Agria Djurförsäkring

Annual Report

2019

Agria Djurförsäkring

About 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. Agria's core values are closeness, innovation, dedication and simplicity. This means Agria is part of the animal world – we strive to make life with animals simple and enjoyable. Agria is also a specialist in pet insurance with immense empathy and is dedicated to creating security for animals and their owners.

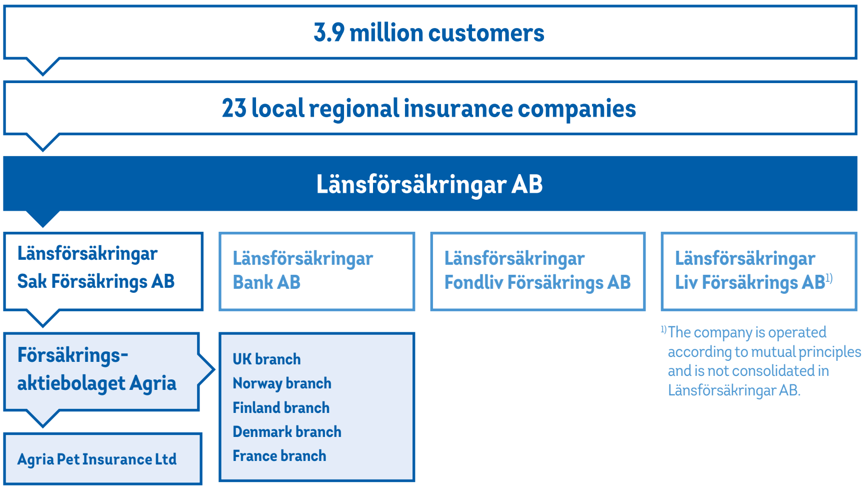
The strong Agria brand is based on such factors as a deep commitment to animal health and research programmes. We also participate at various animal events in the form of competitions, exhibitions and clinics. Agria maintains continuous dialogue with its customers through partnerships with several animal-owner organisations, such as the Nordic kennel clubs and various pedigree clubs.

Agria's 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 continue to build up the Agria brand in these countries, with the same tools and success as we have in Sweden.

Länsförsäkringar in brief

Local companies with customers who are owners and the only principal

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 offering of 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 7,200 employees.



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

Contents

The 2019 fiscal year

Significant events *Figures in parentheses pertain to 2018*

- Profit before appropriations and tax amounted to SEK 123 M (186).
- The technical result amounted to SEK 64 M (216).
- The combined ratio was 98% (94).
- The technical result was impacted by higher claims costs.
- Continuing strong growth in both Sweden and the international operations.

Key figures

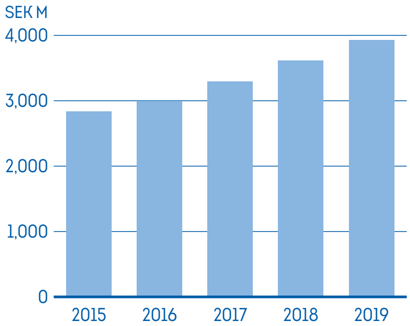
%	2019	2018	2017	2016	2015
Combined ratio	98	94	92	90	89
Return on equity[1]	10	15	22	22	24
Total investment income	4.1	-1.6	0.5	1.1	-1.6
Solvency ratio[2]	177	174	175	159	210

[1] Profit before appropriations less standard tax at a rate of 21.4% as a percentage of average equity including 78.6% of untaxed reserves. For 2015–2018, the percentages of 22.0 and 78.0, respectively, were used.
[2] The 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, using a partial internal model.

Business volume: SEK 3,928 M

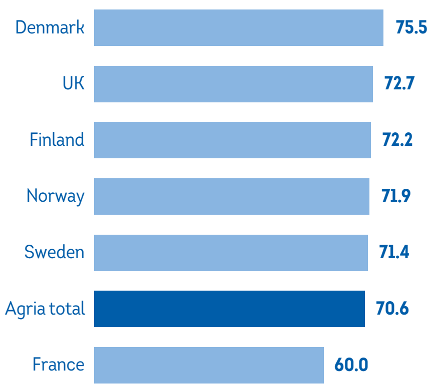
+8.9%

Premium income



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

Customer satisfaction 2019



Source: Swedish Quality Index

More animals than ever!

Statement by the President › 2019 was the year when more customers than ever chose Agria to protect their animals. The inflow of new customers hit new peaks and more existing customers continued to make use of the security offered by our insurance policies. We are grateful for the confidence shown in us, the need for good pet insurance has probably never been higher. Claims costs are increasing due to a higher number of visits to the vet and increased costs for veterinary care.

Agria received a high rating from customers in this year's major customer survey, once again confirming that we are on the right track. Our mission is clear – we create security for animals and people. There is a major need for a reliable insurance partner to protect our four-legged family members, making it important that we earn our customers. We do this by being specialists in pet insurance. Even when Agria was first founded in 1890, it was clear that the people who work with pet insurance should be knowledgeable about animals. This remains one of the most important cornerstones underpinning the Agria brand in six countries and allowing us to improve animal health and make owning an animal simple and enjoyable.

International expansion

We worked on creating a more efficient, competitive and future-oriented Agria in all countries during the past year. This work resulted in higher brand recognition and strong growth. Alongside our desire to grow, we see the value of our international presence when it comes to increased economies of scale, greater risk diversification and access to new skills that strengthen our business. During the year, our aim of continuing to expand internationally also included evaluating new, potential markets in Europe.

As we expand internationally, so does our need to implement measures to maintain one and the same Agria in all markets. Creating a shared view of our history, our current position and future is vital for our strong corporate culture. At the start of the year, we launched a platform for our internal values and conduct, which all employees were played a role in developing. This work continued during the year and involved inspiring meetings, training courses and discussions between employees and managers in all countries. Together we are building one Agria with its sights set on the future.

Meeting customers in digital channels

It was gratifying for us to see that our intense focus on digital marketing and sales was launched with great success. More and more customers are choosing digital channels to compare insurance policies and obtain information before finally buying a policy. The Agria brand is well-known in Sweden and the level of insurance is high, and thanks to our digital advances, we are now reaching new customer groups. We see even greater potential for our digital channels in other countries where the level of insurance and knowledge of Agria is slightly lower.

Another area in which advances are being achieved is automated claims adjustment. 12% of all claims were adjusted entirely automatically during the year. For customers this creates a positive experience as a notification of compensation is provided immediately when a claim is made.

Sustainability

It is a given today that companies are expected to assume responsibility for and contribute to society. Agria has a long tradition of working to improve animal health, particularly through the Agria Research Fund founded in 1938. One of our largest sustainability projects is Agria's annual Dog Walk. For every participating team, Agria donates a sum of money for dogs in need. The first Agria Dog Walk was held in May in all countries in which we operate. On this one day, almost 7,000 dogs walked with their owners in Paris, Edinburgh, Copenhagen, Stockholm, Oslo and Helsinki.

"Sustainable Riding for Sustainable Horses" book

Agria has successfully conducted the #stoppahältan project, which seeks to reduce the number of lame horses, for two years. The results are compiled in the "Sustainable Riding for Sustainable Horses" book, with contributions from a number of well-known equestrian profiles. The book was launched at Jönköping Horse Show in November and was warmly received in the equestrian world. I am pleased that work on the #stoppahältan project has now also started in Denmark and Norway – allowing us to help achieve even more sustainable horses.

A couple of times during the year, Agria raised its voice in the media in support of horse welfare, speaking up on issues such as access to veterinary care throughout Sweden. Distances to emergency veterinary care are increasing as clinics in the countryside close down one by one. Many horses do not even get to a clinic in time. Sweden, which has always been a role model in terms of decent animal protection with local veterinary care, is no longer living up to its reputation. This cannot continue and it is natural for Agria to assume responsibility for highlighting this issue and taking action for change.

Agria is now continuing to step forward. As a specialist company, it has its sights set on making life with animals easy and enjoyable. Agria is an advocate for animals. We share our expertise, offer products and services that help provide good veterinary care, and create security for both animals and people!

Stockholm, March 2020

Agnes Fabricius

Agnes Fabricius
President of Agria Djurförsäkring

> We have worked on creating a more efficient, competitive and future-oriented Agria. This work resulted in higher brand recognition and strong growth.

Board of Directors' Report

The Board of Directors and the President of Försäkringsaktiebolaget Agria (publ), Corp. Reg. No. 516401-8003, hereby submit the 2019 Annual Report. The registered office of the company is in Stockholm.

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

Ownership

Försäkringsaktiebolaget Agria (publ), referred to below as Agria, is a wholly owned subsidiary of Länsförsäkringar Sak Försäkrings AB (publ), referred to below as Länsförsäkringar Sak, Corp. Reg. No. 502010-9681. Länsförsäkringar Sak is wholly owned by Länsförsäkringar AB (publ), Corp. Reg. No. 556549-7020, which is owned by 23 regional insurance companies and 15 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 dedicated focus on and involvement with animals and their owners. Its roots can be traced back 130 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, the UK and 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 comprises 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. Asset management is handled within Länsförsäkringar AB on assignment from Agria.

Market and operations

The pet-insurance market remains driven by an increasing number of animal owners becoming aware of the importance of reliable pet insurance, which is influenced by, for example, the greater emotional value of animals for their owners and developments in the veterinarian industry with new technology, new treatment methods and access to veterinary care.

Agria has a strong concept with the clear strategy of growing internationally. The six countries served by Agria all have different challenges, but many similarities as well, and this is where the value of economies of scale, greater risk diversification and access to international know-how strengthen the business.

For the second consecutive year, Agria had a high level of customer satisfaction, as measured by the Swedish Quality Index. The UK operations have an increasing share of satisfied customers and customer satisfaction is increasing in Norway. Customers who used their insurance to make a claim remained satisfied.

Europe business area

As a result of targeted marketing efforts in France, recognition of the Agria brand is increasing among the important target group of dog and cat breeders. This formed the basis for business growth in 2019.

The UK left the EU on 31 January 2020. The EU and UK agreed on a transition period in 2020 during which EU rules will continue to apply in the UK. There is still great uncertainty about the permanent withdrawal agreement that is to be negotiated. Agria is closely following developments and taking the necessary actions regarding this transition, focusing on ensuring that the impact on the company's customers is as little as possible.

Improvements are being made to distribution channels, such as automation, integration and digitisation, focusing on the customer experience. This also helps enhance internal efficiency. Agria's growth in the UK remained strong.

Nordic business area

Growth in Denmark was favourable, with high customer loyalty. Increased costs for veterinary care are impacting the industry, resulting in higher premium levels. Agria actively engages in a dialogue with the veterinary sector.

Agria is a market leader in the pet insurance segment in Norway. Activities to increase customer loyalty generated results, which led to a higher level of renewals and thus an expanded portfolio. Higher sales also contributed to the strong growth.

Agria's Finnish operations reported strong growth after a year of successful sales that exceeded the established target. There is still great future potential for growth in dog and cat insurance.

Pet business area – Sweden

Agria's insurance for Swedish pets showed strong growth, particularly cat insurance, but also insurance for small animals. One reason for the higher demand from pet owners is the launch of insurance for specific breeds aimed at this target group. Compensation for veterinary care for feline tooth resorption (FORL/TR) was launched as a step in further focusing on the needs of cat-insurance customers.

Previously implemented digital activities helped to boost digital sales in 2019. A new partnership was established with the second-hand site Blocket to offer pet insurance for the large number of pets sold on the website.

Agria's Customer Service Centre won gold in the categories of Customer Service and Telemarketing at the prestigious "Guldkontakt" awards for customer call centres in different industries. Guldkontakt is the most prominent prize in Sweden for companies offering professional customer service for call centre telephone sales.

Horse & Agriculture business area – Sweden

The business area continued to grow in all areas – insurance for horses, farm animals and crops. The number of horse insurance policies in Sweden is the highest it has been for ten years. The portfolio of insured cattle also increased, despite the fodder shortages last year that resulted in many slaughters. Extensive hailstorm damage to crops in 2019 led to higher claims payments but also greater risk awareness among agricultural customers. This resulted in higher sales and an increase in insured crop areas.

During the year, the business area increased the exposure of the Agria brand, met customers and successfully sold a record-breaking number of horse insurance policies through its attendance at several major horse competitions. Agria was the host of the world cup dressage final at the Gothenburg Horse Show and the premier of Stockholm Horse Week, which included the Global Champions Tour. Agria pony club raised SEK 125,000 for the Swedish Childhood Cancer Fund at various events.

Digitising the operations

One of Agria's priority areas is the development of digital channels to enhance the customer experience of meeting Agria and to develop targets sales and more efficient operations. The process that started last year continues to be successful and resulted in a significant increase in online sales. At the same time, the share of automated claims adjustments has doubled through the use of new technology.

Agria's new visual identity was updated on the websites in all countries. Customers are now also greeted by a more modern interface and more useful information in the Agria app.

Research

Part of the company's insurance premiums have been set aside for the Agria Research Fund every year since 1938.

In 2019, the Agria Research Fund awarded more than SEK 10 M to help dogs, cats, horses and farm animals. These awards were made in cooperation with the Agria SKK Research Fund, the Swedish-Norwegian Foundation for Equine Research and the Swedish Farmers' Foundation for Agricultural Research.

Agria Breed Profile for dogs was updated with more claims statistics for the fourth time. The Swedish Kennel Club passed on these profiles to pedigree clubs that actively work to promote healthy dog breeding.

Agria arranged research seminars about horses and pets together with researchers to help spread knowledge about research results. Presenter Henrik Johnsson hosted discussions on interesting findings with researchers in the Pälspodden podcast. Seven episodes have been produced and published to date.

Significant events after the end of the fiscal year

No significant events were reported after the end of the fiscal year.

Expectations regarding future development

The possibility of obtaining even more information on 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 must also strive for a sustainable society for animals and improved animal health.

Employees

Commitment, trust, openness and professionalism are the foundation of Länsförsäkringar's corporate culture. Skilled employees who drive and develop the operations are vital to achieving our business objectives. Attracting new and retaining existing employees is of the greatest importance. A focus on diversity, inclusion, skills development, health and a good work environment are key factors in ensuring this.

A new equality and diversity plan was implemented in 2019 and the gender distribution in working groups remains good. A Group-wide skills supply plan was produced, containing short and long-term objectives and activities. A decision was made to introduce a framework for the Lean Agile work method in order to deliver more efficient, high-quality development services to the regional insurance companies. Agria's employees have access to a broad range of training courses. The Länsförsäkringar AB Group has applied a long-term approach to health and the organisational, social and physical work environment for many years. Activity-based working started to be rolled out in 2019, enabling employees to perform their work duties efficiently and sustainably. 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.

A framework for the Lean Agile work method and activity-based workplace will be implemented in various phases starting in 2020. A course on artificial intelligence will be arranged for a pilot group of employees as part of the skills supply plan. Skills-based recruitment will be applied, focusing on tests to measure personality, development potential and problem solving, so as to avoid discrimination. Diversity and inclusion activities will continue and remain part of the business plan.

Sustainability

Försäkringsaktiebolaget Agria's sustainability activities are based on the vision of "Together we create security and opportunities for animals and animal owners." Agria can reduce its sustainability risks, increase customer value 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. Länsförsäkringar is a signatory to the principles of the UN Global Compact and works to contribute to the UN Sustainable Development Goals (SDGs). 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 Agria is included. The Group's Sustainability Report can be found in Länsförsäkringar AB's 2019 Annual Report on the pages listed in the Index ÅRL Sustainability Report on page 139.

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 179 M during the year to SEK 1,229 M. The Solvency II capital requirement (SCR) at the start of the year was SEK 602 M and increased to SEK 693 M at the end of the year, primarily driven by a higher limit for market risk from July 2019. The solvency ratio (own funds as a percentage of the solvency capital requirement) was 174% at the start of the year and 177% on 31 December 2019. The company's capital situation according to Solvency II is provided in the Länsförsäkringar AB Group's Solvency and Financial Condition Report.

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 Risks and risk management.

Earnings and financial position

Profit before appropriations and tax amounted to SEK 123 M (186). The technical result amounted to SEK 64 M (216) and the combined ratio was 98% (94). Investment income improved to SEK 59 M (–28).

The change in earnings was primarily due to higher claims costs. Intense hailstorms in southern Sweden in June contributed to a higher level of claims in crop insurance. Agria's largest business line in terms of volume – Swedish pet insurance – reported weaker earnings due to higher claims costs. This was a combination of both a higher claims frequency and higher veterinary care costs. In the international operations, the mature market in Norway delivered stable earnings, while Denmark reported weaker earnings due to higher claims costs. Earnings also included a negative non-recurring effect after adjustment of capitalised acquisition costs and claims adjustment reserves in the UK branch. Adjusted for the non-recurring effects, earnings in the UK were unchanged year-on-year. Investments continue to be made in building up new markets.

The portfolio grew strongly both in Sweden and in the international business. Premiums earned after ceded reinsurance increased 8% to SEK 3,788 M (3,496). Volumes increased in all business lines, with the largest growth in the international operations. Claims payments after ceded reinsurance amounted to SEK 2,804 M (2,459) and the claims ratio increased to 74% (70). Operating expenses amounted to SEK 924 M (823) and the expense ratio was 24% (24).

The total return on investment assets in 2019 was 4.1% (–1.6). The investment portfolio mainly consists of fixed-income assets, and has a short duration. The fixed-income portfolio contributed a total of 1.0 percentage points, with primarily US credits making the largest contribution. The equities portfolio contributed 1.7 percentage points to the total return during the period. Property investments that was added during the year made a positive contribution of 1.2 percentage points, and currencies also had a positive contribution of 0.3 of a percentage point. The higher return compared with 2018 was mainly due to the higher contribution from equities and fixed-income and the new property investments.

Proposed appropriation of the insurance company's profit or loss

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), non-restricted equity of SEK 406,850,551 is at the disposal of the Annual General Meeting.

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

Retained earnings	316,206,531
Group contributions paid	–5,000,000
Tax on Group contributions	1,070,000
Net profit for the year	94,574,020
Total	**406,850,551**

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

To be distributed to the owner	–
To be carried forward	406,850,551
Total	**406,850,551**

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 177% (174).

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.

Five-year summary

Earnings, SEK M	2019	2018	2017	2016	2015
Premiums earned (after ceded reinsurance)	3,787.8	3,495.8	3,135.6	2,891.4	2,721.1
Investment income transferred from financial operations	4.4	2.0	1.8	0.9	8.3
Claims payments (after ceded reinsurance)	–2,804.2	–2,458.9	–2,142.5	–1,963.9	–1,852.8
Operating expenses	–924.5	–823.3	–727.4	–639.1	–573.3
Other technical revenue	0.4	0.4	0.5	0.4	–
Technical result for insurance operations	**63.9**	**216.0**	**268.0**	**289.7**	**303.2**
Remaining investment income	63.2	–28.1	7.4	3.6	–14.3
Profit before appropriations and tax	**122.7**	**185.6**	**273.6**	**284.9**	**280.7**
Net profit for the year	**94.6**	**148.6**	**164.9**	**175.1**	**168.3**
Premium income (after ceded reinsurance)	**3,927.8**	**3,613.7**	**3,287.3**	**3,000.2**	**2,837.4**
FINANCIAL POSITION, SEK M					
Investment assets measured at fair value	1,815.3	1,708.2	1,700.1	1,653.8[1]	1,729.4
Technical provisions (after ceded reinsurance)	2,177.6	1,963.7	1,814.6	1,705.2	1,602.0
Solvency capital					
– equity	459.4	378.9	316.6	502.5	324.3
– deferred tax	0.1	0.1	–3.8	–1.1	–0.1
– untaxed reserves	837.3	837.8	833.1	783.1	729.1
– non-recognised surplus value	83.9	37.9	23.5	27.8	49.8
Solvency capital	**1,380.7**	**1,254.7**	**1,169.4**	**1,312.3**	**1,103.1**
Solvency margin, %	**35**	**35**	**35**	**44**	**39**
Own funds (according to FRL wording on 31 Dec 2015)	–	–	–	–	1,048
Required solvency margin (according to FRL wording on 31 Dec 2015)	–	–	–	–	466
Own funds	**1,229**[2]	**1,050**[2]	**984**	**820**	**989**[3]
Solvency capital requirement	**693**	**602**	**563**	**516**	**472**[3]
Minimum capital requirement	**312**	**271**	**253**	**232**	**212**[3]
Solvency ratio, %	**177**	**174**	**175**	**159**	**210**[3]
Own funds for insurance group[4]	**50,220**	**43,870**	**44,172**	**40,602**	**36,905**[3]
Solvency capital requirement for insurance group[4]	**37,776**	**33,874**	**33,441**	**30,121**	**28,233**[3]
Solvency ratio, % for insurance group[4]	**133**	**130**	**132**	**135**	**131**[3]
KEY FIGURES					
Insurance operations					
Claims ratio	74.0	70.3	68.3	67.9	68.1
Expense ratio	24.4	23.6	23.2	22.1	21.1
Combined ratio	98.4	93.9	91.5	90.0	89.2
Asset management					
Direct yield, %[5]	0.2	0.3	–0.1	0.2	0.5
Total return, %	4.1	–1.6	0.5	1.1	–1.6

[1] Comparative figures for 2016 (but not 2015) have been restated because accrued interest is recognised together with financial instruments measured at fair value. See note 5 for further information.
[2] Of which SEK 1,229 M (1,050) is Tier 1 capital.
[3] 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.
[4] 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 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.
[5] The direct yield for 2015 was restated in accordance with FFFS 2011:28.

Financial statements

Income statement

Technical recognition of non-life insurance operations, SEK M	Note	2019	2018
Premiums earned (after ceded reinsurance)			
Premium income (before ceded reinsurance)	3	3,931.9	3,618.8
Premiums for ceded reinsurance		-4.1	-5.1
Change in provision for unearned premiums and unexpired risks		-140.0	-117.9
Reinsurers' portion of Change in provision for unearned premiums and unexpired risks		0.0	0.0
Total		**3,787.8**	**3,495.8**
Investment income transferred from financial operations	4	4.4	2.0
Other technical revenue		0.4	0.4
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance		-2,782.2	-2,440.9
Reinsurers' portion		0.2	1.0
Total	**5**	**-2,782.0**	**-2,439.9**
Change in provision for claims outstanding			
Before ceded reinsurance		-18.8	-17.5
Reinsurers' portion		-3.4	-1.5
Total		**-22.2**	**-19.0**
Claims payments (after ceded reinsurance)		**-2,804.2**	**-2,458.9**
Operating expenses	6, 7, 8	-924.5	-823.3
Technical result for non-life insurance operations		**63.9**	**216.0**
Non-technical recognition			
Technical result for non-life insurance operations		63.9	216.0
Investment income, revenue	9	29.8	15.5
Unrealised gains on investment assets	9	54.8	0.1
Investment income, expenses	9	-21.4	-32.3
Unrealised losses on investment assets	9	–	-11.4
Investment income transferred to non-life insurance operations	4	-4.4	-2.0
Profit before appropriations and tax		**122.7**	**185.9**
Appropriations			
Change in tax allocation reserve	10	0.5	-4.7
Profit before tax		**123.2**	**181.2**
Deferred tax	10	0.0	-3.9
Tax on net profit for the year	10	-28.6	-28.7
Net profit for the year		**94.6**	**148.6**

Statement of other comprehensive income

SEK M	2019	2018
Net profit for the year	94.6	148.6
Other comprehensive income		
Items that have been transferred or can be transferred to profit or loss		
Translation difference for the year in foreign branch	-0.1	-1.5
Tax attributable to translation difference	0.0	0.3
Other comprehensive income for the year	**-0.1**	**-1.2**
Comprehensive income for the year	**94.5**	**147.4**

Performance analysis 2019

SEK M	Total	Direct insurance Swedish risks	Direct insurance, foreign risks
Technical result for non-life insurance operations			
Premiums earned (after ceded reinsurance)	3,787.8	2,329.6	1,458.2
Investment income transferred from financial operations	4.4	2.6	1.8
Claims payments (after ceded reinsurance)	-2,804.2	-1,703.5	-1,100.7
Operating expenses	-924.5	-536.4	-388.1
Other technical revenue	0.4	0.3	0.1
Technical result for non-life insurance operations, 2019	**63.9**	**92.6**	**-28.7**
Run-off result (before ceded reinsurance)	28.6	12.3	16.3
Technical provisions (before ceded reinsurance)			
Provision for unearned premiums and unexpired risks	1,864.6	1,110.8	753.8
Provision for claims outstanding	315.1	159.4	155.7
Total technical provisions (before ceded reinsurance)	**2,179.7**	**1,270.2**	**909.5**
Reinsurers' portion of technical provisions			
Provision for unearned premiums and unexpired risks	0.0	–	0.0
Provision for claims outstanding	2.1	–	2.1
Total technical provisions (before ceded reinsurance)	**2.1**	**-**	**2.1**
Notes to performance analysis			
Premium income (before ceded reinsurance)	3,931.9	2,373.6	1,558.3
Premiums for ceded reinsurance	-4.1	-2.5	-1.6
Change in provision for unearned premiums and unexpired risks	-140.0	-41.5	-98.5
Reinsurers' portion of change in provision for premium reserve	0.0	–	0.0
Premiums earned (after ceded reinsurance)	**3,787.8**	**2,329.6**	**1,458.2**
Claims payments (after ceded reinsurance)			
Claims paid			
Before ceded reinsurance	-2,782.2	-1,684.0	-1,098.2
Reinsurers' portion	0.2	–	0.2
Change in provision for claims outstanding			
Before ceded reinsurance	-18.8	-19.5	0.7
Reinsurers' portion	-3.4	–	-3.4
Claims payments (after ceded reinsurance)	**-2,804.2**	**-1,703.5**	**-1,100.7**

Balance sheet

SEK M	Note	31 Dec 2019	31 Dec 2018
Assets			
Intangible assets			
Other intangible assets	11	7.8	10.8
Total		**7.8**	**10.8**
Investment assets			
Investments in Group companies and associated companies			
Shares and participations in Group companies	12	273.2	273.2
Interest-bearing securities issued by Group companies	13	125.0	119.4
Shares and participations in associated companies	14	0.5	0.0
Other financial investment assets			
Shares and participations	15	306.6	69.3
Bonds and other interest-bearing securities	16	1,013.0	1,202.8
Derivatives	17, 18	13.1	5.6
Total		**1,731.4**	**1,670.3**
Reinsurers' portion of technical provisions			
Unearned premiums and unexpired risks		–	–
Claims outstanding	24	2.1	5.3
Total		**2.1**	**5.3**
Receivables			
Receivables, direct insurance	19	1,666.3	1,469.3
Receivables, reinsurance		–	1.0
Other receivables	20	385.0	345.6
Total		**2,051.3**	**1,815.9**
Other assets			
Tangible assets and inventories	21	19.0	22.0
Cash and bank balances		180.1	161.5
Deferred tax assets	10	0.0	0.0
Total		**199.1**	**183.5**
Prepaid expenses and accrued income			
Deferred acquisition costs	22	160.6	159.9
Other prepaid expenses and accrued income		6.6	14.0
Total		**167.2**	**173.9**
Total assets		**4,158.9**	**3,859.7**

Balance sheet, cont.

SEK M	Note	31 Dec 2019	31 Dec 2018
Equity, provisions and liabilities			
Equity			
Share capital (40,000 shares)		40.0	40.0
Statutory reserve		5.5	5.5
Development Expenditures Fund		7.0	9.5
Retained earnings		312.3	175.3
Net profit for the year		94.6	148.6
Total		**459.4**	**378.9**
Untaxed reserves	23		
Equalisation reserve		35.2	35.2
Contingency reserve		464.9	464.9
Tax allocation reserve		337.2	337.7
Total		**837.3**	**837.8**
Technical provisions (before ceded reinsurance)			
Unearned premiums and unexpired risks	24	1,864.6	1,682.7
Claims outstanding	25	315.1	286.3
Total		**2,179.7**	**1,969.0**
Other provisions			
Pensions and similar commitments	26	–	–
Deferred tax liabilities	10	0.1	0.1
Other provisions		2.4	2.7
Total		**2.5**	**2.8**
Liabilities			
Liabilities, direct insurance		26.8	21.3
Liabilities, reinsurance		0.1	0.2
Derivatives	17, 18	10.0	13.2
Current tax liabilities		–	–
Other liabilities	26	111.5	152.3
Total		**148.4**	**187.0**
Accrued expenses and deferred income			
Other accrued expenses and deferred income	28	531.6	484.2
Total		**531.6**	**484.2**
Total equity, provisions and liabilities		**4,158.9**	**3,859.7**

Statement of changes in equity

SEK M	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Development Expenditures Fund	Non-restricted equity: Revaluation reserve	Non-restricted equity: Retained earnings	Non-restricted equity: Net profit for the year	Total equity
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**
Opening equity, 1 January 2019	**40.0**	**5.5**	**9.5**	**-6.3**	**181.6**	**148.6**	**378.9**
Net profit for the year						94.6	94.6
Change in translation difference				-0.2			-0.2
Tax on change in translation difference					0.0		0.0
Comprehensive income for the year				-0.2	0.0	94.6	94.4
Provision to Development Expenditures Fund			-2.5		2.5		0.0
Dividends					-10.0		-10.0
Group contributions paid					-5.0		-5.0
Tax on Group contributions paid					1.1		1.1
Appropriation of profit					148.6	-148.6	0.0
Closing equity, 31 December 2019	**40.0**	**5.5**	**7.0**	**-6.5**	**318.8**	**94.6**	**459.4**

Share capital comprises 40,000 shares with a quotient value of SEK 1,000 per share.

Statement of cash flow

SEK M	2019	2018
Operating activities		
Profit before tax	123.2	181.2
Tax paid	-38.8	-63.9
Adjustment for non-cash items	166.0	171.7
Cash flow from operating activities before changes in assets and liabilities	**250.4**	**289.0**
Cash flow from changes in working capital		
Investments in investment assets, net	-7.6	-5.0
Increase (-)/Decrease (+) in operating receivables	-228.6	-242.7
Increase (+)/Decrease (-) in operating liabilities	37.5	154.1
Cash flow from operating activities	**51.7**	**195.4**
Investing activities		
Acquisitions of associated companies	-0.5	-
Acquisition of intangible assets	-	-2.6
Acquisition of tangible assets	-1.7	-3.0
Cash flow from investing activities	**-2.2**	**-5.6**
Financing activities		
Group contributions paid	-45.0	-
Dividends to Parent Company	-10.0	-50.0
Cash flow from financing activities	**-55.0**	**-50.0**
Net cash flow for the year	-5.5	139.8
Cash and cash equivalents, 1 January	403.6	263.8
Cash and cash equivalents, 31 December	**398.1**	**403.6**

Supplementary information to statement of cash flow

SEK M	2019	2018
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	180.1	161.5
Receivables from Group companies:		
Bank balances with Länsförsäkringar Bank	186.6	228.8
Länsförsäkringar AB, Group bank account	31.4	13.3
Total cash and cash equivalents	**398.1**	**403.6**
Interest paid and dividends received		
Dividends received	2.3	0.5
Interest received	9.9	9.5
Interest paid	-7.0	-7.0
Adjustment for non-cash items, etc.		
Depreciation/amortisation and impairment of assets	3.7	3.7
Change in value of exchange rates, investment assets	1.8	0.1
Unrealised changes in value of investment assets	–54.8	11.3
Changes in provisions for insurance contracts	213.8	149.1
Change in deferred acquisition costs	6.7	4.4
Change in tax allocation reserve	–0.5	4.7
Excess depreciation of assets	–	–
Other	–4.7	–1.6
Total adjustment for non-cash items, etc.	**166.0**	**171.7**

Notes to the financial statements

Amounts are stated in SEK M unless specified otherwise.

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 2019 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 (1995:1560) (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. In accordance with the regulations and general guidelines, Agria applies legally restricted 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 Annual Report was approved for publication by the Board of Directors and President on 2 March 2020. Final adoption of the Annual Report will take place at the 2020 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 above mentioned 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.

Amended accounting policies applied from 1 January 2019

Agria applies the accounting policies below from 1 January 2019.

IFRS 16 Leases

IFRS 16 replaced IAS 17 Leases on 1 January 2019. The main requirement of the standard is that the lessee is to recognise leases, which were previously classified as operating leases, in the balance sheet. Agria has made use of the option in RFR 2 to disapply IFRS 16 in legal entities due to the relationship between accounting and taxation, which is why the lease standard had no financial impact.

IFRIC 23 Uncertainty over Income Tax Treatments

The company applies IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. IFRIC 23 clarifies how IAS 12 is to be applied if there are uncertainties about how tax legislation is to be applied to a certain transaction or under certain circumstances. The interpretation did not entail any impact on the company's financial statements.

Interest Rate Benchmark Reform (Amendments to IAS 39 and IFRS 7)

The amendments provide temporary relief from applying specific hedge accounting requirements for hedging relationships directly affected by the IBOR reform. The relief also means that the IBOR reform will not generally mean that hedge accounting needs to be discontinued. Agria does not apply hedge accounting and accordingly the amendments had no financial effect. Note 2 Risks and risk management provides disclosures on uncertainties as a result of the IBOR reform.

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 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 adopted by the EU but is proposed 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. During the year, the IASB issued proposed amendments to IFRS 17 and an exposure draft published for consultation feedback. The IASB intends to issue a new updated IFRS 17 in mid-2020.

The Swedish Financial Supervisory Authority is currently investigating the implementation of IFRS 17 for Swedish insurance companies. There is currently great uncertainty regarding how much of IFRS 17 will be implemented in Swedish regulations. The Financial Supervisory Authority is also considering introducing an extended implementation period for legal entities and the consolidated financial statements of unlisted insurance companies.

Länsförsäkringar AB is running a project in the Group to analyse the potential effects of the new standard on the 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 in accounting terms the Group contributions are equated with dividends and shareholders' contributions.

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.

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

Agria recognises its leases as operating leases. These rental changes are recognised straight-line over the lease term as operating expenses.

Investment income

Investment income, revenue and expenses

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

Unrealised gains and 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 comprehensive income.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or 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. 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.

Intangible assets

Other intangible assets

Other intangible assets comprise internally generated intangible assets 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 internally generated intangible assets are recognised only if the asset is identifiable and if the company has control of the asset.

The carrying amount of internally generated 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

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or – 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 trade 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.

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

Debt instruments

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's debt instruments comprise holdings of interest-bearing securities or similar instruments, mutual funds classified as either shares and participations or bonds and other interest-bearing securities based on whether at least half of the managed assets comprise shares or interest-bearing securities. Assets that are debt instruments and held 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.

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 negatives market values are recognised as liabilities.

Financial liabilities

Agria measures all financial liabilities that are not derivatives at amortised cost.

Methods for determining 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.

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. 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.

Recognition of 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. For accounts receivable, the company uses the simplified method, which entails that a loss allowance is always measured at an amount corresponding to the full lifetime of the expected credit losses. 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 credit losses are those losses whose amount is finally established and where the assessment is that the possibility of receiving additional payments is very small. 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 recoverable amount is the higher of fair value less selling expenses and value in use.

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 costs are allocated based on the length of the insurance contract. 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. Reversal can only take place against losses in the insurance operations or for lower volumes in the insurance operations.

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 Risks 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.

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.

Agria assesses the impairment requirements of assets for reinsurance 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 and loss.

Remuneration of employees

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. Disclosures are also to be presented in the accounts according to 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. Also, no information is available on surpluses and deficits in the plan or 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 and follow either collective agreements or, if there are no collective agreements, the recommended premium levels in the labour market.

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

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

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-reduction 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.

The 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 capital requirement (Solvency II) by a healthy margin. The overall risk profile under Solvency II is reported quarterly to the Board and regulatory requirements are taken into account to a great extent in the business decisions. Agria's solvency ratio 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 177% (174) on 31 December 2019.

Quantitative information on own funds, capital requirements and the solvency ratio is provided in table 1.

Table 1. Capital situation under Solvency II

SEK M	31 Dec 2019	31 Dec 2018
Own funds	1,229	1,050
Capital requirement	693	602
Solvency ratio	177%	174%

Risk map and capital requirements

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

- Conducting non-life insurance operations, specifically pet and crop insurance
- Focusing primarily on private individuals and, to a lesser extent, agricultural companies
- The business has reinsurance cover in the areas where it is deemed relevant.
- The company is exposed to volatility in the financial markets through investment assets that is restricted by the Board's investment guidelines.
- As a licensable company under the supervision of the Swedish Financial Supervisory Authority, the company is affected by regulations that impact its business strategy and risk-taking.
- The operations are conducted in Sweden, Norway, Denmark, Finland the UK and France.

The figures below (figure 1 and 2) show the allocation of risk in Agria on 31 December 2019 classified by risk categories.
The company defines its risk profiles as equivalent to the calculated capital requirement and associated qualitatively evaluated risks.

Figure 1. Classification of risk at Agria

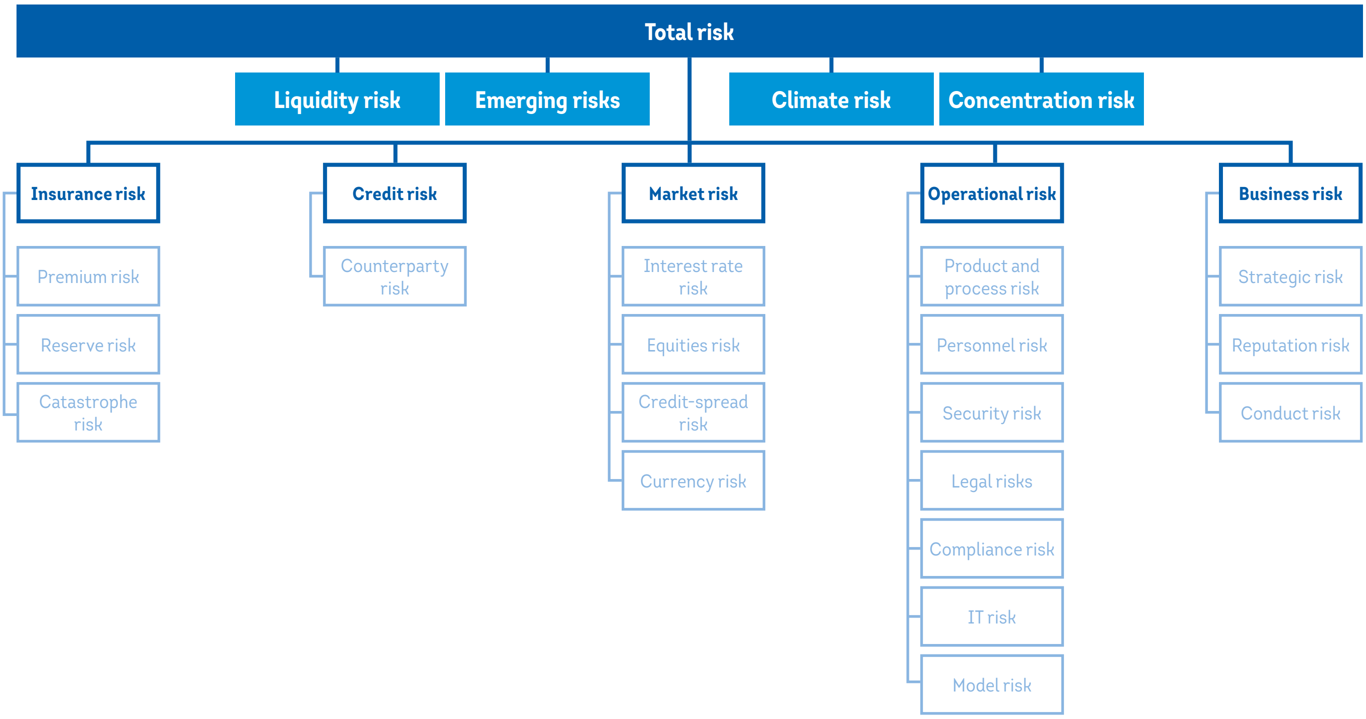
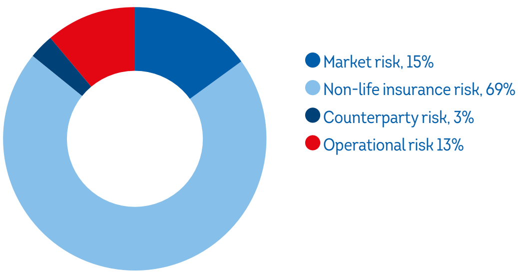
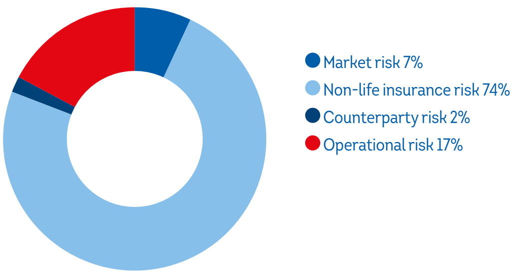


Figure 2. Specification of capital requirement
Figure 2 shows the regulatory capital requirement per type of risk in accordance with Solvency II, including diversification under Länsförsäkringar's internal model.

31 December 2019



31 December 2018



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.

Insurance risk
Non-life insurance risk arises in Agria 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 short lead times, meaning that the time from claim to final payout is short. As a result, claims reserves at any given time are small in relation to the premium portfolio and reserve risk is relatively small. Accordingly, Agria's insurance risk is 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. In addition, the Board regulates the risk levels 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.

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. An estimate of the cost of net claims outstanding, which amounts to a gross SEK 315 M (286), is associated with uncertainty as to how much claims, perhaps many years ahead, may cost. The reinsurance cover described below limits risk and the provision for the provision for net claims outstanding amounted to SEK 313 M (281). The actuarial reserve calculation is developed continuously so that the methods applied are well adapted to the conditions for each line of business or part thereof. A significant element in the follow-up work is also the regular reviews of individual claims outstanding that are performed. The average duration of Agria's insurance portfolio is 0.5 years and was unchanged year-on-year. Table 3 shows the distribution of expected payments of claims outstanding, calculated at present value, according to term before and after reinsurance.

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

		Impact on profit before tax		Impact on equity	
Assumption		**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Premiums	10% lower premium level	–393	–361	–309	–282
Intervals	10% increased claims frequency	–280	–246	–220	–192
Claims inflation	1% higher annual claims inflation	–12	–11	–9	–9

Table 3. Estimated claims costs gross and for own account, per claim year

Table 3 shows the annual trend for estimated final claims costs from the end of the claim year and beyond, gross and for own account. The table includes claims paid and the provision for claims payments including the provision for unknown claims (claims incurred but not reported (IBNR)). The trend in claims adjustment costs is not included in the table. The claims adjustment reserve is recognised on a separate line. Amounts in different currencies have all been converted at the closing-day rate.

Estimated claims costs gross, SEK M	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of claim year	1,465.3	1,596.3	1,755.0	1,968.4	2,103.4	2,332.6	2,620.8	
One year later	1,444.9	1,577.1	1,721.3	1,897.9	2,075.4	2,303.1		
Two years later	1,426.7	1,544.9	1,684.2	1,896.4	2,073.7			
Three years later	1,423.0	1,546.6	1,684.5	1,894.8				
Four years later	1,423.5	1,546.1	1,684.0					
Five years later	1,423.6	1,539.5						
Six years later	1,423.1							
Estimated claims costs	1,423.1	1,539.5	1,684.0	1,894.8	2,073.7	2,303.1	2,620.8	
Accumulated claims payments	1,422.3	1,538.7	1,681.4	1,894.1	2,063.2	2,289.2	2,354.3	
Provision for claims payments	0.8	0.8	2.6	0.7	10.5	13.9	266.5	295.8
Provision for claims payments, older year classes								1.8
Provision for claims payments for assumed reinsurance								
Total provision for claims payments, gross								**297.6**
Annuity reserve, gross								
Claims adjustment reserve, gross								17.5
Provision for claims outstanding, gross								**315.1**

Estimated claims costs for own account, SEK M	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of claim year	1,465.3	1,596.3	1,755.0	1,968.4	2,103.4	2,332.6	2,620.8	
One year later	1,444.9	1,577.1	1,719.6	1,897.2	2,075.4	2,302.8		
Two years later	1,426.7	1,544.9	1,684.2	1,896.4	2,073.7			
Three years later	1,423.0	1,542.5	1,684.5	1,894.8				
Four years later	1,423.5	1,542.0	1,684.0					
Five years later	1,423.6	1,539.5						
Six years later	1,423.1							
Estimated claims costs	1,423.1	1,539.5	1,684.0	1,894.8	2,073.7	2,302.8	2,620.8	
Accumulated claims payments	1,422.3	1,538.7	1,681.4	1,894.1	2,063.2	2,289.2	2,354.3	
Provision for claims payments	0.8	0.8	2.6	0.7	10.5	13.6	266.5	295.5
Provision for claims payments, older year classes								0.0
Provision for claims payments for assumed reinsurance								
Total provision for claims payments, for own account								**295.5**
Annuity reserve, for own account								
Claims adjustment reserve, for own account								17.5
Provision for claims outstanding, for own account								**313.0**

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 through its bond and loan funds. The company's primary equities exposure is to Swedish, European and US equities but also Japanese equities and equities in emerging markets. The currency exposure that exists is due to insurance liabilities and investment assets in other currencies. Concentration risk could lead to the company 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 small 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.

IBOR and Interest Rate Benchmark Reform

Following the financial crisis, alternative risk-free rates and other interbank offered rates (IBORs) were prioritised by global players to ensure better functionality of the financial market. Currently, there is uncertainty about the timing and exact nature of these changes. The asset management conducted for the insurance companies currently includes investments in interest-bearing securities at variable interest rates that refer to IBORs using Euribor, Stibor and USD Libor as reference rates.

Länsförsäkringar expects that it may be necessary to review systems and processes in order to identify the changes to contracts including IBORs, and to manage any tax and accounting consequences.

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

		Impact on profit before tax		Impact on equity	
Assumption		**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Interest rate risk assets and liabilities net[1]	100 bp higher nominal market interest rates	-13	-17	-10	-13
Interest rate risk assets and liabilities net[1]	100 bp lower nominal market interest rates	14	18	11	14
Credit-spread risk	100 bp higher credit spread	-35	-40	-27	-31
Equities risk[2]	10% lower share prices including hedge funds	-31	-7	-24	-5
Currency risk[3]	10% strengthening of all foreign currencies against SEK	33	29	26	23

1) Interest rate risk from analysed investment assets. The change in interest rate risk for technical provisions is not recognised in profit or loss.
2) Shares and participations
3) Currency risk refers to indirect exposure via a look-through approach of funds, net of liabilities in foreign currency

Table 5. Credit quality of financial assets

	Market value, SEK M	
	31 Dec 2019	**31 Dec 2018**
Cash and bank balances and cash and cash equivalents classified as Other receivables		
A	398.1	403.6
Total	**398.1**	**403.6**
Bonds and other interest-bearing securities[1]		
AAA	925.3	1,078.0
AA	18.2	7.0
A	33.4	48.0
BBB	57.7	89.0
BB or lower	61.2	60.0
No rating available	42.2	39.0
Total bonds and other interest-bearing securities	**1,138.0**	**1,321.0**
Derivatives		
A	0.5	3.0
B	0.2	0.2
Total derivatives	0.7	3.2
Total	**1,536.8**	**1,727.8**

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

	Impact on profit before tax	
Currency	**31 Dec 2019**	**31 Dec 2018**
CHF	0.2	–
DKK	1.6	0.7
EUR	-1.5	1.1
GBP	19.3	24.6
HKD	0.4	0.2
NOK	3.0	1.0
USD	8.8	0.9
Other	0.8	0.6
Total	**32.6**	**29.1**

Amounts per 31 December 2018 have changed due to a new method for the look-through approach.

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings, and encompasses bank balances, financial derivatives and reinsurance.

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 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 the risk of losses arising due to effects of strategic decisions, weaker earnings and a bad reputation. Business risk is divided into the sub-categories of strategic risk, earnings risk, reputation risk and conduct risk.

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.

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position.Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per reinsurer, per counterparty in financial derivatives, discretionary reinsurance of the insured, very large individual risks and by the diversification of the Group's investment assets. Agria's management and Board regularly study reports on the Group's major areas of exposure and risk concentrations.

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 and liabilities 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

SEK M	2019 <3 months	2019 3 months–1 year	2019 1–5 years	2019 5–10 years	2019 >10 years	2019 Total	2018 <3 months	2018 3 months–1 year	2018 1–5 years	2018 5–10 years	2018 >10 years	2018 Total
Assets												
Interest-bearing securities issued by Group companies and loans to Group companies	0.0	2.8	114.9	8.6	–	126.3	0.0	2.3	118.9	–	–	121.2
Bonds and other interest-bearing securities[1]	16.2	40.8	711.7	85.9	–	854.6	1.2	130.1	846.7	54.9	–	1,032.9
Other receivables	303.8	–	–	–	–	303.8	275.9	–	–	–	–	275.9
Prepaid expenses and accrued income	5.0	–	–	–	–	5.0	1.0	–	–	–	–	1.0
Total assets	**325.0**	**43.6**	**826.6**	**94.5**	**–**	**1,289.7**	**278.1**	**132.4**	**965.6**	**54.9**	**–**	**1,431.0**
Liabilities												
Technical provisions[2]	664.2	1,433.1	82.3	0.1	–	2,179.7	585.8	1,264.1	119.0	0.1	–	1,969.0
Other liabilities	63.5	2.5	8.0			74.0	124.4	–	–	–	–	124.4
Accrued expenses and deferred income	12.4	–	–	–	–	12.4	11.6	–	–	–	–	11.6
Total liabilities	**740.1**	**1,435.6**	**90.3**	**0.1**	**–**	**2,266.1**	**721.8**	**1,264.1**	**119.0**	**0.1**	**–**	**2,105.0**
Derivatives, in and outflows, net	0.0	3.1	–	–	–	3.1	-7.6	–	–	–	–	-7.6
Total derivatives	**0.0**	**3.1**	**–**	**–**	**–**	**3.1**	**-7.6**	**–**	**–**	**–**	**–**	**-7.6**

[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.

Other material risks

In addition to the risks described above, Agria is also exposed to emerging risks and climate risks. Climate risk could directly or indirectly increase other risks, such as insurance, market or brand risks. Global warming and the resulting extreme weather events, such as storms, torrential rain, flooding and drought, could increase insurance claims. In addition to such physical risks, adjustments to climate change can also entail risks, such as changes in regulations and higher carbon tax or changed behaviours in the markets that lead to stranded assets. New risks, emerging risks, can arise over time due to changes in the external business environment or internal circumstances. This could be a brand new behaviour pattern that presents a new risk or a risk that changes its nature and thus should be managed in a new way, but could also be a risk that has previously been deemed to be immaterial that has become material. Examples could be the emergence of new economies, technological advances and social-political changes, etc.

Note 3 Premium income

	2019	2018
Direct insurance, Sweden	2,373.7	2,293.0
Direct insurance, Denmark	221.5	176.9
Direct insurance, Finland	64.9	39.4
Direct insurance, Norway	530.1	469.4
Direct insurance, UK	736.2	638.9
Direct insurance, France	5.5	1.2
Total	**3,931.9**	**3,618.8**

Note 4 Investment income transferred from financial operations

	2019	2018
Transferred investment income	4.4	2.0
Interest rate of technical provisions	0.20%	0.10%

The estimated return on the assets corresponding to the technical provisions is transferred from the financial operation to the technical result. The transferred investment income is calculated on the basis of half the premiums earned after ceded reinsurance and on the basis of the average of opening and closing provisions for claims outstanding after ceded reinsurance during the year.

Note 5 Claims payments

	2019	2018
Claims paid	-2,555.1	-2,248.2
Operating expenses for claims adjustment	-226.9	-191.7
Total claims costs	**-2,782.0**	**-2,439.9**

Note 6 Operating expenses

Procurement and administration	**2019**	**2018**
Operating expenses		
Acquisition costs[1]	-537.5	-505.2
Change in deferred acquisition costs	-6.7	-4.4
Administration expenses	-380.4	-313.9
Commission and profit shares in ceded reinsurance	0.1	0.2
Total	**-924.5**	**-823.3**
Other operating expenses		
Claims adjustment costs included in claims paid	-226.9	-191.7
Total	**-1,151.4**	**-1,015.0**
Total operating expenses specified by type of cost		
Staff costs	-265.2	-232.4
Costs for premises	-25.8	-6.7
Depreciation/amortisation	-4.9	-4.3
Other operations-related expenses	-855.5	-771.6
Total	**-1,151.4**	**-1,015.0**
Total operating expenses by function		
Acquisition	-544.1	-509.4
Claims adjustment	-226.9	-191.7
Administration expenses	-380.4	-313.9
Total	**-1,151.4**	**-1,015.0**

1) Of which, commission for direct insurance SEK -302.2 M (-255.7).

Note 7 Fees and remuneration of auditors

	2019	2018
KPMG		
Audit assignment	-1.3	-1.5
Audit operations in addition to the audit assignment	–	–
Tax advice	–	-0.5
Other services	0.0	–
Total	**-1.3**	**-2.0**

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	**2019**	**2018**
Men	37	40
Women	169	149
Total number of employees	**206**	**189**
Norway		
Men	9	11
Women	39	30
Denmark		
Men	1	1
Women	16	15
Finland		
Men	1	1
Women	8	8
France		
Men	2	2
Women	4	4
UK		
Men	4	4
Women	0	0
Total number of employees		
Men	54	59
Women	236	206
	290	**265**

Brokers	**2019**	**2018**
Total number	**23**	**18**

Salaries and other remuneration, as well as social security expenses, other employees	**2019**	**2018**
Salaries and remuneration	148.1	129.3
of which, variable salary	–	2.1
Social security expenses	62.1	57.6
of which, pension costs	17.2	16.0
	210.2	**187.0**

Board of Directors and senior executives, 31 (35)	**2019**	**2018**
Salaries and remuneration	13.0	12.1
of which, fixed salary to the President and Executive Vice President	4.3	4.1
of which, variable salary to the President and Executive Vice President	–	–
of which, fixed salary to other senior executives	7.7	7.0
of which, variable salary to other senior executives	–	–
Social security expenses	10.0	6.3
of which, pension costs	4.6	3.9
	23.0	**18.4**

Total salaries, other remuneration and social security expenses	**2019**	**2018**
Salaries and remuneration	161.1	141.4
of which, variable salary	–	2.1
Social security expenses	72.1	64.0
of which, pension costs	21.8	19.9
	233.2	**205.4**

Remuneration and social security expenses	**2019**	**2018**
Brokers, Sweden	96	62
Total	**96**	**62**

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

Remuneration of the Board

Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. Employee representatives and 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, %
2019	**Basic salary**	**Other remuneration**	**Pension costs**	**Total**	**Defined-contribution**
Agnes Fabricius, President	2.6	0.1	0.9	3.6	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	
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	
Anders Lågström, Board member	0.1	–	–	0.1	
Karin Mattsson Weijber, Board member	0.1	–	–	0.1	
Christian Bille, former Board member	0.0	–	–	0.0	
Other senior executives (6 people)	7.5	0.2	3.0	10.7	34
Total 2019	**12.7**	**0.3**	**4.6**	**17.6**	

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**	

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), Forena and the Swedish Confederation of Professional Associations (SACO). In addition, an additional pension premium corresponding to one and a half price base amounts per year is paid for the Executive Vice President and an additional pension premium corresponding to one half of a price base amount per year is also paid for each senior executive.

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), Forena 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 2019	31 Dec 2018
Board members	55	55
Other senior executives	63	63

Note 9 Investment income, net

	2019	2018
Dividends		
Dividends received on shares and participations	1.1	0.2
Dividends and Group contributions received from Group and associated companies	1.2	0.3
Total dividends	**2.3**	**0.5**
Interest income		
Bonds and other interest-bearing securities[1]	4.9	5.2
Interest-bearing securities issued by Group companies	0.6	0.6
Derivatives	3.7	3.8
Financial assets that are not measured at fair value through profit or loss[2]	0.7	–0.1
Total interest income	**9.9**	**9.5**
Realised profit, net		
Shares and participations	3.5	–1.8
Bonds and other interest-bearing securities	11.5	4.7
Interest-bearing securities issued by Group companies	0.8	0.7
Derivatives	–8.7	–16.4
Total realised profit, net	**7.1**	**–12.8**
Unrealised profit, net		
Shares and participations	48.3	–2.1
Bonds and other interest-bearing securities	6.5	–9.3
Interest-bearing securities issued by Group companies	0.0	0.1
Total unrealised profit, net	**54.8**	**–11.3**
Exchange-rate gains, net	**1.8**	**0.1**
Interest expense		
Derivatives	–6.9	–7.0
Financial liabilities that are not measured at fair value through profit or loss	–0.1	–0.1
Total interest expense	**–7.0**	**–7.1**
Asset management expenses	**–4.7**	**–6.0**
Other financial expenses	–1.0	**–1.0**
Total investment income, net	**63.2**	**–28.1**
Investment income per measurement category		
Financial assets measured at FVOCI	64.9	–22.1
Financial assets measured at amortised cost	–0.1	–0.3
Items not specified by category		
Exchange-rate gains, net	1.8	0.1
Other items	–3.4	–5.8
Total investment income, net	**63.2**	**–28.1**

1) Of which negative interest rate on interest-bearing securities of SEK 0.3 M (0.3).
2) Of which negative interest rate on cash and bank balances of SEK 0.1 M (0.2).

Note 10 Taxes

	2019	2018
Current tax expense		
Tax expense for the year	-30.3	-35.2
Adjustment of tax expense pertaining to prior years	1.7	6.5
Total current tax expense	**-28.6**	**-28.7**
Deferred tax expense		
Deferred tax expense/income pertaining to temporary differences	0.0	-3.9
Total recognised tax expense	**-28.6**	**-32.6**

Reconciliation of effective tax rate	2019	2018
Profit before tax	123.2	181.2
Tax in accordance with applicable tax rate for Parent Company	-26.4	-39.8
Non-deductible expenses	-2.7	-3.2
Non-taxable income	0.1	0.1
Tax attributable to earlier years	1.7	6.5
Other	-1.3	3.8
Recognised effective tax	**-28.6**	**-32.6**
Current tax rate, %	21.4%	22.0%
Effective tax rate, %	23.2%	18.0%

Recognised deferred tax assets/tax liabilities are attributable to the following:	31 Dec 2019	31 Dec 2018
Other assets	0.0	0.0
Other liabilities	-0.1	-0.1
Deferred tax assets (+)/liabilities (-)	**-0.1**	**-0.1**

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

Note 11 Other intangible assets

	2019	2018
Opening acquisition value	**75.8**	**73.1**
Acquisitions for the year	0.0	2.6
Exchange-rate effect	0.6	0.1
Accumulated acquisition value	76.4	75.8
Opening amortisation and impairment	**-65.0**	**-62.5**
Amortisation for the year	-3.0	-2.4
Exchange-rate effect	-0.6	-0.1
Closing amortisation and impairment	-68.6	-65.0
Carrying amount	**7.8**	**10.8**

Internally developed intangible assets are recognised at SEK 7.8 M (10.8) after amortisation and impairment. Accumulated acquisition costs amounted to SEK 60.4 M (59.8).

Acquired intangible assets are recognised at SEK 0.0 M (0.0) after amortisation and impairment. Accumulated acquisition costs amounted to SEK 16.0 M (16.0).

The internally developed assets refer to capitalised development expenditures for significant IT investments and the acquired assets refer to capitalisations of significant agreements with partners.

Note 12 Shares and participations in Group companies

	Number of participations	Participations in %	Equity 2019	Earnings 2019	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018	Fair value 31 Dec 2019
Agria Pet Insurance Limited, Company nr 04258783, Aylesbury	180,000	100	172.0	19.1	273.2	273.2	356.2

Acquisition value	2019	2018
Opening balance	273.2	273.2
Accumulated acquisition value	**273.2**	**273.2**

Note 13 Interest-bearing securities issued by Group companies

	31 Dec 2019	31 Dec 2018
Listed bonds issued by Länsförsäkringar Hypotek	125.0	113.3
Listed bonds issued by Länsförsäkringar Bank	0.0	6.1
Total	**125.0**	**119.4**
Amortised cost	123.9	118.3

Note 14 Shares and participations in associated companies

	Number of participations	Participations in %	Equity[1] 2019	Profit[1] 2019	Carrying amount[2] 31 Dec 2019	Carrying amount[2] 31 Dec 2018	Fair value[2] 31 Dec 2019
Svenska Andelshästar AB, 556536-9633, Uppsala county	450	45	1.3	0.7	0.5	0.0	1.4

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

Note 15 Shares and participations

	31 Dec 2019	31 Dec 2018
Listed shares and participations	306.6	69.3
Unlisted shares and participations	0.0	0.0
Total	**306.6**	**69.3**
Fair value	306.6	69.3
Acquisition value	261.2	72.1

Note 16 Bonds and other interest-bearing securities

	31 Dec 2019	31 Dec 2018
Issuer		
Swedish government	–	0.2
Swedish mortgage institutions	518.3	724.0
Other Swedish issuers	206.5	257.7
Foreign states	10.3	10.2
Other foreign issuers	277.9	210.7
Total	**1,013.0**	**1,202.8**
Amortised cost	987.8	1,182.6
Market status		
Listed securities	1,013.0	1,202.8
Total	**1,013.0**	**1,202.8**
Carrying amounts of the securities compared with their nominal amounts		
Total surplus	24.1	41.7
Total deficit	-2.0	-0.2

Note 17 Derivatives

	Fair value 31 Dec 2019	Nominal amount 31 Dec 2019	Fair value 31 Dec 2018	Nominal amount 31 Dec 2018
Derivatives with positive values or valued at zero				
Interest rate derivatives	0.2	416.5	0.2	479.2
Currency derivatives	12.9	27.7	5.4	382.9
Total	**13.1**	**444.2**	**5.6**	**862.1**
Derivatives with negative values				
Interest rate derivatives	0.0	9.3	0.0	26.5
Currency derivatives	10.0	123.0	13.2	350.1
Total	**10.0**	**132.3**	**13.2**	**376.6**

Note 18 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 2019	**Gross amount**	**Offset in balance sheet**	**Net amounts in balance sheet**	**Netting framework agreement**	**Collateral Received (-) / Pledged (+)**	**Net amount**
Assets						
Derivatives	13.1	–	13.1	-8.3	-4.1	0.7
Liabilities						
Derivatives	-10.0	–	-10.0	8.3	4.2	2.5
Total	**3.1**	**–**	**3.1**	**0.0**	**0.1**	**3.2**

	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**

Note 19 Receivables, direct insurance

	2019	2018
Receivables from policyholders	1,666.3	1,469.3
Receivables from insurance brokers	–	–
Receivables from insurance companies	–	–
	1,666.3	**1,469.3**

Note 20 Other receivables

	31 Dec 2019	31 Dec 2018
Receivables from Group companies	219.0	266.8
Other receivables	166.0	78.8
Total	**385.0**	**345.6**

In its calculation of the loss allowance for financial receivables, the company uses the simplified method that is described in more detail in note 1 Accounting policies. The loss allowance on 31 December 2019 amounted to SEK 0 M (0).

Note 21 Tangible assets and inventories

	31 Dec 2019	31 Dec 2018
Tangible assets	6.9	7.6
Inventories, market items	12.1	14.4
Total	**19.0**	**22.0**
Tangible assets		
Accumulated cost		
Opening balance	12.3	10.3
Acquisitions for the year	1.7	3.1
Divestments and disposals	-1.8	-1.1
Exchange-rate effect	0.1	0.0
Closing balance	**12.3**	**12.3**
Accumulated depreciation		
Opening balance	-4.7	-3.4
Depreciation for the year	-2.0	-1.9
Divestments and disposals	1.2	0.6
Exchange-rate effect	0.1	0.0
Closing balance	**-5.4**	**-4.7**
Carrying amount	**6.9**	**7.6**

Note 22 Deferred acquisition costs

	31 Dec 2019	31 Dec 2018
Opening balance	159.9	162.7
Capitalisation for the year	373.6	327.1
Depreciation for the year	-346.0	-329.9
Non-recurring effect of changed assessment	-26.9	–
Closing balance	**160.6**	**159.9**

The non-recurring effect refers to the UK branch. Of the amount of SEK -26.9 M, SEK -67.8 M is attributable to capitalisation for the year and SEK 40.9 M to amortisation for the year.

Note 23 Untaxed reserves

	2019	2018
Equalisation reserve	35.2	35.2
Contingency reserve	464.9	464.9
Tax allocation reserve		
Reserved for 2013	–	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	41.0
Reserved for 2019	43.0	–
Closing balance of tax allocation reserve	337.2	337.7
Total	**837.3**	**837.8**

Note 24 Unearned premiums and unexpired risks

	31 Dec 2019			31 Dec 2018		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
Opening balance	1,682.7	–	1,682.7	1,555.2	–	1,555.2
Provisions during the period	140.0	–	140.0	117.9	–	117.9
Exchange-rate changes	41.9	–	41.9	9.6	–	9.6
Closing balance	**1,864.6**	**–**	**1,864.6**	**1,682.7**	**–**	**1,682.7**

Note 25 Claims outstanding

	31 Dec 2019			31 Dec 2018		
	Gross	Reinsurers' portion	Net	Gross	Reinsurers' portion	Net
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	200.1	0.0	200.1
Claims adjustment costs	15.3	–	15.3	14.0	0.0	14.0
Total opening balance	**286.3**	**5.3**	**281.0**	**266.0**	**6.6**	**259.4**
Provisions for the period	18.8	-3.2	22.0	17.7	-1.4	19.1
Exchange-rate changes	10.0	–	10.0	2.6	0.1	2.5
Total change for the year	**28.8**	**-3.2**	**32.0**	**20.3**	**-1.3**	**21.6**
Claims incurred and reported	67.4	2.1	65.3	53.1	5.3	47.8
Claims incurred but not reported	230.2	–	230.2	217.9	–	217.9
Claims adjustment costs	17.5	–	17.5	15.3	–	15.3
Total closing balance	**315.1**	**2.1**	**313.0**	**286.3**	**5.3**	**281.0**

Technical provisions in Agria are not discounted.

Note 26 Pensions and similar commitments

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 2020 are expected to total SEK 6.0 M.

	2019	2018
Expenses for defined-contribution plans	14.4	14.0

Note 27 Other liabilities

	31 Dec 2019	31 Dec 2018
Liabilities to Group companies	23.3	83.1
Other liabilities	88.2	69.2
Total	**111.5**	**152.3**

Note 28 Other accrued expenses and deferred income

	31 Dec 2019	31 Dec 2018
Prepaid premiums	488.7	448.3
Accrued expenses	42.9	35.9
Total	**531.6**	**484.2**

Note 29 Financial assets and liabilities by category

	Financial assets measured at FVPL			Financial assets measured at FVOCI			
31 Dec 2019	**Measured at FVPL**	**Equity instruments**	**Financial assets measured at amortised cost**	**Debt instruments measured at FVOCI**	**Equity instruments**	**Total carrying amount**	**Fair value**
Assets							
Interest-bearing securities issued by Group companies and loans to Group companies	125.0	–	–	–	–	125.0	125.0
Shares and participations	306.6	–	–	–	–	306.6	306.6
Bonds and other interest-bearing securities	1,013.0	–	–	–	–	1,013.0	1,013.0
Derivatives	13.1	–	–	–	–	13.1	13.1
Other receivables	–	–	303.8	–	–	303.8	345.1
Cash and bank balances	–	–	180.1	–	–	180.1	180.1
Prepaid expenses and accrued income	–	–	5.0	–	–	5.0	5.0
Total	**1,457.7**	**–**	**488.9**	**–**	**–**	**1,946.6**	**1,987.9**

	Financial liabilities measured at FVPL	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Liabilities				
Derivatives	10.0	–	10.0	10.0
Other liabilities	–	74.0	74.0	74.0
Accrued expenses and deferred income	–	12.4	12.4	12.4
Total	**10.0**	**86.4**	**96.4**	**96.4**

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.

Note 29 Financial assets and liabilities by category, cont.

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 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.

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 2019				31 Dec 2018			
	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	125.0	–	–	125.0	119.4	–	–	119.4
Shares and participations	306.6	–	0.0	306.6	69.3	–	0.0	69.3
Bonds and other interest-bearing securities	1,013.0	–	–	1,013.0	1,202.8	–	–	1,202.8
Derivatives	0.2	12.9	–	13.1	0.2	5.4	–	5.6
Liabilities								
Derivatives	0.0	10.0	0.0	10.0	0.0	13.1	0.0	13.2

There were no significant transfers between Level 1 and Level 2 during 2019 or during 2018. There were no transfers from Level 3 in 2019 or 2018. 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 2019	0.0
Divestments	–
Recognised in profit or loss	0.0
Closing balance, 31 December 2019	0.0

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

Note 30 Anticipated recovery dates for assets and liabilities

	31 Dec 2019			31 Dec 2018		
	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	4.9	7.8	2.9	7.9	10.8
Shares and participations in Group companies	–	273.2	273.2	–	273.2	273.2
Interest-bearing securities issued by Group companies	0.5	124.5	125.0	–	119.4	119.4
Shares and participations in associated companies	–	0.5	0.5	–	0.0	0.0
Shares and participations	–	306.6	306.6	0	69.3	69.3
Bonds and other interest-bearing securities	92.3	920.7	1,013.0	165.4	1,037.4	1,202.8
Derivatives	13.1	–	13.1	5.6	–	5.6
Other investment assets	–	–	–	–	–	–
Reinsurers' portion of technical provisions	1.7	0.4	2.1	5.3	0.0	5.3
Receivables from policyholders	1,666.3	–	1,666.3	1,469.3	–	1,469.3
Receivables, reinsurance	–	–	–	1.0	–	1.0
Other receivables	385.0	–	385.0	345.6	–	345.6
Tangible assets and inventories	14.1	4.9	19.0	14.4	7.6	22.0
Cash and bank balances	180.1	–	180.1	161.5	–	161.5
Deferred tax assets	–	0.0	0.0	–	0.0	0.0
Prepaid expenses and accrued income	167.2	–	167.2	173.9	–	173.9
Total assets	**2,523.2**	**1,635.7**	**4,158.9**	**2,344.9**	**1,514.8**	**3,859.7**
Provisions and liabilities						
Technical provisions (before ceded reinsurance)	2,097.3	82.3	2,179.7	1,849.9	119.1	1,969.0
Other provisions	–	2.4	2.4	–	2.7	2.7
Deferred tax	–	0.1	0.1	–	0.1	0.1
Liabilities to policyholders	26.7	–	26.7	21.3	–	21.3
Derivatives	10.0	–	10.0	13.2	–	13.2
Current tax liabilities	–	–	–	–	–	–
Other liabilities	103.6	8.0	111.6	152.3	–	152.3
Accrued expenses and deferred income	531.6	–	531.6	484.2	–	484.2
Total provisions and liabilities	**2,769.2**	**92.8**	**2,862.1**	**2,520.9**	**121.9**	**2,642.8**

The recovery periods for securities do not reflect the liquidity in the portfolio but rather the final maturity of the securities.

Note 31 Pledged assets and contingent liabilities

	31 Dec 2019[1]	31 Dec 2018[1]
Technical provisions, net	2,177.6	1,963.7

[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 3,429.1 M (3,103.8).

Note 32 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 15 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

2019	Purchases	Sales	Receivables	Liabilities
Parent Company	69.2	-4.8	–	15.5
Group companies	199.8	13.4	349.0	10.1
Regional insurance companies	10.8	0.1	0.5	2.7
Other related parties	0.5	1.2	–	0.2

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

Bank balances and interest income received from Länsförsäkringar Bank AB amounted to SEK 186.6 M (228.8) in 2019.

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 33 Supplementary disclosures on income-statement items by insurance class

2019	Total	Other property	International
Premiums earned, gross	3,791.9	2,332.1	1,459.8
Claims payments, gross	-2,801.0	-1,703.5	-1,097.5
Operating expenses, gross	-924.5	-535.1	-389.4
Loss from ceded reinsurance	-7.3	-2.5	-4.8
Profit/loss	**59.1**	**91.0**	**-31.9**
Premium income, gross	3,931.9	2,373.6	1,558.3

Note 34 Significant events after the end of the fiscal year

No significant events were reported after the end of the fiscal year.

Note 35 Appropriation of profit

According to the balance sheet of Försäkringsaktiebolaget Agria (publ), non-restricted equity of SEK 406,850,551 is at the disposal of the Annual General Meeting.

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

Retained earnings	316,206,531
Group contributions paid	-5,000,000
Tax on Group contributions	1,070,000
Net profit for the year	94,574,020
Total	**406,850,551**

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

To be distributed to the owner	–
To be carried forward	406,850,551
Total	**406,850,551**

The insurance company's solvency ratio under Solvency II after the proposed appropriation of profit amounts to 177% (174).

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 2 March 2020.
The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2020.

Ann Sommer
Chairman

Jan Ehrensvärd
Board member

Dag Ekner
Board member

Stig Högberg
Board member

Anders Långström
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 12 March 2020
KPMG AB

Magnus Ripa
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 2019. The annual accounts of the company are included on pages 4–36 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 2019 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 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 25 and accounting principles on page 19 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 SEK 315.1 M as of December 31, 2019.

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 2019 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 13 of May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2000.

Stockholm 12 March 2020
KPMG AB

Magnus Ripa
Authorized Public Accountant

Board of Directors and auditor

1 Ann Sommer

Chairman. Born 1959. President of Länsförsäkringar Sak Försäkringsaktiebolag. Elected: 2000. **Education:** M.Sc. in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Grupplivförsäkrings AB, Board member of ICMIF, 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 Jan Ehrensvärd

Born 1968. Owner of Tosterups Gård AB. Elected: 2017. **Education:** M.Sc. 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

3 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.

4 Stig Högberg

Born 1960. Forest farmer. Elected: 2018. **Education:** Agricultural education. **Other Board appointments:** Chairman of Länsförsäkringar Västernorrland, property management company Gården 35 AB and Norrskog. 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, the Länsförsäkringar Alliance Research and Development Fund Foundation and Investa företagskapital.

5 Anders Långström

Born 1968. President of Länsförsäkringar Norrbotten. Elected: 2019. **Education:** Economics programme, Luleå University College. **Other Board appointments:** Board member of Länsförsäkringar Norrbotten Holding AB and Länsförsäkringar i Norr Holding AB. **Previous experience:** Head of Bank at Föreningsbanken and Länsförsäkringar Norrbotten, Head of Bank & Life Assurance at Länsförsäkringar Norrbotten, Head of Retail Market at Länsförsäkringar Norrbotten, Head of Corporate Market at Länsförsäkringar Norrbotten, Head of Non-life Insurance/Executive Vice President at Länsförsäkringar Norrbotten.

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: Magnus Ripa 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, Deputy Board member of 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:** M.Sc. 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:** M.Sc. in Business and Economics. **Other Board appointments:** Chairman of Swedish Dog Protection Association 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. Inside salesperson, Digital Customer Communication Team. Elected: 2018. **Education:** Business school economist. **Other Board appointments:** Elected to Forena's 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:** B.A. **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.

Minna Dahlberg

CMO. Born 1972. Employed 2018. **Education:**
B.Sc. 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.

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, Agria Scholarship Fund Foundation. **Previous experience:** 25 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.

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**: B.Sc. 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.

Monica Tuvelid

Head of Strategy and Planning. Born 1978. Employed since 2006. **Education:** M.Sc. in Business Administration from Stockholm University. **Board appointments:** Chairman of Agria's Scholarship Fund Foundation and Animal Health and Veterinary Care Foundation. **Previous experience:** 11 years of experience from senior positions at Agria, including Deputy President of Pet Business Area, Head of Customer Service Centre and Claims, Head of Product and Process, Operating Systems and in accounting. Previous experience as an approved auditor at KPMG AB.

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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