use of the exemption to not restate comparative information for prior periods. Note 33 states that IFRS 9 did not entail any differences for the measurement of balance-sheet items compared with previous carrying amounts under IAS 39.

A description of the policies for recognising financial instruments is provided in the section *Financial assets and liabilities* under Description of significant accounting policies. For a description of comparative figures calculated in accordance with IAS 39, refer to the 2017 Annual Report.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers has come into effect and replaced all previously issued standards and interpretations on income. The standard contains a single model for recognising revenue from contracts with customers that is not encompassed by other standards. The implementation of IFRS 15 did not entail any adjustment to retained earnings for the company or any change to the recognition of income and expenses.

New accounting regulations that have not yet been applied

A number of new or amended standards and interpretations described below will not take effect until forthcoming fiscal years, and have not been applied in advance when preparing these financial statements. The expected effects that the application of these new or amended standards may have on Agria's financial statements are described below. Other than those, no other new or revised IFRS and interpretations not yet in force are deemed to have any material effect on the financial statements.

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. The new standard comes into effect on 1 January 2019 and early adoption is permitted provided that IFRS 15 Revenue from Contracts with Customers is also applied. IFRS 16 has been adopted by the EU.

For lessees, the new standard means that essentially all lease agreements are to be recognised in the statement of financial position. Leases are not to be classified as operating or finance for the lessee. The standard provides certain recognition exemptions for lessees for assets of low value and for leases with a term of 12 months or less. The standard contains more extensive disclosure requirements.

Agria intends to use the option in RFR 2 to not apply IFRS 16 to legal entities due to the relationship between accounting and taxation, which is why the new lease standard is not deemed to have any impact on the statement of financial position.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was published on 18 May 2017 and will replace the existing standard IFRS 4 Insurance Contracts. The new standard has not yet been approved by the EU but is expected to come into effect for fiscal years beginning on or after 1 January 2022. The standard will eliminate contradictions and weaknesses in the existing method by providing a principle-based set of rules for recognising insurance contracts. The new standard will also impose expanded disclosure requirements to increase comparability between different companies.

Länsförsäkringar is running a project in the Länsförsäkringar AB Group to analyse the effects of the new standard.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments clarifies how IAS 12 Income Taxes is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances. An example is whether a deduction claimed in a tax return will be accepted by the body or bodies (tax authority) that has the right to decide in such matters.

IFRIC 23 has been approved by the EU and is to be applied to fiscal years beginning on or after 1 January 2019. Early adoption is permitted. Agria has not yet fully evaluated the effect of the interpretation on Agria's financial statements.

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. Group contributions received from subsidiaries are recognised according to the same principles as for recognising 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. Related key persons are Agria's Board members, senior executives and their close family members and companies owned by them. See note 36 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. Monetary assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Non-monetary assets and liabilities are recognised at the rate in effect on the date of the transaction.

Unrealised exchange-rate differences are recognised in profit or loss as exchange-rate gains/losses net under investment income, income or investment income, expenses.

The currency futures utilised to financially hedge currency exposure in the balance sheet are measured at fair value and effects on earnings are recognised under both interest income and exchange-rate gains/losses.

Financial statements of foreign operations

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

Insurance contracts

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

In accordance with IFRS 4 Insurance Contracts, insurance contracts are divided into either insurance contracts or non-insurance contracts based on the level of insurance risk. 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 that has fallen due for payment or can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the fiscal year.

Gross premium is the contractual premium for the entire insurance period after deductions for standard customer discounts. Renewal premiums for contracts with renewal before the end of the fiscal year but that are not confirmed by the policyholder and premiums for recently signed insurance contracts for which the insurance period begins before the end of the fiscal year 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. 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. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

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

Claims payments

Claims payments correspond to claims paid during the accounting period and changes in provisions for claims outstanding. In addition to claims paid, claims payments include expenses for claims adjustment. Claims recoveries are recognised as a reduction of claims costs.

Operating expenses
All operating expenses are classified in profit or loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, asset management expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for asset 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 2018 was set at 0.1% for short-term contracts and 1.25% for long-term contracts.

Investment income, revenue and expenses
Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets as well as cash and bank balances. Dividends received, any impairment of shares and participations in associated and Group companies, asset management expenses including costs for own personnel and premises, etc. that can be attributed to asset management, and other financial expenses including various fees and external expenses for asset management are included in investment income. Investment income also includes realised gains or losses on investment assets. Realised profit or loss is calculated as the difference between the purchase consideration received and the cost of the asset.

Unrealised gains and losses on investment assets
Unrealised gains and losses on investment assets are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains or losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised change in value is reversed as an unrealised gain or loss, except for shares and participations that we have decided to measure at fair value through other comprehensive income.

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

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

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

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

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

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

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

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

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

Investment assets
Shares and participations in Group and associated companies
Shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements. Associated companies are companies in which ownership comprises a part of a permanent connection and in which the company exercises a significant but not a controlling influence.

Financial assets and liabilities
Financial assets recognised in the balance sheet include interest-bearing securities issued by Group companies, shares and participations, bonds and other interest-bearing securities, derivatives with positive market value, other receivables (loans and receivables) and cash and bank balances. Financial liabilities include derivatives with negative market value and other 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 – when the assets are transferred – no longer has any significant risks or benefits from the assets and also when 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 trading date, which is the time when the significant risks and rights are transferred between the parties.

Offsetting financial assets and liabilities
A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in note 22 on Information about offsetting.

Classification and measurement
All financial assets and liabilities are measured at fair value through profit or loss on the initial valuation date. Subsequent measurement and recognition take place depending on the measurement category to which the financial instrument belongs.

Agria's financial assets comprise:
- Debt instruments
- Derivative instruments
- Equity instruments

Financial assets are classified and recognised in one the three measurement categories in accordance with the provisions of IFRS 9.
- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

Debt instruments
Financial assets that are debt instruments comprise in the balance sheet Interest-bearing securities issued by Group companies and loans to Group

companies, Shares and participations (refers to mutual funds whereby the fund must repay the fund unit to the holder if the holder wants to redeem its unit), Bonds and other interest-bearing securities, loans and receivables classified as Other receivables, and Cash and bank balances. The business model used to manage a debt instrument and its contractual cash flow characteristics determines the classification of a debt instrument.

A requirement for a financial asset to be measured at amortised cost or fair value through other comprehensive income is that the contractual cash flows solely comprise outstanding payment of the principal and interest on the principal. Debt instruments that do not meet the requirement are measured at fair value through profit or loss regardless of the business model to which the asset is attributable. All debt instruments measured at amortised cost meet these cash flow characteristics.

Amortised cost

Agria manages loans and receivables in a business model whose objective is to realise the assets' cash flows by receiving contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are therefore measured at amortised cost.

Amortised costs refers to the discounted present value of all future payments attributable to the instrument with the discount rate comprising the effective interest rate of the asset on the acquisition date.

Fair value through profit or loss

Agria manages its holdings of interest-bearing securities issued by Group companies, mutual funds classified as shares and participations and bonds and other interest-bearing securities in a business model that entails measurement at fair value through profit or loss since the assets are managed and evaluated based on the fair values of the assets, and since the fair value comprises the basis for the internal monitoring and reporting to senior executives.

The cost of debt instruments measured at fair value through profit or loss comprises the fair value of the assets without additions for transaction costs. This recognition means that the assets are continuously measured at fair value through profit or loss with the accumulated unrealised changes in values recognised in retained earnings. Changes in fair value of these assets are recognised in profit or loss as Unrealised gains and Unrealised losses on investment assets and interest income is recognised in Investment income, revenue. If an asset in this category is sold, the previous unrealised gain/loss is recognised in profit or loss on the line item Unrealised gains or losses in investment assets, while the realised gain/loss from the sale of debt instruments is recognised in profit or loss on the line item Investment income, revenue or expense.

Fair value through other comprehensive income

Agria does not have any debt instruments measured at fair value through other comprehensive income.

Derivative instruments

Derivative instruments measured at fair value through profit or loss. Derivatives with positive market values are recognised as assets in the balance sheet and derivatives with negative market values are recognised as liabilities.

Equity instruments

An equity instrument is every form of agreement that entails a residual right to a company's assets after deductions for all its liabilities. All holdings of equity instruments that comprise holdings of a more strategic nature and that are not held for the purpose of generating investment income are measured at fair value through other comprehensive income.

Gains/losses on the sale of equity instruments measured at fair value through other comprehensive income are recognised as a transfer in equity from the fair value reserve to retained earnings and thus do not impact profit or loss.

Financial liabilities

Financial liabilities in the balance sheet comprise Other liabilities and Accrued expenses and deferred income. Agria measures all financial liabilities that are not derivatives at amortised cost.

Reclassification of financial instruments

Financial assets are not normally reclassified after initial recognition. However, a change in business model would entail reclassification.

Methods for determining fair value

Note 32 Financial assets and liabilities by category describes the valuation techniques for financial instruments measured at fair value, and states the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments quoted in an active market

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

Financial instruments not quoted in an active market

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

Expected credit losses

Reserves for expected credit losses ("loss allowance") are recognised for financial assets measured at amortised cost. The initial loss allowance is calculated and recognised on initial recognition and is subsequently continuously adjusted over the lifetime of the financial asset. Balance-sheet items measured at amortised cost comprise loans and receivables as well as cash and bank balances.

The reserve for financial assets measured at amortised cost is recognised as a reduction of the recognised gross carrying amount of the asset. Loss allowance is presented in the income statement as investment income, expenses.

Confirmed losses

Confirmed credit losses are those losses whose amount is finally established and where the assessment is that the possibility of receiving additional payments is low. The receivable is then derecognised from the balance sheet and recognised as a confirmed loss in profit or loss on this date.

Impairment testing of intangible assets and shares and participations in associated companies

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

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. Impairment is recognised in profit or 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.

Cash and bank balances

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

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.

Deferred acquisition costs

Costs that have a clear connection to underwriting insurance contracts are capitalised as Deferred 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 costs capitalised are commission expense and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. The capitalised cost is allocated in a manner corresponding to the allocation of unearned premiums. The depreciation period does not exceed 12 months.

Untaxed reserves

Changes in untaxed reserves are recognised in profit or loss under Appropriations.

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

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.

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

A company 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.

Technical provisions

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

Unearned premiums and unexpired risks

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

Claims outstanding

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

Provisions for claims outstanding are significant to assessments of the company's reported earnings and financial position since a deviation from actual future payments will lead to a run-off result being reported in future years. An account of the company's run-off result is found in the performance analysis. The risk of making incorrect provisions is described in more detail in note 2 Risk and risk management, which is where current provisions for claims outstanding are clarified by descriptions of the trend in claims costs over time.

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 or loss.

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

Reinsurance

Contracts signed between Försäkringsaktiebolaget Agria (publ) and reinsurers through which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts as stated above are classified as ceded reinsurance.

Expenses for reinsurance are recognised in profit or loss under the item Premiums for ceded reinsurance. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions and deposits with companies that have ceded reinsurance. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract.

The reinsurers' portion of technical provisions corresponds to the reinsurers' liability for technical provisions in accordance with signed contracts.

If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment loss is expensed in profit or loss.

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 commission is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration for termination of employment

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

Defined-contribution pension plans

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

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

The FPK is currently unable to provide necessary information, which is why the pension plan above is recognised as a defined-contribution plan. Nor is any information available on future surpluses and deficits in the plan, and whether these surpluses and deficits would then affect the contributions for the plan in future years. All pension plans in the company's branches are defined-contribution.

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. Provisions are calculated on an actuarial basis according to assumptions on average annual pensions per age group and a probability assessment of the utilisation of early retirement.

Cash-flow statement

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

Contingent liabilities

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

Note 2 Risks and risk management

Risk-management system at Agria

Agria conducts business operations in pet and crop insurance.

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. A shared risk-management system, which forms part of the internal-control system, has been established in the Länsförsäkringar AB Group. The risk-management system is defined as the strategies, processes, procedures, internal rules, limits, controls and reporting procedures needed to ensure that the company is able to continuously identify, measure, monitor, govern, manage, report and have control over the risks to which the companies are, or could become, exposed to.

Prospective analyses in the form of own risk and solvency assessments (ORSA) are performed every year. The overall aim of an ORSA is to ensure that own funds are and remain sufficient for bearing the risks associated with realising the business plan. Ongoing activities include handling known risks and identifying new risks. The company uses a partial internal model approved by the Swedish Financial Supervisory Authority to calculate the capital requirement.

Risk-management organisation

A shared risk-management system has been established in the Länsförsäkringar AB Group. The Group's risk-management system is described in the Group instructions and a Group-wide risk policy adopted by the Board of Länsförsäkringar AB and approved by the Board of each subsidiary. Each insurance subsidiary then prepares a company-specific risk policy based on the Group-wide policy. Based on this Group-wide risk-management system, the subsidiaries also prepare more detailed rules for managing company-specific risks.

The risk-management system comprises an integrated part of the organisational structure and decision-making processes and helps the operations to meet its targets with a higher degree of certainty. In addition to risk management in the operations, it also encompasses the independent risk-management function in the second line of defence. The Compliance and Actuarial functions also have a role to play in risk management. The President is responsible for incorporating the governance documents decided by the Board and each manager in the company is responsible for risks in their field of operations.

The risk-management function is responsible for independent risk control and provides support for the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. Regular risk reports are submitted to the President, management and, where applicable, the Risk and Capital Committee and Audit Committee, and to the Board.

The Actuarial function is responsible for coordinating and ensuring the quality of the technical calculations and investigations and assisting the Board and President in actuarial matters. The Actuarial function is also responsible for reporting, on its own initiative, to the Board and President on matters pertaining to methods, calculations and assessments of the technical provisions, the valuation of insurance risks, reinsurance cover and other risk-reducing techniques.

The Compliance function is an independent control function responsible for monitoring and controlling regulatory compliance in the licensable operations. The function identifies and reports on risks that may arise as a result of non-compliance with regulations and provides recommendations for action to relevant personnel, the President and the Board.

Internal Audit 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 ORSA including a plan for financing the company's operations is prepared in conjunction with the annual business planning, and in the interim wherever necessary. The aim of this plan, which sets out the planned structure of own funds and risks, is to ensure that, at any given time, the company has a sufficient buffer of capital to meet the risks generated by the operations.

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

Quantitative information on own funds, capital requirements and the solvency ratio is provided in the Board of Directors' Report under Capital situation.

Agria's solvency ratio, for which the capital requirement is calculated using the company's partial internal model, exceeds the statutory requirement by a healthy margin. The solvency ratio, meaning the ratio between own funds and the capital requirement under Solvency II, was 174% on 31 December 2018.

Table 1. Capital situation under Solvency II

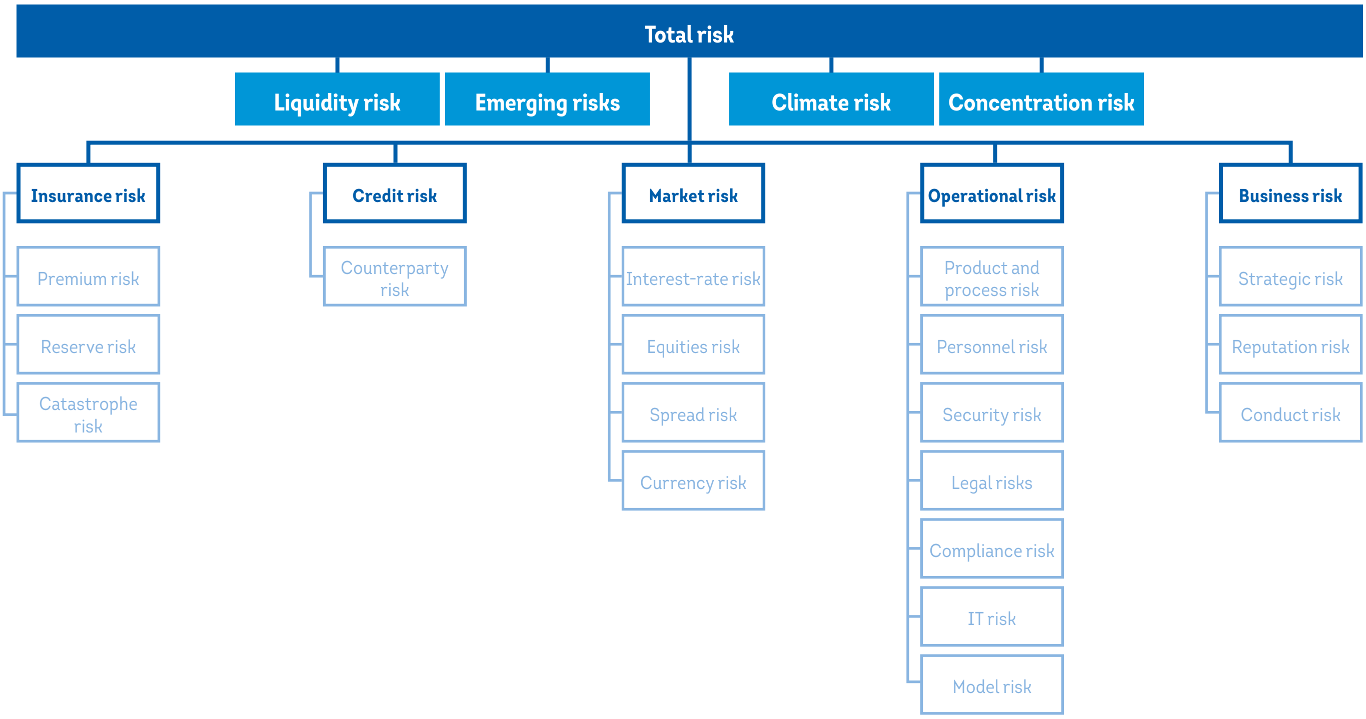
SEK M	31 Dec 2018	31 Dec 2017
Own funds	1,050	984
Capital requirement	*602*	*563*
Solvency ratio	174%	175%

Risk map and 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:

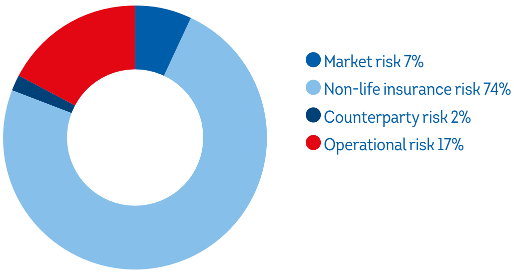
- Focusing primarily on private individuals and, to a lesser extent, agricultural companies
- Conducting operations in Sweden, Norway, Denmark, the UK, Finland and France
- Relatively low retention in all operations
- The risks in the investment assets managed by Agria are held at a relatively low level.
- Agria own the insurance broker company subsidiary Agria Pet Insurance Ltd that conducts operations in the UK.

Figure 1. Classification of risk at Agria

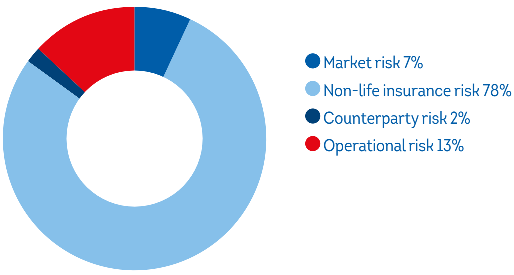


Agria's largest gross risk exposure is estimated to be commitments in crop insurance, farm animals insurance and horse insurance (in this order), which are limited with reinsurance cover. The figure below shows the allocation of risk in Agria on 31 December 2018 classified by risk categories.

Figure 2. Risk profile
Specification of capital requirement 31 December 2018



Specification of capital requirement 31 December 2017



Insurance risk

Insurance risk refers to non-life insurance risk in the form of premium, reserve and catastrophe risk.

- Premium risk refers to the risk of losses arising due to the coming year's claims being greater than expected.
- Reserve risk refers to the risk of losses arising due to a negative outcome in the settlement of provisions for claims outstanding.
- 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.

Risk exposure

Agria's business comprises insurance for Pets (dogs, cats and other pets), Horses and Livestock and Crop insurance, and is conducted to varying extents in Sweden, Norway, Denmark, Finland, the UK and France. From a non-life insurance perspective, the business has very short lead times, meaning that the time from claim to final payout is short. As a result, claims reserves at any given time are very small in relation to the premium portfolio and reserve risk is relatively small. Instead, Agria's insurance risk is heavily dominated by premium risk.

Concentration of risk (accumulation risk) is when the insurance business is not 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. Most business, measured in premium income, is conducted in Sweden. Business is growing in other countries in which Agria conducts operations and expansion to more counties is planned for the next few years.

The product range contains a number of different products, divided into several different animal types without any clear risk correlation. There is no covariance in the significance between life assurance and veterinary care or between types of animals.

Management

Agria's reinsurance cover comprises an important tool in providing protection from large individual claim incidents (catastrophe risk) and high total claims costs in the more volatile business in the company. Agria takes out reinsurance for Dogs (liability) in foreign branches, Horse, and for a certain portion of Livestock and Crop. The Board regulates the risk levels for reinsurance in the insurance policy by regulating the maximum risk exposure per claim incident and individual risk. The Board decides on the retention and reinsurance conditions, etc. of the stipulated reinsurance at least once a year.

Regarding concentrations (accumulations), Sweden, which has the largest premium income in the company, benefits from the fact that the country is sparsely populated and has a cold climate, which makes it difficult for infectious diseases in horses and farm animals to spread. Concentration risk is also taken into account today regarding the location of sensitive breeding plants for livestock, swine and poultry.

Other factors that affect insurance risks are the product composition including diversification, structure of insurance terms and conditions, risk selection rules and risk inspections.

Risk sensitivity

Table 2 shows the sensitivity of the company's earnings and equity to changes in premium levels, claims frequency and claims inflation. Table 3 shows the distribution of claims costs by term.

Table 2. Sensitivity analysis, insurance risk (SEK M)

		Impact on profit before tax		Impact on equity	
Assumption		**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Premiums	10% lower premium level	-361	-329	-282	-257
Intervals	10% increased claims frequency	-246	-214	-192	-167
Claims inflation	1% higher annual claims inflation	-11	-10	-9	-8

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

SEK M	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At end of claim year	1,499.8	1,450.5	1,572.5	1,722.0	1,882.6	2,056.3	2,278.4	
One year later	1,502.6	1,436.6	1,558.4	1,689.0	1,864.6	2,029.1		
Two years later	1,492.7	1,413.0	1,526.4	1,654.3	1,856.3			
Three years later	1,485.7	1,409.3	1,528.9	1,652.5				
Four years later	1,488.1	1,410.4	1,527.5					
Five years later	1,485.9	1,409.9						
Six years later	1,486.0							
Seven years later								
Eight years later								
Nine years later								
Ten years later								
Estimated claims costs	1,334.7	1,409.9	1,527.5	1,652.5	1,856.3	2029.1	2,278.4	
Accumulated claims payments	1,333.5	1,408.6	1,519.4	1,648.6	1,852.9	2,012.2	2,043.3	
Provision for claims payments	1.2	1.3	8.1	3.9	3.4	16.9	235.1	269.9
Provision for claims payments, older year classes								1.1
Provision for claims payments for assumed reinsurance								–
Total provision for claims payments, gross								271.0
Claims adjustment reserve, gross								15.3
Provision for claims outstanding, gross								286.3
Provision for claims payments, reinsurers' portion								5.3
Claims adjustment reserve, reinsurers' portion								–
Provision for claims outstanding, reinsurers' portion								5.3
Provision for claims outstanding, for own account								281.0

Market risk

Market risk pertains to the risk of loss arising that is directly or indirectly caused by changes in the level or volatility in the market price of assets, liabilities and financial instruments, including losses caused by shortcomings in the matching between assets and liabilities. Concentration risk in market risk is the risk of losses arising due to investment assets not being well-diversified.

Risk exposure

Market risk in the company primarily derives from investment assets and to a lesser extent from insurance liabilities. The main classes in the investment assets are interest-bearing instruments.

The interest-bearing asset portfolios include interest-rate risk from government bonds, credit bonds and derivative instruments. Interest-rate risk is also inherent in insurance liabilities by provisions being discounted by the current market interest rate. Agria has exposure to credit-spread risk in Swedish mortgage bonds and based on its holdings in mainly global and US Investment Grade and public and private loan funds. The currency exposure that exists is due to insurance liabilities and investment assets in other currencies. Concentration risk could lead to the company's being exposed to a homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. However, Agria has a well-diversified asset portfolio with low concentration risk.

Management

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 investment assets.

The main risk-reduction technique applied to the management of assets in the Group's companies is diversification. The companies' investments are spread over several classes of assets and segment in these classes, leading to exposure to various risk factors that react in different ways to fluctuations in the financial markets. This means that as a whole the portfolio is less sensitive to market fluctuations than its portfolio components.

Derivative instruments are also used to a certain extent in the management of assets in the Group's companies to protect the companies' balance sheets from undesired market risks. Fixed-income futures and forwards and interest-rate swaps are used in management to reduce interest-rate risk. Currency futures are also regularly used to reduce currency risk in the portfolio. The effect of these derivative strategies is continuously monitored. Concentration risk in loans is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for the exposure for credit instruments per rating level.

Risk sensitivity

The main classes in Agria's asset portfolio are interest-bearing securities. Table 4 shows how changes in the financial markets affect the company's assets and the effect on earnings and equity. Table 5 shows the credit quality of assets. Table 6 shows sensitivity to exchange-rate changes.

Table 4. Sensitivity analysis, market risks (SEK M)

		Impact on profit before tax		Impact on equity	
Assumption		**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Interest-rate risk assets and liabilities net[1]	100 bp higher nominal market interest rates	-17	-24	-13	-18
Interest-rate risk assets and liabilities net[1]	100 bp lower nominal market interest rates	18	25	14	20
Credit-spread risk	100 bp higher credit spread	-40	-47	-31	-37
Equities risk[2]	10% lower share prices including hedge funds	-7	-7	-6	-6
Currency risk	10% strengthening of all foreign currencies against SEK	14	-6	11	-5

[1] Interest-rate risk from transparent investment assets. The change in interest-rate risk for technical provisions is not recognised in profit or loss.
[2] Shares and participations

Table 5. Credit quality of financial assets

	Market value, SEK M	
	31 Dec 2018	**31 Dec 2017**
Cash and bank balances and cash and cash equivalents classified as Other receivables		
A	390.3	249.0
Total	**390.3**	**249.0**
Bonds and other interest-bearing securities[1]		
AAA – Swedish Government	0.0	0.3
AAA	1,078.0	1,031.0
AA	7.0	17.0
A	48.0	66.0
BBB	89.0	140.0
BB or lower	60.0	37.0
No rating available	39.0	35.0
Total bonds and other interest-bearing securities	**1,321.0**	**1,327**
Derivatives		
AA	–	1.4
A	3.0	–
B	0.2	0.2
Total derivatives	3.2	1.6
Total	**1,714.5**	**1,577.6**

[1] The amount under Cash and bank balances and cash and cash equivalents classified as other receivables above includes SEK 228.8 M (161.0) that pertains to receivables from Länsförsäkringar Bank. These are classified as other receivables in the balance sheet.

Table 6. Impact on earnings of a 10% increase in the exchange rate with SEK

	Impact on profit before tax	
Currency	**31 Dec 2018**	**31 Dec 2017**
USD	-1.3	-2.0
EUR	0.6	-0.4
GBP	13.8	-2.6
AUD	0.0	0.0
DKK	0.7	0.4
NOK	1.0	-1.4
JPY	-0.3	-0.3
CHF	-0.1	-0.1
Total	**14.4**	**-6.4**

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.

- Counterparty risk in bank balances pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings.
- Counterparty risk in financial derivatives pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and of any collateral provided not covering the receivable.
- Counterparty risk in ceded reinsurance pertains to the risk of losses arising due to reinsurers being unable to fulfil their undertakings and of any collateral provided not covering the receivable.

Risk exposure

Agria's exposure to counterparty risk mostly comprises exposure to banks from cash balances and to a minor extent to derivative positions. Derivatives are purchased to protect the balance sheet against, for example, interest-rate risk and currency risk and entail that the counterparty undertakes, through derivative contracts, to compensate for negative results arising from changes in, for example, market interest rates or exchange rates. As a result, a receivable from the counterparty may arise in the event of market changes. The company is also exposed to counterparty risk from reinsurers. The method for how expected credit losses are determined for different types of assets is described in note 1 in the section on expected credit losses. The company's receivables comprise internal and external receivables that have historically shown a low share of defaulted receivables and no confirmed losses for different groups of counterparties. Considering this and the short term of the receivables, the loss given default is very low, which is why the reserve requirement is zero or almost zero.

Management

The counterparty risk in bank balances and financial derivatives is primarily reduced by diversifying the counterparties that the company uses for trading. Exposures of financial derivatives are also limited through ISDAs (netting agreements) and associated daily settlement agreements.

Counterparty risk arising in connection with reinsurance are primarily reduced by taking proactive measures, by carefully selecting potential reinsurance counterparties and by applying limits for maximum exposure to each counterparty. The credit rating of counterparties is regularly followed up and monitored. 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.

Operational risk

Operational risk refers to the risk of losses arising due to inadequate or failed internal processes and systems as well as human error or external events, and includes legal and compliance risks.

Risk exposure

The forms of operational risk to which the company is exposed are product and process risks, personnel risks, legal risks and compliance risks, IT risks, model risks and security risks.

Management

The company's work on operational risk is based on Länsförsäkringar AB Group-wide methods that encompass business-critical processes and key controls as well as reported incidents and the operations' self-assessment of operational risk. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

The Group has a shared framework (BARB) for identifying, measuring and documenting risks in the decision-making process for decisions that could be expected to have a material impact on profitability, risk profile, organisation or brand. The purpose is to ensure efficient decision-making through proactive and appropriate management of the risks so as to thereby achieve established targets with a higher degree of certainty, to ensure compliance with applicable laws and regulations and to create customer value. Furthermore, the Group-wide method encompasses continuity management, which involves preparing business contingency, continuity and restoration plans to manage incidents before, during and after a crisis has occurred. The overall goal for security work is to protect the organisation's assets from all types of threats – internal or external, intentional or unintentional. Security work is conducted in accordance with the ISO standards on information security and continuity management.

Business risk

Business risk is divided in the Länsförsäkringar Sak Group into the sub-categories of strategic risk, earnings risk, reputation risk and conduct risk. These categories and sub-categories are defined as follows:

- Business risk is the risk of losses arising due to effects of strategic decisions, weaker earnings and a bad reputation.
- Strategic risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, changes in the business environment and institutional changes.
- Earnings risk is the risk of losses arising due to an unexpected downturn in income, for example, from volume decreases.
- Reputation risk is the risk of losses arising due to a lower brand value due to actual or alleged action by the company.
- Conduct risk is the risk of improper conduct.

Risk exposure

The company's exposure to business risks follows the business strategies decided where the business planning process and results from business risk analyses comprise important instruments in adjusting the risk level to the company's conditions and changes in the business environment.

Management

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. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Liquidity risk

Liquidity risk is the risk of losses arising due to the company's own payment commitments not being fulfilled due to 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.

Risk exposure

A lack of liquidity could lead to the company not being able to fulfil its commitments to customers. The company's liquidity risks are low since premiums are received in advance and large individual claims and payouts outside normal cash flows are known well in advance of when they fall due.

Management

Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on established exchanges. To further limit liquidity risks, rules exist on how investments are to be made in unlisted assets. Each company's investment guidelines also state that the investment assets are to be invested by taking into account each company's liquidity needs for meeting their commitments.

Sensitivity analysis

Table 7 shows the exposure for the financial assets over different terms. The table shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. However, most of the bonds and interest-bearing securities can be realised at short notice to cover contractual commitments at any time on the liabilities side.

Table 7. Maturity analysis for financial assets and liabilities[3] and insurance undertakings

	2018						2017					
SEK M	**<3 months**	**3 months–1 year**	**1–5 years**	**5–10 years**	**>10 years**	**Total**	**<3 months**	**3 months–1 year**	**1–5 years**	**5–10 years**	**>10 years**	**Total**
Assets												
Interest-bearing securities issued by Group companies and loans to Group companies	0.0	2.3	118.9	–	–	121.2	0.0	8.8	89.4	5.9	0.0	104.1
Bonds and other interest-bearing securities[1]	1.2	130.1	846.7	54.9	–	1,032.9	-34.1	27.9	962.1	36.6	25.0	1,017.6
Other receivables	275.9	–	–	–	–	275.9	311.5	–	–	–	–	311.5
Prepaid expenses and accrued income	–	–	–	–	–	–	–	–	–	–	–	–
Liabilities												
Technical provisions[2]	585.8	1,264.1	119.0	0.1	–	1,969.0	547.1	1,163.7	110.4	0.0	–	1,821.2
Other liabilities	124.4	–	–	–	–	124.4	110.5	–	–	–	–	110.5
Accrued expenses and deferred income	–	–	–	–	–	–	–	–	–	–	–	–
Total cash flows, net	**-433.1**	**-1,131.7**	**846.6**	**54.8**	**–**	**-663.4**	**-380.1**	**-1,127.0**	**941.1**	**42.5**	**25.0**	**-498.5**
Derivatives, in and outflows, net	-7.6	–	–	–	–	-7.6	-2.3	–	–	–	–	-2.3
Total cash flows, net	**-440.7**	**-1,131.7**	**846.6**	**54.8**	**–**	**-671.0**	**-382.4**	**1,127.0**	**941.1**	**42.5**	**25.0**	**-500.8**

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

Note 3 Premium income

	2018	2017
Direct insurance, Sweden	2,293.0	2,188.8
Direct insurance, Denmark	176.9	136.6
Direct insurance, Finland	39.4	22.1
Direct insurance, Norway	469.4	409.2
Direct insurance, UK	638.9	542.5
Direct insurance, France	1.2	–
Total	**3,618.8**	**3,299.2**

Note 4 Investment income transferred from financial operations

	2018	2017
Transferred investment income	2.0	1.8
Interest rate of technical provisions	0.10%	0.10%

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

Note 5 Claims payments

	2018	2017
Claims paid	−2,248.2	−2,025.0
Operating expenses for claims adjustment	−191.7	−154.0
Total claims costs	**−2,439.9**	**−2,179.0**

Note 6 Operating expenses

	2018	2017
Operating expenses		
Acquisition costs	-505.2	-589.7
Change in deferred acquisition costs	-4.4	-18.3
Administration expenses	-313.9	-119.5
Commission and profit shares in ceded reinsurance	0.2	0.1
Total	**-823.3**	**-727.4**
Other operating expenses		
Claims adjustment costs included in claims paid	-191.7	-154.0
Total	**-1,015.0**	**-881.4**
Total operating expenses specified by type of cost		
Staff costs	-232.4	-192.4
Costs for premises	-6.7	-6.2
Depreciation/amortisation	-4.3	-3.1
Other operations-related expenses	-771.6	-679.7
Total	**-1,015.0**	**-881.4**
Total operating expenses by function		
Acquisition	-509.4	-607.9
Claims adjustment	-191.7	-154.0
Administration expenses	-313.9	-119.5
Total	**-1,015.0**	**-881.4**

Note 7 Fees and remuneration of auditors

	2018	2017
KPMG		
Audit assignment	-1.5	-1.1
Audit operations in addition to the audit assignment	–	–
Tax consulting	-0.5	-0.1
Other services	–	–
Total fees to auditors	**-2.0**	**-1.2**

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

Note 8 Employees, staff costs and remuneration of senior executives

Average number of employees, Sweden	**2018**	**2017**
Men	40	41
Women	149	139
Total number of employees	**189**	**180**
Norway		
Men	11	6
Women	30	23
Denmark		
Men	1	1
Women	15	12
Finland		
Men	1	0
Women	8	9
France		
Men	2	–
Women	4	-
UK		
Men	4	4
Women	0	0
Total number of employees		
Men	59	52
Women	206	183
	265	**235**

Brokers	**2018**	**2017**
Total number	**18**	**24**

Salaries and other remuneration, as well as social security expenses, other employees	**2018**	**2017**
Salaries and remuneration	129.3	102.5
of which, variable salary	2.1	0.6
Social security expenses	57.6	44.4
of which, pension costs	16.0	12.2
	187.0	**147.0**

Board of Directors and senior executives, 21 (21)	**2018**	**2017**
Salaries and remuneration	12.1	13.8
of which, fixed salary to the President and Executive Vice President	4.1	4.2
of which, variable salary of the President and Executive Vice President	–	–
of which, fixed salary to other senior executives	7.0	8.7
of which, variable salary to other senior executives	–	–
Social security expenses	6.3	8.8
of which, pension costs	3.9	4.4
	18.4	**22.6**

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

Total salaries, other remuneration and social security expenses	2018	2017
Salaries and remuneration	141.4	116.4
of which, variable salary	2.1	0.6
Social security expenses	64.0	53.2
of which, pension costs	19.9	16.6
	205.4	**169.6**

Remuneration and social security expenses	2018	2017
Brokers, Sweden	62	0.1
Total	**62**	**0.1**

Variable salary

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. Employee representatives and Board members of the Länsförsäkringar AB Group do not receive any directors' fees.

Remuneration of senior executives

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

Remuneration of senior executives					Pension costs as a percentage of pensionable salary, %
2018	**Basic salary**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Agnes Fabricius, President	2.5	0.1	0.9	3.4	35
Monica Dreijer, Executive Vice President	1.5	0.1	0.7	2.3	44
Jan Ehrensvärd, Board member	0.1	–	–	0.1	
Ulf Uddman, Board member	0.1	–	–	0.1	
Stig Högberg, Board member	0.1	–	–	0.1	
Christian Bille, Board member	0.1	–	–	0.1	
Dag Ekner, Board member	0.1	–	–	0.1	
Ulrika Obstfelder Peterson, Board member	0.1	–	–	0.1	
Katja Puustinen, Board member	0.1	–	–	0.1	
Karin Mattsson Weijber, Board member	0.1	–	–	0.1	
Henrietta Hansson, former Board member	0.0	–	–	0.0	
Patrik Sandin, former Board member	0.1	–	–	0.1	
Bo Helander, former Board member	0.1	–	–	0.1	
Mikael Bergström, former Board member	0.0	–	–	0.0	
Kjell Lindfors, former Board member	0.0	–	–	0.0	
Other senior executives (6 people)	6.9	0.1	2.3	9.3	34
Total 2018	**11.9**	**0.2**	**3.9**	**16.0**	

Remuneration of senior executives					Pension costs as a percentage of pensionable salary, %
2017	**Basic salary**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Agnes Fabricius, President	1.8	0.0	0.6	2.4	35
Birger Lövgren, former President	0.4	0.4	0.2	1.0	35
Monica Dreijer, Executive Vice President	1.5	0.1	0.7	2.3	44
Patrik Sandin, Board member	0.1	–	–	0.1	
Jan Ehrensvärd, Board member	0.1	–	–	0.1	
Bo Helander, Board member	0.1	–	–	0.1	
Mikael Bergström, Board member	0.1	–	–	0.1	
Kjell Lindfors, Board member	0.1	–	–	0.1	
Ulf Uddman, Board member	0.1	–	–	0.1	
Henrietta Hansson, Board member	0.1	–	–	0.1	
Palle Borgström, former Board member	0.1	–	–	0.1	
Marja Tullberg, former Board member	0.1	–	–	0.1	
Other senior executives (10 individuals)	10.3	0.0	3.3	13.6	36
Total 2017	**15.0**	**0.5**	**4.7**	**20.2**	

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

Pensions

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

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

Severance pay

A mutual period of notice of six months applies to the President and the Executive Vice President. If the company terminates employment, severance pay corresponding to 12 months' salary is paid during the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

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

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management

A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

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

Composition and mandate of Remuneration Committee

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

Policies for remuneration of corporate management

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

Fixed remuneration

Fixed remuneration is paid according to the general policy above.

Pensions

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

Other benefits

In addition to the above benefits, a company car, individual health care insurance and other benefits are offered to all employees.

Number of women among senior executives, %	31 Dec 2018	31 Dec 2017
Board members	55	40
Other senior executives	63	42

Note 9 Investment income, revenue

	2018	2017
Dividends		
Dividends on other shares and participations	0.5	0.3
Interest income		
Bonds and other interest-bearing securities[1]	5.2	2.7
Interest-bearing securities issued by Group companies	0.6	0.3
Financial assets that are not measured at fair value through profit or loss[1]	-0.1	-0.1
Other interest income	0.0	0.0
Derivatives	3.8	3.4
Exchange-rate gains, net	**0.1**	**1.9**
Capital gains		
Shares and participations	–	0.3
Bonds and other interest-bearing securities	4.7	20.2
Interest-bearing securities issued by Group companies	0.7	0.7
Other investment assets	0.0	0.5
Total investment income, revenue	**15.5**	**30.2**

[1] Of which, a negative interest rate on cash and bank balances of SEK -0.2 M (-0.2) and interest-bearing securities of SEK -0.3 M (-1.8).

Note 10 Unrealised gains on investment assets

	2018	2017
Interest-bearing securities issued by Group companies	0.1	–
Bonds and other interest-bearing securities	–	1.6
Total unrealised gains on investment assets	**0.1**	**1.6**

Note 11 Investment income, expenses

	2018	2017
Asset management expenses	-6.0	-6.2
Other financial expenses	-1.0	-1.0
Interest expense		
Bonds and other interest-bearing securities	0.0	-0.2
Financial liabilities that are not measured at fair value through profit or loss	-0.1	-0.1
Other interest expense	0.0	0.0
Derivatives	-7.0	-7.0
Exchange-rate gains/losses, net	**–**	**–**
Capital losses		
Shares and participations	-1.8	–
Derivatives	-16.4	-7.6
Total investment income, expenses	**-32.3**	**-22.1**

Note 12 Unrealised losses on investment assets

	2018	2017
Shares and participations	-2.1	-0.9
Interest-bearing securities issued by Group companies	–	-0.6
Bonds and interest-bearing securities	-9.3	–
Derivatives	0.0	-0.1
Other financial investment assets	–	-0.7
Total unrealised losses on investment assets	**-11.4**	**-2.3**

Note 13 Investment income, per measurement category

	2018	2017
Profit/loss by measurement category		
Financial assets measured at FVPL	-22.1	12.1
Financial liabilities measured at FVPL	–	0.0
Financial assets measured at amortised cost	-0.3	-0.3
Financial liabilities measured at amortised cost	-0.0	-0.3
Financial assets measured at FVOCI	–	0.0
Items not distributed by category		
Exchange-rate gains	0.1	1.9
Dividends to subsidiaries and associated companies	0.3	0.3
Asset management expenses	-6.0	-6.2
Non-financial items included in investment income, net	-0.1	0.1
Total	**-28.1**	**7.4**

Note 14 Taxes

	2018	2017
Current tax expense		
Tax expense for the year	-35.2	-49.5
Adjustment of tax expense pertaining to prior years	6.5	-11.9
Total current tax expense	**-28.7**	**-61.4**
Deferred tax expense		
Deferred tax expense/income pertaining to temporary differences	-3.9	2.7
Total recognised tax expense	**-32.6**	**-58.7**

Reconciliation of effective tax rate	**2018**	**2017**
Profit before tax	181.2	223.6
Tax in accordance with applicable tax rate for Parent Company	-39.8	-49.2
Non-deductible expenses	-3.2	-1.4
Non-taxable income	0.1	4.2
Tax attributable to earlier years	6.5	-11.9
Other	3.8	-0.4
Recognised effective tax	**-32.6**	**-58.7**
Current tax rate, %	22%	22%
Effective tax rate, %	18.0%	26.3%

Recognised deferred tax assets and tax liabilities are attributable to the following:	**31 Dec 2018**	**31 Dec 2017**
Other assets	0.0	3.8
Other liabilities	-0.1	–
Deferred tax assets (+)/deferred tax liabilities (-)	**-0.1**	**3.8**

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

Note 15 Other intangible assets

	Internally developed assets	Acquired assets	Total
Accumulated cost			
Opening balance, 1 January 2017	50.5	16.0	66.5
Acquisitions for the year/divestments and disposals	6.8	–	6.8
Exchange-rate effect	-0.2	–	-0.2
Closing balance, 31 December 2017	**57.1**	**16.0**	**73.1**
Opening balance, 1 January 2018	57.1	16.0	73.1
Acquisitions for the year/divestments and disposals	2.6	–	2.6
Exchange-rate effect	0.1	–	0.1
Closing balance, 31 December 2018	**59.8**	**16.0**	**75.8**
Accumulated amortisation			
Opening balance, 1 January 2017	-44.8	-16.0	-60.8
Amortisation for the year	-1.8	–	-1.8
Exchange-rate effect	0.1	–	0.1
Closing balance, 31 December 2017	**-46.5**	**-16.0**	**-62.5**
Opening balance, 1 January 2018	-46.5	-16.0	-62.5
Amortisation for the year	-2.4		-2.4
Exchange-rate effect	-0.1		-0.1
Closing balance, 31 December 2018	**-49.0**	**-16.0**	**-65.0**
Carrying amount			
On 31 December 2017	10.6	0.0	10.6
On 31 December 2018	**10.8**	**0.0**	**10.8**

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

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

Note 16 Shares and participations in Group companies

	Number of participations	Participations in %	Equity 2018	Earnings 2018	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017	Fair value 31 Dec 2018
Agria Pet Insurance Limited, Company nr 04258783, Aylesbury	180,000	100	138.7	7.1	273.2	273.2	309.1

Cost	**2018**	**2017**
Opening balance	273.2	273.2
Total cost	**273.2**	**273.2**

Note 17 Interest-bearing securities issued by Group companies

	31 Dec 2018	31 Dec 2017
Listed bonds issued by Länsförsäkringar Hypotek	113.3	96.0
Listed bonds issued by Länsförsäkringar Bank	6.1	6.1
Total	**119.4**	**102.1**

Note 18 Shares and participations in associated companies

	Number of participations	Participations in %	Equity[1] 2018	Earnings[1] 2018	Carrying amount[2] 31 Dec 2018	Carrying amount[2] 31 Dec 2017	Fair value[2] 31 Dec 2018
Svenska Andelshästar AB, 556536-9633, Uppsala county	400	40	3.4	1.2	0.0	0.0	2.0

[1] 100% of the associated companies' equity and earnings.
[2] Försäkringsaktiebolaget Agria's carrying amount and holding of fair value.

Note 19 Shares and participations

	31 Dec 2018	31 Dec 2017
Quoted shares and participations	69.3	61.4
Unquoted shares and participations	0.0	0.0
Total	**69.3**	**61.4**
Fair value	69.3	61.4
Cost	72.1	62.3

Note 20 Bonds and other interest-bearing securities

	31 Dec 2018	31 Dec 2017
Issuer		
Swedish government	0.2	0.3
Swedish mortgage institutions	724.0	729.2
Other Swedish issuers	257.7	266.3
Foreign states	10.2	–
Other foreign issuers	210.7	240.2
Total	**1,202.8**	**1,236.0**
Amortised cost	1,182.6	1,216.6
Market status		
Quoted securities	1,202.8	1,236.0
Total	**1,202.8**	**1,236.0**
Carrying amounts of the securities compared with their nominal amounts		
Total surplus	41.7	55.7
Total deficit	-0.2	–

Note 21 Derivatives

	Fair value 31 Dec 2018	Nominal amount 31 Dec 2018	Fair value 31 Dec 2017	Nominal amount 31 Dec 2017
Derivatives with positive values or valued at zero				
Interest-rate derivatives	0.2	479.2	0.3	35.1
Currency derivatives	5.4	382.9	3.6	339.9
Total	**5.6**	**862.1**	**3.9**	**375.0**
Derivatives with negative values				
Interest-rate derivatives	0.0	26.5	0.1	523.0
Currency derivatives	13.2	350.1	2.2	222.9
Total	**13.2**	**376.6**	**2.3**	**745.9**

Note 22 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 2018	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (-) / Pledged (+)	Net amount
Assets						
Derivatives	5.6		5.6	-2.8		2.8
Liabilities						
Derivatives	-13.2		-13.2	2.8	8.9	-1.5
Total	**-7.6**		**-7.6**	**0.0**	**8.9**	**1.3**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
31 Dec 2017	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (-) / Pledged (+)	Net amount
Assets						
Derivatives	3.9	-	3.9	-2.2	-	1.7
Liabilities						
Derivatives	-2.3	-	-2.3	2.2	-	-0.1
Total	**1.6**	**-**	**1.6**	**-**	**-**	**1.6**

Note 23 Other receivables

	31 Dec 2018	31 Dec 2017
Receivables from Group companies	266.8	213.0
Other receivables	78.8	29.4
Total	**345.6**	**242.4**

The transition from IAS 39 to IFRS 9 entailed that loss allowance for other receivables was established at SEK 0 M for 1 January 2018. The loss allowance on 31 December 2018 amounted to SEK 0 M. All exposures are in stage 1.

Note 24 Tangible assets and inventories

	31 Dec 2018	31 Dec 2017
Tangible assets	7.6	6.9
Inventories, market items	14.4	13.8
Total	**22.0**	**20.7**
Tangible assets		
Accumulated cost		
Opening balance	10.3	7.6
Acquisitions for the year	3.1	4.8
Divestments and disposals	-1.1	-2.1
Exchange-rate effect	0.0	0.0
Closing balance	**12.3**	**10.3**
Accumulated depreciation		
Opening balance	-3.4	-3.1
Depreciation for the year	-1.9	-1.3
Divestments and disposals	0.6	1.0
Exchange-rate effect	0.0	0.0
Closing balance	**-4.7**	**-3.4**
Carrying amount	**7.6**	**6.9**

Note 25 Deferred acquisition costs

	31 Dec 2018	31 Dec 2017
Opening balance	162.7	181.8
Capitalisation for the year	327.1	334.2
Depreciation for the year	-329.9	-353.3
Closing balance	**159.9**	**162.7**

Note 26 Untaxed reserves

	2018	2017
Equalisation reserve	35.2	35.2
Contingency reserve	464.9	464.9
Tax allocation reserve		
Reserved for 2012	-	36.3
Reserved for 2013	43.5	43.5
Reserved for 2014	71.1	71.1
Reserved for 2015	72.1	72.1
Reserved for 2016	60.0	60.0
Reserved for 2017	50.0	50.0
Reserved for 2018	41.0	-
Closing balance of tax allocation reserve	337.7	333.0
Total	**837.8**	**833.1**

Note 27 Unearned premiums and unexpired risks

	31 Dec 2018			31 Dec 2017		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	1,555.2	–	1,555.2	1,407.3	–	1,407.3
Provisions during the period	117.9	–	117.9	158.7	–	158.7
Exchange-rate changes	9.6	–	9.6	-10.8	–	-10.8
Closing balance	**1,682.7**		**1,682.7**	**1,555.2**	**–**	**1,555.2**

Note 28 Claims outstanding

	31 Dec 2018			31 Dec 2017		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Claims incurred and reported	51.9	6.6	45.3	42.3	4.0	38.3
Claims incurred but not reported	200.1	0.0	200.1	242.0	0.0	242.0
Claims adjustment costs	14.0	0.0	14.0	17.6	0.0	17.6
Total opening balance	**266.0**	**6.6**	**259.4**	**301.9**	**4.0**	**297.9**
Provisions for the period	17.7	-1.4	19.1	-34	2.7	-36.5
Exchange-rate changes	2.6	0.1	2.5	-1.9	-0.1	-2.0
Total change for the year	**20.3**	**-1.3**	**21.6**	**-35.9**	**2.6**	**-38.5**
Claims incurred and reported	53.1	5.3	47.8	51.9	6.6	45.3
Claims incurred but not reported	217.9	–	217.9	200.0	–	200.0
Claims adjustment costs	15.3	–	15.3	14.1	–	14.1
Total closing balance	**286.3**	**5.3**	**281.0**	**266.0**	**6.6**	**259.4**

Technical provisions in Agria are not discounted.

Note 29 Pensions and similar commitments

Provision for early retirement in accordance with pension agreement	31 Dec 2018	31 Dec 2017
Opening balance	0.0	0.9
Provision for the year (+)/reversal (-)	0.0	-0.9
Closing balance	**0.0**	**0.0**

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

Defined-contribution pension plans

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

FTP plan contributions for 2019 are expected to total SEK 6.1 M.

	2018	2017
Expenses for defined-contribution plans	14.0	12.0

Note 30 Other liabilities

	31 Dec 2018	31 Dec 2017
Liabilities to Group companies	83.1	19.2
Other liabilities	69.2	29.7
Total	**152.3**	**48.9**

Note 31 Other accrued expenses and deferred income

	31 Dec 2018	31 Dec 2017
Prepaid premiums	448.3	416.6
Accrued expenses	35.9	41.1
Total	**484.2**	**457.7**

Note 32 Financial assets and liabilities by category

31 Dec 2018	Financial assets measured at FVPL: Measured at FVPL	Financial assets measured at FVPL: Equity instruments	Financial assets measured at amortised cost	Financial assets measured at FVOCI: Debt instruments measured at FVOCI	Financial assets measured at FVOCI: Equity instruments	Total carrying amount	Fair value
Assets							
Interest-bearing securities issued by Group companies and loans to Group companies	119.4	-	-	-	-	119.4	119.4
Shares and participations	69.3	-	-	-	-	69.3	69.3
Bonds and other interest-bearing securities	1,202.8	-	-	-	-	1,202.8	1,202.8
Derivatives	5.6	-	-	-	-	5.6	5.6
Other financial investment assets	-	-	-	-	-	-	-
Other receivables	-	-	275.9	-	-	275.9	275.9
Cash and bank balances	-	-	161.5	-	-	161.5	161.5
Prepaid expenses and accrued income	-	-	1.0	-	-	1.0	1.0
Total	**1,397.1**	**-**	**438.4**	**-**	**-**	**1,835.5**	**1,835.5**

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Liabilities				
Derivatives	13.2	–	13.2	13.2
Other liabilities	–	124.4	124.4	124.4
Accrued expenses and deferred income	–	12.6	12.6	12.6
Total	**13.2**	**137.0**	**150.2**	**150.2**

The carrying amount of assets classified as Financial assets measured at amortised cost and liabilities classified as Financial liabilities measured at amortised cost 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.

31 Dec 2017	Financial assets measured at FVPL: Financial assets measured according to fair value option	Financial assets measured at FVPL: Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	102.1	–	–	102.1	102.1
Shares and participations	61.4	–	–	61.4	61.4
Bonds and other interest-bearing securities	1,236.0	–	–	1,236.0	1,236.0
Derivatives	–	3.9	–	3.9	3.9
Other financial investment assets					
Other receivables	–	–	309.1	309.1	309.1
Cash and bank balances	–	–	2.4	2.4	2.4
Prepaid expenses and accrued income	–	–	87.9	87.9	87.9
Total	**1,399.5**	**3.9**	**399.4**	**1,802.8**	**1,802.8**

	Financial liabilities measured at FVPL: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities				
Derivatives	2.3	–	2.3	2.3
Other liabilities	–	108.6	108.6	108.6
Accrued expenses and deferred income	–	1.9	1.9	1.9
Total	**2.3**	**110.5**	**112.8**	**112.8**

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

Note 32 Financial assets and liabilities by category, cont.

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 2018				31 Dec 2017			
	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	119.4	–	–	119.4	102.1	–	–	102.1
Shares and participations	69.3	–	0.0	69.3	61.4	–	0.0	61.4
Bonds and other interest-bearing securities	1,202.8	–	–	1,202.8	1,236.0	–	–	1,236.0
Derivatives	0.2	5.4	–	5.6	0.3	3.6	–	3.9
Other financial investment assets					–	–	–	–
Liabilities								
Derivatives	0.0	13.1	0.0	13.2	0.0	2.2	–	2.3

There were no significant transfers between Level 1 and Level 2 during 2018 or during 2017. There were no transfers from Level 3 in 2018 or 2017. Gains and losses are recognised in profit or loss under Investment income, revenue and Investment income, expenses.

Shares and participations in Group companies measured at cost in the balance sheet

The fair value (Level 3) of shares and participations in Group companies was measured at equity per share based on the most recent company report plus outstanding acquired goodwill.

Change Level 3	Shares and participations
Opening balance, 1 January 2018	0.0
Divestments	–
Recognised in profit or loss	0.0
Closing balance, 31 December 2018	0.0

Change Level 3	Shares and participations
Opening balance, 1 January 2017	0.0
Divestments	–
Recognised in profit or loss	0.0
Closing balance, 31 December 2017	0.0

Note 33 Transition to IFRS 9 Financial instruments

Agria began applying IFRS 9 Financial Instruments from 1 January 2018. Changes to accounting policies attributable to IFRS 9 are described in note 1 Accounting policies.

Financial assets and liabilities by category according to IFRS 9

SEK M	Carrying amount 1 Jan 2018	Category according to IAS 39	Category according to IFRS 9
Assets			
Interest-bearing securities issued by Group companies and loans to Group companies	102.1	Financial assets measured according to fair value option	FVPL
Shares and participations	61.4	Financial assets measured according to fair value option	FVPL
Bonds and other interest-bearing securities	1,236.0	Financial assets measured according to fair value option	FVPL
Derivatives	3.9	Held for trading	FVPL
Other receivables	309.1	Loans and receivables	Amortised cost
Prepaid expenses and accrued income	2.4	Loans and receivables	Amortised cost
Cash and bank balances	87.9	Loans and receivables	Amortised cost
Total assets	**1,802.8**		
Liabilities			
Derivatives	2.3	Held for trading	FVPL
Other liabilities	108.6	Other financial liabilities	Amortised cost
Accrued expenses and deferred income	1.9	Other financial liabilities	Amortised cost
Total liabilities	**112.8**		

Expected credit losses are recognised in the item Cash and bank balances and Other receivables measured at amortised cost and the accumulated loss allowance amounted to zero or almost zero.

Note 34 Anticipated recovery dates for assets and liabilities

	31 Dec 2018			31 Dec 2017		
	Not more than 1 year	More than 1 year	Total	Not more than 1 year	More than 1 year	Total
Assets						
Other intangible assets	2.9	7.9	10.8	1.5	9.1	10.6
Shares and participations in Group companies	–	273.2	273.2	–	273.2	273.2
Interest-bearing securities issued by Group companies	–	119.4	119.4	–	102.1	102.1
Shares and participations in associated companies	–	0.0	0.0	–	–	–
Shares and participations	0	69.3	69.3	–	61.4	61.4
Bonds and other interest-bearing securities	165.4	1,037.4	1,202.8	120.8	1,115.1	1,236.0
Derivatives	5.6	–	5.6	3.9	–	3.9
Other investment assets	–	–	–	–	–	–
Reinsurers' portion of technical provisions	5.3	0.0	5.3	6.5	0.1	6.6
Receivables from policyholders	1,469.3	–	1,469.3	1,283.3	–	1,283.3
Receivables, reinsurance	1.0	–	1.0	0.3	–	0.3
Other receivables	345.6	–	345.6	242.4	–	242.4
Tangible assets and inventories	14.4	7.6	22.0	17.6	3.1	20.7
Cash and bank balances	161.5	–	161.5	87.9	–	87.9
Deferred tax assets	–	0.0	0.0	–	3.8	3.8
Prepaid expenses and accrued income	173.9	–	173.9	172.8	–	172.8
Total assets	**2,344.9**	**1,514.8**	**3,859.7**	**1,937.0**	**1,567.9**	**3,505.0**
Provisions and liabilities						
Technical provisions (before ceded reinsurance)	1,849.9	119.1	1,969.0	1,710.7	110.5	1,821.2
Pensions and similar commitments	–	–	–	–	–	–
Other provisions	–	2.7	2.7	–	2.8	2.8
Deferred tax	–	0.1	0.1	–	–	–
Liabilities to policyholders	21.3	–	21.3	18.2	–	18.2
Derivatives	13.2	–	13.2	2.3	–	2.3
Current tax liabilities	–	–	–	4.0	–	4.0
Other liabilities	152.3	–	152.3	48.9	–	48.9
Accrued expenses and deferred income	484.2	–	484.2	457.7	–	457.7
Total provisions and liabilities	**2,520.9**	**121.9**	**2,642.8**	**2,241.9**	**113.2**	**2,355.2**

Note 35 Pledged assets and contingent liabilities

	31 Dec 2018[1]	31 Dec 2017[2]
Registered investment assets on behalf of policyholders	1,963.7	1,814.6

[1] Assets pledged for the benefit of policyholders to cover technical provisions in accordance with Chapter 6, Section 11 of the Insurance Business Act. The amount recognised as pledged assets corresponds to the technical liabilities after deductions for reinsurers' portion. All assets recognised in the benefit register amounted to SEK 3,103.8 M.

[2] Registered assets in accordance with Chapter 6, Section 11 of the Insurance Business Act amount to SEK 1,814.6 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 commitments are covered for liabilities in accordance with the Insurance Business Act in accordance with the wording at the end of 2017.

Note 36 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. Overall, pricing is intended to distribute costs fairly within the Länsförsäkringar Alliance based on consumption. Joint development projects and joint service 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

2018	Purchases	Sales	Receivables	Liabilities
Parent Company	69.4	-4.6	5.2	60.8
Group companies	186.8	4.4	156.2	29.3
Regional insurance companies	10.5	0.3	0.3	3.3
Other related parties	0.5	0.3	–	0.1

2017	Purchases	Sales	Receivables	Liabilities
Parent Company	44.4	-3.8	0.2	3.3
Group companies	174.9	4.4	317.2	17.8
Regional insurance companies	12.1	0.2	–	0.3
Other related parties	0.4	0.3	–	0.2

Bank balances and interest income received from Länsförsäkringar Bank AB amounted to SEK 228.8 M (161.0) in 2018.

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

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

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

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

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

2018	Total	Other property	International
Premiums earned, gross	3,500.9	2,249.6	1,251.3
Claims payments, gross	-2,458.4	-1,556.1	-902.3
Operating expenses, gross	-823.3	-506.2	-317.1
Loss from ceded reinsurance	-5.6	-4.0	-1.6
Profit	**213.6**	**183.3**	**30.3**
Premium income, gross	3,618.8	2,293.1	1,325.7

Note 38 Significant events after the end of the fiscal year

No significant events were reported after the balance-sheet date.

Note 39 Appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), non-restricted equity of SEK 323,921,228 is at the disposal of the Annual General Meeting.

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	210,417,366
Group contributions paid	-45,000,000
Tax on Group contributions	9,900,000
Net profit for the year	148,603,862
Total	**323,921,228**

The Board of Directors proposes that profit be appropriated as follows:

To be distributed to the owner	10,000,000
To be carried forward	313,921,228
Total	**323,921,228**

The dividend, comprising 2.6% of the insurance company's equity, has been proposed after considering the rules on solvency capital requirement under the Swedish Insurance Business Act.

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 174% (175).

The insurance company's financial position does not result in any other assessment than that the insurance company can be expected to fulfil its obligations in both the short and long term.

The Board of Directors believes that the insurance company's equity as reported in the Annual Report is sufficiently high in relation to the nature, scope and risks of the operations, and the company's solvency requirements, liquidity and financial position, in accordance with Chapter 17, Section 3 of the Swedish Companies Act.

For more information on the insurance company's earnings and financial position, refer the following income statement and balance sheet with accompanying notes to the accounts.

The Annual Report was approved for publication by the Board of Directors on 4 March 2019.
The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2019.

Ann Sommer
Chairman

Christian Bille
Board member

Jan Ehrensvärd
Board member

Dag Ekner
Board member

Stig Högberg
Board member

Karin Mattsson
Board member

Ulrika Obstfelder Peterson
Board member

Katja Puustinen
Board member

Ulf Uddman
Board member

Margareta Edihl Tomth
Employee representative

Anna Sandqvist
Employee representative

Agnes Fabricius
President

Our auditor's report was submitted on 27 March 2019.
KPMG AB

Gunilla Wernelind
Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Försäkringsaktiebolaget Agria (publ) for the year 2018. The annual accounts of the company are included on pages 4–38 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of Försäkringsaktiebolaget Agria (publ) as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

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

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the Board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Försäkringsaktiebolaget Agria (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for claims outstanding reported as part of the technical provisions

See disclosure 28 and accounting principles in the annual account for detailed information and description of the matter.

Description of key audit matter

Provision for claims outstanding, reported as part of technical provisions, amounts to 286,3 MSEK as of December 31, 2018.

This is an area involving significant judgments of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The company uses established actuarial valuation models to support the calculations of the provision for claims outstanding. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data or the design or application of the models.

The company´s provision for claims outstanding consists of a few products. The actuarial assumptions such as settlement period, customer's behavior and costs are examples of important data being used to estimate these provisions.

Response in the audit

We have assessed the applied actuarial assumptions by comparing the valuation methods with the company's own experience and investigations, regulatory requirements and industry benchmarks.

We have performed tests on a sample basis to assess management's data extraction process as input to the actuarial calculations.

We have involved our own actuarial specialists to assist us in challenging the methodology and the assumptions used in the projected cash flows and in the valuation of the provisions. We have performed our own calculations verifying the adequacy of the provision and compared it to the expected future contractual obligations.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the accounts and assessed whether the information is adequate to understand management judgements.

Other Information than the annual accounts

This document also comprises other information than the annual accounts and is found on pages 1–3. The Board of Directors and the Managing Director are responsible for the other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in

Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

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

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Försäkringsaktiebolaget Agria (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Försäkringsaktiebolaget Agria (publ) by the general meeting of the shareholders on the 16 of May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 27 March 2019
KPMG AB

Gunilla Wernelind
Authorized Public Accountant

Board of Directors and auditor

1 Ann Sommer

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

2 Christian Bille

Born 1962. President of Länsförsäkringar Halland. Elected: 2018. **Education:** Master of Science in Business and Economics, Lund University. **Other Board appointments:** Board member of Länsförsäkringar Halland, Länsförsäkringar Fondliv AB, Wasa Kredit AB, Länsförsäkringar Hypotek AB, Halmstads Flygplats AB and Chairman of Länsförsäkringar Franchise-support AB, Högskolan i Halmstad Investerings AB. **Previous experience:** Operating Manager Swedbank, President of Sparbanken Syd.

3 Jan Ehrensvärd

Born 1968. Owner of Tosterups Gård AB. Elected: 2017. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Treform Packaging AB and Äppelriket Ekonomisk förening, Board member of Federation of Swedish Farmers and Alsoca Förvaltning AB. **Previous experience:** Sales and Marketing Director KGH Group, President of Checkpoint Systems Inc, founder of Parcelhouse.

4 Dag Ekner

Born 1962. Self-employed consultant. Elected: 2018. **Education:** Degree in market economy **Other Board appointments:** Swedish Horse Council Foundation (HNS), Chairman of Stiftelsen Wången. **Previous experience:** Board member of Swedish Trotting Association, Sales Director at Svenska Fönster AB and Forbo Flooring AB, President of Forbo Forshaga AS.

5 Stig Högberg

Born 1960. Forest farmer. Elected: 2018. **Education:** Agricultural education. **Other Board appointments:** Chairman of Länsförsäkringar Västernorrland, and property management company Gården 35 AB, Board member of Länsförsäkringar Alliance Development Fund Foundation, Deputy Chairman of Norrskog and Board member of Västernorrland Wildlife Management Delegation. **Previous experience:** Region Chairman of LRF Västernorrland, Board member of National Board of Directors of Federation of Swedish Farmers (LRF), Landshypotek region Norrland, Mitt kapital and Investa företagskapital.

6 Karin Mattsson

Born 1972. Chairman of Länsförsäkringar Jämtland. Elected: 2018. **Education:** Human Resources Specialist. **Other Board appointments:** Chairman of Länsförsäkringar Jämtland, Swedish Ski Association, Flyinge AB, Ridskolan Strömsholm AB and WCR 2019 Jämtland/Härjedalen AB. Board member of companies including Mellanskog, Wallenstam AB, Astrid Lindgrens Värld AB and SHL AB. **Previous experience:** Chairman of Swedish Sports Confederation, Head of Skills Development at Federation of Swedish Farmers.

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

7 Ulrika Obstfelder Petersson

Born 1963. President of Länsförsäkringar Värmland. Elected: 2018. **Education:** Information programme at Karlstad University and individual courses in political science, marketing, business administration and sociology. **Other Board appointments:** Länsförsäkringar Värmland Fastigheter AB, Länsförsäkringar Värmland Aktieförvaltning AB, Eko Väst Invest AB. **Previous experience:** President and CEO of Värmlands Folkblad AB, Vice President Värmland Chamber of Commerce, Studio Manager at Pictura AB, Senior Adminstrative Officer at Swedish Defence Recruitment Agency, Chairman of Värmland Chamber of Commerce, Board member of Danske bank local board, Clarahälsan AB, Värmlands Trafikcenter AB, Tidningsutgivarna, TT AB, Värmland Fire Protection Association.

8 Katja Puustinen

Born 1971. Chairman of the Swedish Veterinary Association. Elected: 2018. **Education:** Master of Science in Veterinary Medicine, Swedish University of Agricultural Sciences, Uppsala. **Other Board appointments:** President of Executive Board of Swedish Veterinary Association (SVF), Board member of SACO association Board SLU and board appointments local gymnastics association in Uppsala. **Previous experience:** Board appointments at Employed Vets Association (at SVF), tenant-owners' association in Uppsala, clinic vet at University Hospital pet clinic SLU Uppsala (current).

9 Ulf Uddman

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

Employee representatives

10 Margareta Edil Tomth

Born 1960. Employee representative. Elected: 2018. **Education:** Business school economist. **Other Board appointments:** Elected to FTF Club Board. **Previous experience:** Vestry member Dalarna (Sollerön), elected to several small associations in Dalarna (Hästgillet, Coop Nomination Committee), accounting assistant Lokalradion and Radio Sweden.

11 Anna Sandqvist

Born 1963. Compliance. Elected: 2017. **Education:** Bachelor of Arts. **Other Board appointments:** Employee representative of SACO on the Board of Länsförsäkringar AB, Chairman of SACO Association at Länsförsäkringar AB. **Previous experience:** AMF Pension, Wasa Försäkringar.

Deputy: Linnéa Niklasson

Management

Agnes Fabricius

President. Born 1972. Employed 2017. **Education:** Hippologist Swedish University of Agricultural Sciences, studies at Stockholm School of Economics. **Board appointments:** Chairman of Agria Pet Insurance Ltd. **Previous experience:** Head of Retail customer business area, Head of Bank and Claims Manager at Länsförsäkringar Stockholm.

Monica Dreijer

Executive Vice President, Head of Business Support and Sustainability. Born 1961. Employed 1986. **Education:** Upper-secondary school social science programme. Individual courses at Stockholm University. **Board appointments:** Agria Pet Insurance Ltd. **Previous experience:** 24 years of experience from senior positions at Agria, including Head of Insurance Operations, President of Business Area Horse, President of Business Area Pet and Executive Vice President since 2002.

Minna Dahlberg

CMO. Born 1972. Employed 2018. **Education:** Bachelor of Business Administration, Stockholm University. **Board appointments:** None. **Previous experience:** Business Unit Director Alfort & Cronholm, Head of Marketing Kronans Apotek, Marketing Director Yoplait Sweden, Account Director Storåkers McCann, Head of Private Label Design ICA AB, Market Planner ICA Sverige AB, Board member of Quality Painting Tools AB, deputy board member of Alcro Parti AB.

Baharan Hellström

President of Europe Business Area. Born 1979. Employed 2018. **Education:** Political scientist, specialising in international relations. **Board appointments:** Agria Pet Insurance Ltd. **Previous experience:** More than 13 years of experience from senior positions in sales and claims adjustment and member of management groups.

Kaj Holmberg

Manager Business Development and Innovation. Born 1967. Employed 2005. **Education**: Bachelor of Science in Information Systems. **Board appointments:** BRF Dyningen. **Previous experience:** 25 years of experience in IT/telecoms/web, 20 years of experience from senior positions and member of various management groups in the past 15 years.

Sonja Karaoglan

President of Nordic Business Area. Born 1967. Employed 2010. **Education:** EMBA. **Board appointments:** Save the Children Denmark. **Previous experience:** IHI - International Health Insurance / BUPA 11 years, SEB Kort 1.5 years and 30 years management experience.

Patrik Olsson

President of Pet Business Area. Born 1967. Employed 2010. **Education:** Upper-secondary school economics programme. **Board appointments:** Svenska Andelshästar AB (EasyKB), Djurbranschens yrkesnämnd DYN. **Previous experience:** Complete responsibility for Agria's Pet business line in Sweden since 2010, member of Agria management. Former Head of Agriculture/Regional Manager Horse with complete responsibility for the agriculture business line at Länsförsäkringar Stockholm and Regional Manager Horse Stockholm. Member of management team Commercial business area. Started agricultural bank at Länsförsäkringar Stockholm.

Mikael Theorén

President of Horse and Agriculture Business Area. Born 1963. Employed 2017. **Education:** Technical college engineer specialising in electronics. **Board appointments:** Gnesta Kommunkoncern. **Previous experience:** More than 15 years of experience from the Swedish equestrian industry, such as senior roles at the Swedish Equestrian Federation, more than 25 years of experience in management, operations establishment and international business.

Definitions

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

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

Direct yield
Direct yield refers to the total of interest income, interest expense, other financial expenses, dividends on shares and participations in relation to the average value of the investment assets during the year.

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 in the insurance operations as a percentage of premiums earned after ceded reinsurance.

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

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

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 costs also include run-off result.

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
Own funds comprise Tier 1 capital and ancillary own funds. Tier 1 capital is the difference between assets and liabilities measured in accordance with the Solvency II rules and subordinated liabilities. Ancillary own funds comprises items not recognised in the statutory balance sheet but that could be required to cover losses. Own funds for Agria mainly comprise equity and untaxed reserves according to the legal accounts adjusted by revaluation items arising on the remeasurement of the balance sheet in accordance with Solvency II.

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.

Minimum capital requirement
The minimum capital requirement comprises the minimum amount of eligible Tier 1 capital and is calculating by taking into account all or part of technical provisions, premium income, positive risk amounts, deferred taxes, administrative costs, ceded reinsurance and the solvency capital requirement.

Premium income
Premiums paid in during the year or recognised as receivables at year-end since they have fallen due for payment.

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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