

# Annual Report 2018

MOVESTIC LIVFÖRSÄKRING AB



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# Comments from the CEO

**The life and pension market is undergoing major change. New technology provides opportunities to offer more personalised products and services, both to private individuals and to businesses, and new regulations offer stronger consumer protection.**

The importance of having private savings and insurance protection is increasing. This is particularly true for pensions, as we live longer and become older at a time when the public pension is decreasing in relation to the salary level at retirement. Occupational pension is already the most common form of financial savings in Sweden, and the proportion of retirement income that is generated by occupational pension plans is expected to increase significantly in the future. Increased levels of digitalisation and new services enable greater cost-efficiency, improved transparency, and more individualised insurance products. This suits the customer of the future, but also leads to higher demands on insurance providers, asset managers, and financial advisers.

## **DIGITAL TRANSFORMATION**

As one of the youngest life insurance companies in the market, Movestic is well adapted to the high pace of change. We are well placed to efficiently transform our operations, to adopt new technology, and to meet the growing expectations for adaptable, transparent and proactive products and services that will come with increased digitalisation.

During the year, we made strong progress in this area, and also launched the first service from our new digital assistant – MAIA. The first version of MAIA is a robot adviser for fund selection. It offers a complement to personal advisory services, and became available in the market during the fourth quarter of 2018. As a fund selection robot, MAIA is more advanced than many other robots in the market, as it optimises an individually adapted fund portfolio at each point in time, based on the customer's own preferences about fee-level, sustainability, investment risk and ratings.



The development of MAIA is ongoing. This is clear evidence of how we are adapting to changing customer behaviour, with higher demands for personalised services within both savings and insurance.

### **MOVESTIC BACK IN ITP**

An important milestone for us this year was that we again became available as a unit-link insurance provider in the ITP occupational pension scheme. When the new ITP agreement came into force, we also launched a version of the fund selection robot, MAIA, for customers with ITP occupational pensions. This was the first time any company within the ITP system offered this type of digital advisory service.

### **REGULATIONS STILL A MAIN FOCUS**

During the year, the industry put a lot of effort into the implementation of new regulations. The new General Data Protection Directive, GDPR, came into force in May. It provides increased protection for personal data, not just in our industry, but everywhere where personal data is stored. IDD, the new Insurance Distribution Directive, on the other hand, targets the insurance industry specifically. The first phase of this directive was launched on October 1. It is important to us to implement these new regulations with a high level of integrity and customer care.

### **OUR RESPONSIBILITY IN A SUSTAINABLE SOCIETY**

Our commitment to contribute to a sustainable society manifests itself in many ways. We have the responsibility to be a sustainable employer, to provide insurance products that are sustainable over the longer term, and not least, as managers of our customers' assets, we have a great responsibility to contribute to a long-term sustainable development of our society, through responsible investments.

During the year, we strengthened our dialogue with the fund companies whose products are available on our platform, a dialogue that is described in the second edition of Movestic's Sustainability Summary, which was presented in October. The Sustainability Summary is a guide that enables our customers to make well-informed decisions on how to invest sustainably.

Our focus on clear and transparent communication led to that we in 2018 were awarded the highest rating in Söderberg & Partners' report 'Sustainable Unit-Link Insurance'. In addition, Max Matthiessen's report 'Responsible Ownership' gave Movestic the rating "väl godkänd" (passed with distinction) for the 'Information and guidance' component. During the year we were also reassessed by UNPRI, the UN Initiative for Responsible Investments. Movestic received a rating above, or on par with, the median rating for its peer group in all areas.

We are also making it easier for our customers to invest sustainably by letting them specify how important sustainability and ethics are to them as one of the selection criteria in MAIA.

### **CHALLENGING STOCK MARKETS IN 2018**

2018 was a challenging year for many investors, with stock markets ending negatively in Sweden as well as many other markets around the world. Despite this, a number of Movestic's funds both outperformed and generated higher return than peers, including Movestic Fastigheter and Movestic Sverige. Movestic's financial results were also affected by the market turbulence. None the less, the result continued to develop positively and the premium volumes increased during the year.

### **FOCUS FOR THE FUTURE**

In 2019 we will continue, with the aid of digitalisation, to develop services that simplify and improve for our customers and partners, whatever their needs. If our industry is to keep providing benefits to society, and to complement the public insurance protection, our services must be up to date and adapted to the the modern way of life, for example when it comes to family structures and employment conditions. This means that our private savings, our occupational pensions, and our insurance cover must also become more individualised. Movestic is planning to make the most of new technology to help us to achieve this.



Linnéa Ecorcheville, CEO

# This is Movestic

## Our offering

Movestic offers long-term savings and insurance, with focus on occupational pension plans, private pensions and insurance related to life and health. We want to offer products and services that, as far as possible, can be adapted to individual preferences and situations. Our main aim is to help our customers to achieve the best possible financial future adapted to their own personal situation, not based on standardised collective solutions.

## Who we target

Movestic's customers are individuals who are saving for retirement privately or in an occupational pension plan, as well as individuals who want to make sure they are well protected by insurance for their life and health. They are also employers wanting to help their employees to achieve a good pension and to provide them with extra protection through insurance. Our products and services also cover the needs of self-employed individuals, and also contain solutions for organisations, associations and clubs that want to offer their members increased financial security through insurance.

## Advice

Movestic's view is that recurring financial advice increases the likelihood of a well-planned financial future, with the right level of insurance protection, and savings with the right level of risk according to the individual customer's preferences. This is why we offer our products and services in combination with advisory services, provided by licensed brokers, or, where this is not possible, through digital services.

## Innovation

Innovation in our industry is both about developing new products and services, and about new technology. The insurance industry is one of those industries that have the ability to develop, and to a great extent benefit from, the new technology currently emerging as part of what is often referred to as 'Industry 4.0', where processes and technologies are interconnected and automated. We see great opportunities to provide better value to our customers and offer fully personalised services by using AI. We have begun this journey by providing our fund selection robot, MAIA, available as part of the ITP occupational pension scheme.

## Our owners

Movestic was originally set up as a part of the Kinnevik Group, but is now owned by the British Group, Chesnara plc, which is listed on the London Stock Exchange. The group owns insurance companies in a number of European countries. To Movestic, this means access to financial strength and an international perspective that make us stronger in our work with innovation and development.

# Quick facts about Movestic

**121** people

► No of employees



► Offices:  
Stockholm &  
Norrköping



► Owners:  
Chesnara plc,  
listed on the  
London Stock  
Exchange

**540,000**

► No of policies

**5,0** billion

► Annual premium  
volume (SEK)

**32** billion

► Assets under  
management (SEK)

**2000**

► Founded

# The year in brief

## Q1

- ▶ Collectum announces the winners in the latest tendering process for the ITP, where Movestic is named as one of the providers of unit-link policies.
- ▶ Movestic is awarded a green light and ranked top 3 in Söderberg & Partners' report 'Sustainable Unit-Link Providers' (Hållbara fondförsäkringsbolag).
- ▶ Movestic joins Fullmaktskollen, a service for increased digitalisation and more secure management of powers of attorney.
- ▶ Movestic reduces transfer fees.



## Q2

- ▶ The new data protection legislation, GDPR, comes into force.
- ▶ Movestic's rating from UNPRI, the UN initiative for responsible investments, is confirmed. Movestic receives a rating better than, or on par with, the median rating for its peer group in all areas.
- ▶ Movestic's approach to digital development and AI is presented at the seminar Insurtech, organised by Dagens Industri.
- ▶ Reduced fees for the Movestic Funds.
- ▶ Movestic strengthens its fund offering by adding Öhman and PriorNilsson.
- ▶ Movestic is given top ranking for service by the members of SFM.



## Q3

- ▶ Movestic is voted Unit-Link Company of the Year 2018.
- ▶ Movestic strengthens its fund offering further, by adding funds from Lannebo, Didner & Gerge and Öhman.
- ▶ Movestic joins Kivra, a digital mailbox provider.



## Q4

- ▶ Movestic launches the first services from its own robot, MAIA – a fund selection robot available to customers with ITP occupational pension.
- ▶ ITP 2018 comes into force.
- ▶ The new insurance distribution directive, IDD, comes into force.
- ▶ Movestic receives the top rating 'VG' by Max Matthiessen in their annual ranking of sustainability data from insurance companies.
- ▶ Movestic's Sustainability Summary is presented, in which two thirds of the fund offering is rated green.
- ▶ Movestic makes the fund selection robot MAIA available to the first group of customers outside the ITP.



# Movestic & the world around us

We live in exciting times. Digitalisation is on its way to not only change our industry at its core, but also the conditions for how we live our lives. This brings changing customer expectations and behaviour. Also in the political sphere there is activity going on. 2019 will bring new EU legislation, designed to strengthen the position of consumers, and a new political agreement is currently being prepared in Sweden. Overall, this leads to major demands on the industry to adapt, but also interesting opportunities, in particular for providers with the ability to transform swiftly.



## PERSONAL RESPONSIBILITY AND INDIVIDUALLY ADAPTED PRODUCTS

We live longer, and the cost to society of providing pensions is increasing. This is why the Swedish parliamentary working group, Pensionsgruppen, is currently looking into the possibility of raising the retirement age, and any future retiree wanting to have a say in when and how they retire must have a detailed plan in place for this. The replacement rate of the general pension is decreasing, and occupational pension plans are expected to provide an increasing proportion of the total pension in the future. In a society where people are generally not very involved with their own pension plans until the time when they are soon to be paid out, we all have a responsibility for simplifying our products and services and making them more accessible, to stimulate the general interest in saving for retirement.

At the same time, the persons saving for retirement are becoming more and more heterogenic, as we lead our lives in increasingly different ways. A modern family can consist of one, two, three, four parents with children and step children, or no children at all. Our working lives have altered; we change jobs more frequently, spend more time on parental leave, and the gig economy is spreading. Approximately one fifth of all Swedes were born abroad, and we who live and work in Sweden have many different backgrounds.

All in all, this means that the industry must adopt the new technology currently under development and use it to provide more personalised services that are easily accessible.

## NEW TECHNOLOGY

New technology and digital services have been available in the financial sector for a long time, but there is still a lot left to do when it comes to the insurance segment. Digitalisation is underway, but we have a long way to go before we reach the efficiency and customer experience that consumers have got used to from other industries.

Our industry is very data intensive, and there is every reason to believe that new technology will have a greater impact on us than on many other industries. Movestic sees great opportunities for using artificial intelligence, AI, to deliver both increased efficiency and better customer experiences in our industry.

## NEW REGULATIONS

Two new and comprehensive directives came into force in Sweden in 2018, the IDD and the GDPR. The IDD (the Insurance Distribution Directive) includes stricter demands on advisory services and the information that must be provided to customers.

The GDPR (General Data Protection Directive) regulates how we, as an insurance company, are allowed to manage our customers' personal data. Movestic has put a lot of time and effort into implementing these new directives in our operations, whilst ensuring a high level of integrity and good customer care.

The new regulations will lead to more transparency about for example costs and fees, and will hopefully also encourage customers to be more interested in and involved with their insurance products. Over the next few years, the focus on regulations will remain within the insurance sector, as the industry awaits for example clarifications about the enquiry into more efficient transfer rights for pension plans by the Swedish Ministry of Finance. The proposed rules are intended to make it easier for private individuals to move their retirement savings between different insurance providers.



Industry 1.0



Industry 2.0



Industry 3.0



Industry 4.0

Previous industrial revolutions replaced animal power with machines, enabled mass production, and gave billions of people digital access. The third industrial revolution digitalised the world; information, processes and functions became available in digital

formats. However, the fourth industrial revolution is fundamentally different. It is characterised by new technologies that bring together the physical, digital and biological world, and affect organisations, industries and economies.

# Individually adapted

In the future, private savings and occupational pension will make up an increasing part of what we have to live off when retired. We want to help our customers make better plans for their financial future, so that their expectations on return from savings and future financial security is adapted to the customer's personal preferences, living conditions, work and family situation.

## MOVESTIC OFFERS

- ▶ Occupational pension
- ▶ Private pension plans
- ▶ Life insurance
- ▶ Accident insurance
- ▶ Sickness insurance
- ▶ Healthcare insurance
- ▶ Serious illness insurance
- ▶ Premium waivers

# Simple for you

In the future, individuals will be forced to take more responsibility for their retirement savings and insurance protection, to ensure their pension reaches its full potential based on their own individual priorities and conditions. By working with licensed brokers and digital services, we make it easier for you to get involved in your savings, at the level that is right for you, and still feel safe in the knowledge that you will enjoy a good level of financial security, both in the short and long term.

## MOVESTIC OFFERS

- ▶ The opportunity to choose between services that are proactive on your behalf and services where you are active on a continuous basis
- ▶ Professional advice from licensed advisers or via digital services, such as our fund selection robot, MAIA
- ▶ A broad and carefully selected range of funds that includes funds from several well-known fund companies
- ▶ The ability to easily navigate between sustainable funds with different profiles
- ▶ Active management or index funds – nothing in-between
- ▶ Insurance protection for every stage in life

# A sustainable Movestic for a sustainable society



**Corporate responsibility is a cornerstone in both our operation and our values. By helping our customers to build up a good pension and feel protected, we generate benefits for society as a whole by complementing the public protection for private finances.**

We also have a responsibility to contribute to a long-term sustainable society. This manifests itself in different ways. We should be a sustainable employer, we should provide insurance products that are sustainable over the longer term, and not least, as managers of our customers' assets, we have a big responsibility for contributing to the long-term development of our society by making responsible investments.

## **FOCUS ON STAFF – OUR COMPANY CULTURE**

The changing world we live in, where we continuously have to adapt to new regulations, new market conditions, and changing customer needs, places high demands both on our employees, and on us as a business. Our belief is that a long-term sustainable workplace, where the workers are happy, develop and have a sense of wellbeing, is necessary to the company's long-term success as well. To achieve this, Movestic works proactively with matters like the environment, health, ethics and governance.

The main aim of our occupational health policy is to prevent work-related ill-health, but also to monitor instances of this if and when they occur. To improve the balance between work and personal time, we offer flexible working hours, summer and winter hours,

as well as opportunities to work remotely and from home. Movestic wants to promote the health of its employees, including by offering fitness vouchers. Other benefits include occupational pension, parental pay, employee insurance, free healthcare insurance, and luncheon vouchers.

Our work environment is also characterised by a high level of integrity when it comes to both internal and external governance. We place high demands on integrity when new regulations are implemented, and have clear guidelines in place to minimise the risks associated with corruption, conflicts of interest, gifts and representation.

Movestic's aim is to reduce its environmental impact, not least by encouraging employees to act in an environmentally responsible manner. All staff members must take an active part in our environmental efforts, for example by suggesting improvements or reporting breaches of the Company's environmental policies. We strive to reduce our consumption of energy and consumables, as well as the amount of waste we produce. We do this by, as far as possible, using electronic means of communication, avoiding paper mailings, and minimising the use of consumables. Equipment that is no longer in use is sent for resale or recycling. Whenever possible we replace travel with telephone or video conferences; where this is not possible, we use climate compensation for all necessary travel.

## **SUSTAINABILITY RISKS**

Movestic operates in an industry based on confidence, where security and value-generation for our customers, both today and in the future, are vitally important. Everything we do has an impact on the trust of our customers and partners, which is why we continuously

“Corporate responsibility is a cornerstone in both our operation and our values. By helping our customers to build up a good pension and feel protected, we generate benefits for society as a whole by complementing the public protection for private finances.”



make sure that our actions are in line with both relevant regulations and the interests of our customers.

In Movestic's sustainability work, the areas of personal and occupational environments are important components. This is why we keep working to ensure we that offer sustainable human resources policies and good working conditions, supported by clear policies and guidelines. Other matters that are important to Movestic include being conscious of our impact on the climate, and what we can do to mitigate this.

Despite our high ambitions for sustainability, there is a risk that we are unable to meet our customers' demands for responsible and environmentally sustainable products, which must always be taken into account. Other important risk areas for Movestic include compliance and corruption. This is why we work ceaselessly to ensure compliance with all legal requirements, and to prevent all instances of corruption. Compliance also involves a sustainability risk, which relates to the way in which we manage personal data. This issue is particularly important to Movestic, as we are convinced that secure and correct management of personal data is vital to retaining the trust of our customers. To safeguard the personal integrity of our customers by managing the data they have entrusted us with in a responsible way is a natural part of Movestic's administrative work, and something that will always be a priority.

## RESPONSIBLE INVESTMENTS

Movestic's way of looking at sustainable investments is that a focus on sustainability issues, such as the environment, ethics, human rights and good business ethics, bring long-term added value to savers. Sustainability is an integrated part of Movestic's investment analysis, and permeates our development of new products and services.

As active owners on the fund market, we keep monitoring and influencing the funds included in our offering. Movestic is mainly trying to influence the fund companies to:

- ▶ Ensure that their board of directors, management team, and the company as a whole are characterised by diversity,
- ▶ Be active at AGMs and vote for their ownership,
- ▶ Hold a proactive sustainability dialogue with the companies in which they invest,
- ▶ Follow international norms relating to environmental protection, human rights, working conditions and anti-corruption, and
- ▶ Sign the UN's Principles for Responsible Investments, UNPRI.

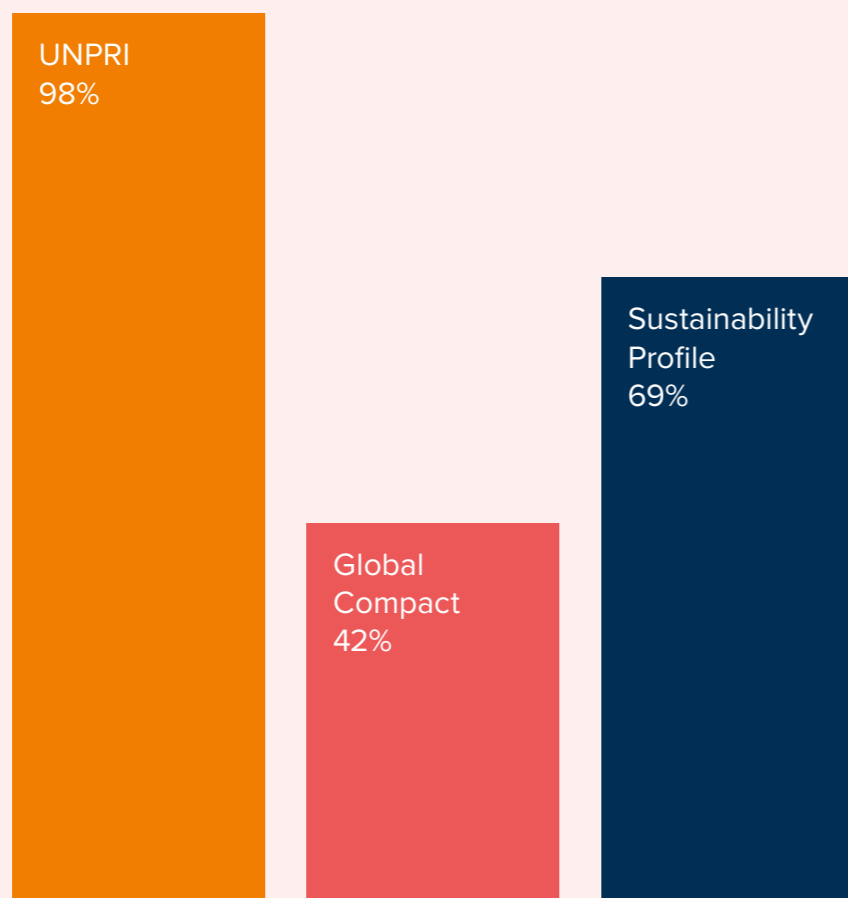


We also aim to increase the interest in and awareness of sustainable investments. For this reason, we are pleased that the year brought new legal requirements that information relating to sustainability must be included in the fact sheets for all funds. As this legal requirement only covers funds registered in Sweden, we have put extra effort into encouraging foreign funds to complete the Sustainability Profile produced by Swesif. The Sustainability Profile is a standardised fact sheet that describes a fund’s approach to integration of responsible investments.

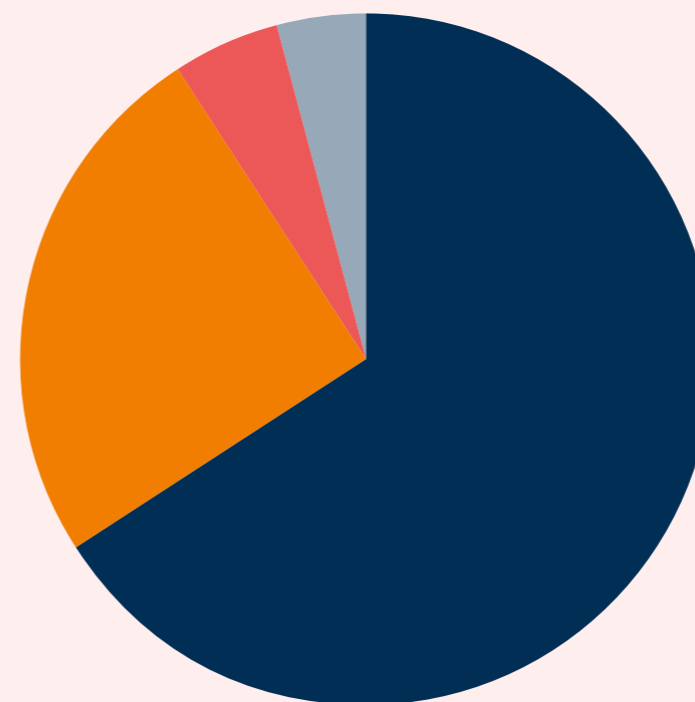
### MOVESTIC’S SUSTAINABILITY RATINGS

Since 2015, Movestic has assessed and rated funds and fund companies on their efforts in relation to responsible investments. Movestic’s sustainability rating is a qualitative overall assessment of how the fund companies integrate sustainability into their management operation. Funds that do not work with sustainability in a satisfactory manner may be excluded from our offering. In 2018 we decided to remove one fund due to shortcomings in their sustainability policies, and we have added new funds with more focus on sustainability.

**Proportion of the funds in Movestic's offering that have signed the UNPRI, the Global Compact, and the Sustainability Profile (Hållbarhetsprofilen), respectively**



**Movestic's Sustainability Ratings**



66% Satisfactory  
 25% On watchlist  
 5% Not satisfactory  
 4% No rating

## FOCUS ON GUIDANCE AND INFORMATION

Last autumn we published a sustainability overview designed to be used as a guide by customers wishing to invest sustainably. The guide includes Movestic's sustainability rating and information about whether the funds have signed the UNPRI, Global Compact and completed the Sustainability Profile (Hållbarhetsprofilen). It also includes the Morningstar Sustainability Rating and whether the fund chooses not to invest in certain sectors. The aim of the overview is to make it easier for savers to make well-informed choices, thereby combining their savings activities with a positive effect on our society and the environment.

The 2018 Sustainability Overview was the second edition of this report. During the assessment a general trend towards an increase in the number of funds and fund companies working actively with sustainability in their daily management processes was noted. Almost all the funds in Movestic's fund offering now have company-wide sustainability policies in place, and many also have specific approaches at fund level. Attitudes to sustainability have changed – from simply being regarded as a risk, it is now also seen as an opportunity to achieve higher yields. The traditional boundaries between including, excluding and influencing companies are gradually blurring, and fund managers take greater overall responsibility and use a greater number of approaches.

Many fund managers are actively using both reactive and proactive ways to influence, and the larger fund companies in particular have improved the way they report and measure the outcomes of their interactions. This is a positive development, as it puts pressure on the companies to act and increases transparency for savers.

Movestic regularly publishes information about sustainability-related activities on the Company's website, for the purpose of informing and educating. Examples from 2018 include that a number of funds introduced climate-related measures, that we took part in discussions about new sustainable options in the passive investment area, and that we held dialogues with fund companies about increasing the transparency in the sustainable investment segment.

As a result of its work with sustainability, Movestic was awarded the highest rating in Söderberg & Partners' report 'Sustainable Unit-Link Insurance' (Hållbara Fondförsäkringar). In Max Matthiessen's report 'Responsible Ownership', Movestic was given the rating "VG" (passed with distinction) for the 'Information and Guidance' component. During the year we were also reassessed by UNPRI, the UN Initiative for

Responsible Investments. Movestic received a rating above, or on par with, the median rating for its peer group in all areas.

## NEW INVESTMENT APPROACH FOR THE MOVESTIC FUNDS

Every six months, Movestic carries out a norm-based review of the holdings of the funds it manages in-house (the Movestic Funds), and checks that the funds do not invest in companies involved with controversial weapons. Any holdings in the funds under our own managements that contravene international standards, such as the UN Global Compact, are reported to the respective managers and a dialogue is initiated. If this dialogue is not deemed to have the desired outcome, the holdings may be sold. In 2018, a number of sustainability-related dialogues were held by the various fund managers.

In the autumn of 2018, we started working on changing our investment framework and increasing the focus on sustainability in the funds we manage in-house by excluding investments in the pornography, tobacco, weapon, and fossil fuel sectors. By the end of the year, seven of nine Movestic Funds had adapted to this new standard. The remaining two will be adapted in the first half of 2019.

Our efforts to exclude certain sectors mean that a number of holdings have been removed from the funds. In the future, all new investments will take into account the exclusion list being produced by the sustainability consultant, ISS-Ethix.

Companies that will be excluded include;

- ▶ Companies where more than five percent of the turnover is derived from the production of tobacco
- ▶ Companies where more than five percent of the turnover is derived from the production or distribution of conventional weapons
- ▶ Companies where more than five percent of the turnover is derived from the production of fossil fuels
- ▶ Companies where more than five percent of the turnover is derived from the production of pornography
- ▶ Companies involved with controversial weapons
- ▶ Companies involved with nuclear weapons

Globally there are approximately 1,500 companies that the funds will refrain from investing in in the future. The introduction of the new



investment guidelines has led to a small number of holdings with activities within the energy, weapon and tobacco industries being sold off.

### MOVESTIC AND THE GLOBAL SUSTAINABILITY GOALS

In September 2015, Sweden and the rest of the UN member states agreed on 17 sustainability development goals. The goals are ambitious and require a lot of involvement from all sectors of society.

Increasing numbers of the fund companies that Movestic works with have now taken an active stand to support all or some of the global sustainability goals. The fund companies work both with excluding certain types of investments, but also with reporting, influencing and actively investing in sectors that in one way or another are trying to find solutions for the different goals. Among the fund companies, the climate issue dominates somewhat, and many funds have taken major steps towards considering climate-related risks and opportunities in their investment analyses.

Movestic has chosen to focus specifically on the following goals.

- ▶ Goal 3 – Good health and well-being
- ▶ Goal 5 – Equality
- ▶ Goal 13 – Climate action
- ▶ Goal 16 – Peace, justice and strong institutions

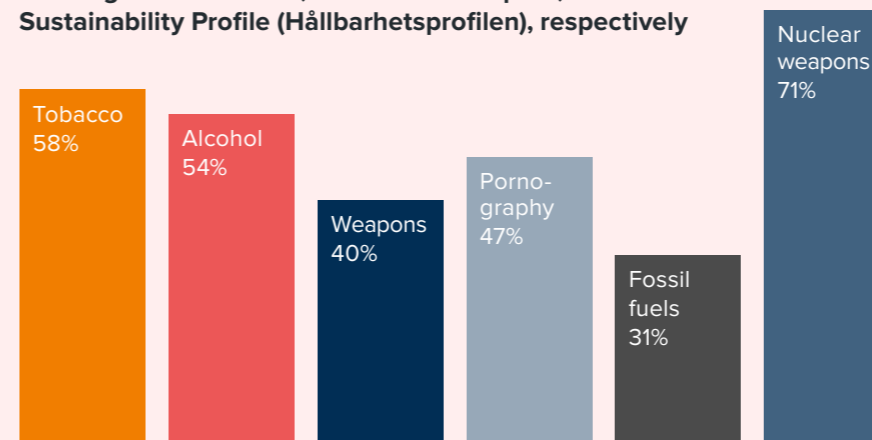
By excluding tobacco producers from the funds that are under our own management, we avoid contributing to a global public health issue that involves risks to the health not only of the user, but of the people around them as well, and which causes huge costs to society. Sweden, along with 180 other countries, has adopted the WHO's tobacco convention, which aims to reduce the use of tobacco. Although this covers 90 percent of the global population, more than 1 billion humans used tobacco in 2015. The Sustainability Summary also shows which of the other funds within our offering avoid investing in tobacco producers.

Sustainability goals five and sixteen relate to equality, and to peaceful and inclusive societies. Human trafficking, abuse and sexual violence are some of the prioritised areas. The pornography industry has on a number of occasions been named as one of the causes of trafficking and abuse. For this reason, we exclude any companies where more than five percent of the turnover relates to the production of pornographic materials.

The climate challenge became increasingly evident as the year progressed. Fossil fuels currently meet a large proportion of the global energy demand and contribute, as the single biggest source of greenhouse gas emissions, to climate change. Sweden has signed the Paris Agreement, which aims to keep the global temperature rise at below 2°C. To achieve this goal requires changes expected to include the phasing out of fossil fuels, in combination with greater energy efficiency. The natural step is therefore to exclude fossil fuels from the Movestic Funds. We now offer a number of fossil-free options in our range of funds. Additionally, we also offer selected funds that work actively to find solutions to the climate issue.

To address the goal relating to peace, justice and strong institutions, Movestic avoids offering funds that invest in companies involved with controversial weapons and military equipment. Controversial weapons are illegal and include anti-personnel mines, cluster bombs, nuclear weapons, as well as chemical and biological warfare agents; weapons that kill indiscriminately and do not differentiate between civilian and military targets. We have also chosen to distance ourselves from, and exclude, all companies involved with nuclear weapons. Movestic's own funds also exclude producers and distributors of so called conventional weapons, which are not illegal but still cause huge amounts of human suffering. 40 percent of the funds we offer currently have an active policy not to invest in the arms industry.


**Proportion of the funds in Movestic's offering that have signed the UNPRI, the Global Compact, and the Sustainability Profile (Hållbarhetsprofilen), respectively**



# Sustainability report

**52%**

► Proportion female employees



► Proportion women on Movestic's board of directors: 29 %



► Proportion women in Movestic's management team: 57 %




► Proportion female managers 52 %



► 100 % Climate compensation for work-related travel

**100 %**

► Environmentally certified paper  
Organic fruit and coffee



► Carbon footprint of the operation 2018: 79 ton

**42 years**

► Average age of the employees



► Participation in the 2018 employee survey: 95 %

**80 %**

► Proportion of employees who are satisfied with the leadership



► Sick leave: 1,98 %



► Proportion of employees utilising the fitness vouchers: 75 %

# Auditor's report on the statutory sustainability report

**To the general meeting of the shareholders  
in Movestic Livförsäkring AB, corporate identity  
number 516401-6718**

## *ENGAGEMENT AND RESPONSIBILITY*

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 12-18 and that it has been prepared in accordance with the Annual Accounts Act for Insurance Companies.

## *THE SCOPE OF THE AUDIT*

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## *OPINION*

A statutory sustainability report has been prepared.

Stockholm 11 April 2019  
Deloitte AB  
[Signature on the Swedish original]

Henrik Nilsson  
*Authorized public accountant*

# Board of Directors' Report

**The Board of Directors and the CEO of Movestic Livförsäkring AB, corp. ID 516401-6718, hereby submit the annual report for 2018, the company's nineteenth financial year. The seat of the Board is in Stockholm.**

## ORGANISATION AND OPERATION

Movestic provides a comprehensive range of savings and insurance products. Within the saving and pension segment, the Company offers unit-linked products, with focus on occupational pension plans, private and company-owned asset insurance, and private pension plans. The risk segment includes life, accident and health insurance. Since July 2009, Movestic Livförsäkring AB (the Company) is a wholly owned subsidiary of the British firm Chesnara plc (Corp. ID 4947166), which has its registered office in Preston, England.

The Company's wholly owned subsidiary, Movestic Kapitalförvaltning AB, manages fund offerings in Movestic's fund range. The funds are managed within a fund structure, a so called SICAV. The administrative management of the funds within the SICAV structure is handled by Movestic Fund Management SA, with the seat in Luxembourg, a wholly owned subsidiary of Movestic Livförsäkring AB.

On the 31st December 2018 Movestic had 121 employees. Of these, 52 percent were female, and women made up 52 percent of the managers. The average age of all employees was 42. The proportion of women on the management team was 57 percent, and in the Board of Directors 29 percent.

## IMPORTANT EVENTS DURING THE YEAR

### DEVELOPMENT

2018 was a year when the development of the investment markets was characterised by volatility and a sharp global stock exchange downturn during the fourth quarter, whilst interest rates remained historically low. Our range of funds, which includes a broad spectrum of interest funds, share funds and alternative funds, such as hedge funds, gives our customers every opportunity to achieve good long-term profits irrespective of the market climate.

During the first quarter, Movestic was elected as one of five unit-linked insurance providers in the ITP procurement and from 1 October, when the solution came into force, customers within ITP were able to select Movestic, and at the same time get access to the fund selection robot MAIA.

The Company has continued to work with process efficiency and to increase the degree of automation during the year. Due to the increased demands for digital flows and accessibility, the Company has intensified its efforts to develop services that lead to greater efficiency and simplicity.

### CONTINUED FOCUS ON SUSTAINABILITY

To Movestic, running its operation in a responsible manner, and making sustainability an integrated part of this, is the natural choice. The overall aim is that Movestic, in all areas where we can have an impact, will contribute to a sustainable development, with respect to social, ethical, environmental, and financial aspects.

In 2018 we continued to work actively to review and influence the funds that we offer, and the fund companies we work with. In our sustainability overview, where the performances of our funds are presented in relation to different sustainability criteria, two thirds reached a green light. In addition to our fund-related sustainability efforts, we also strive to minimise the Company's environmental impact, and to create a healthy workplace for our personnel. Further information about our sustainability work is available under the headline 'Sustainability Report' on page 12.

## **RISKS AND RISK MANAGEMENT**

During the year, Movestic kept working on its risk management system, to ensure that it is well suited to the Company's business activities and situation. The Company have also further developed its GRC- Governance, Risk management and Compliance tool to improve the follow-up of incidents, risks and controls. In addition, the Company's business continuity plan has been developed, to mitigate, to the extent possible, the risks the Company encounters.

The final responsibility for making sure the Company has an effective risk management system in place rests with its Board of Directors. The Board has appointed an Audit and Risk Committee, tasked with helping the Board to review Movestic's financial reports, internal controls, and risk management system. The risk management system consists of policy documents, strategies, processes and routines for identifying, evaluating, monitoring, handling and reporting risks to which the company is or may become exposed.

To ensure effective risk management and internal control within the Company, an organisational structure based on three lines of defence has been put in place.

The first line of defence consists of the CEO, the business and operational managers, and their personnel. The first line of defence is responsible for the risks that arise, or could arise, within their departments or areas of responsibility.

The second line of defence consists of the independent control functions, i.e. the Risk Management, Compliance and Actuarial functions. Together they are responsible for continuously developing and improving the Company's risk handling.

The third line of defence is the Internal Audit function, an independent function that reports direct to the Board of Directors. This

function is responsible for reviewing and assessing the Company's governance system, risk management procedures and internal controls, and issuing recommendations about potential improvements.

Movestic is also continuing its efforts to maintain and develop an effective risk management system for the coming financial year. Information about the risks to which the Company is exposed, and how these are managed, can be found in Note 3.

## **REGULATIONS**

### ***SOLVENCY II***

On the 1st January 2016, the new solvency requirements for insurance companies within the EU, as set out in the Solvency II Directive, came into force. Movestic decided to apply the new regulations fully from the beginning, and to not take advantage of the interim regulations available to providers of occupational pension plans. The Company's capital requirements are determined according to the standard model.

Movestic reported in accordance with the quantitative reporting requirements in Pillar 3 during the year and has worked to further incorporate the results of its Own Risk and Solvency Assessment in its business planning processes. The Company has also prepared a Solvency and Financial Condition Report (SCFR) and a Regular Supervisory Report (RSR).

The Company's board of directors has been involved in the solvency work carried out during the year, by challenging both the overall risk management system, the calculations carried out as part of the solvency work, and the conclusions drawn from the Own Risk and Solvency Assessment (ORSA).

## ***ACCOUNTING***

In November 2018, the International Accounting Standards Board, IASB, announced that the new standard for accounting of insurance agreements, IFRS 17, will be postponed for one year and hence come into force on the 1st January 2022. The new standard will lead to significant changes in how insurance agreements are reported in financial statements. During 2018, Movestic continued to evaluate the impact that this new standard will have on its business operation.

### OTHER REGULATIONS

GDPR (the data protection regulation) came into force on 25th May 2018 and regulates how companies can handle personal data. It aims to strengthen and create more standardized data protection for citizens in the EU.

IDD (the insurance distribution directive) came into force on 1st October 2018 and regulates requirements for giving advice and information to customers and is applicable for both insurance intermediaries and insurance companies.

Movestic has worked intensely to adapt the operations to implement the new regulations.

### EXPECTED FUTURE DEVELOPMENTS

The life insurance industry is going through a period of major change. As a result of increased customer demands for accessibility and information, Movestic will further intensify its efforts to improve internal efficiency, with the aim to provide the necessary foundations for a higher degree of digitalisation.

The regulatory frameworks keep evolving and Movestic will keep working with adaptation and implementation.

### RESULT AND FINANCIAL POSITION

The unfavourable development of the investment markets during the fourth quarter affected the development of the assets under management, which at the closing day amounted to 32,035 MSEK (32,234). Income from investment agreements amounted to 496.5 MSEK (466.9).

The Company's risk operation returned an improved technical result. The gross premium income amounted to 380.7 MSEK (402.4).

The Company's result before tax improved and amounted to 119.4 MSEK (113.7).

As per the end of the year, the capital base according to the Solvency II directive amounted to 2.367 MSEK (2.524) and the capital requirement amounted to 1.332 MSEK (1.616). The decrease of capital base and capital requirement are mainly driven by the fall in equity market in fourth quarter 2018.

### PROPOSED APPROPRIATION OF PROFITS

SEK	2018
<b>At the disposal of the general meeting of shareholders:</b>	
Profit brought forward	660 147 715
Profit of the year	108 422 541
<b>Total</b>	<b>768 570 256</b>
<b>The Board of Directors proposes that the profits be distributed as follows:</b>	
Distribution to the shareholders	33 075 000
Carry forward to new account	735 495 256
<b>Total</b>	<b>735 570 256</b>

### BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED APPROPRIATION OF PROFITS

The proposal regarding distribution of profits has been prepared in accordance with the rules on protection of the Company's restricted equity and the precautionary principle, as set out in the Swedish Companies Act, chapter 18, §4. The Board of Directors has taken into account 1) the required size of the equity based on the nature, scope and risks of the operation and 2) the Company's consolidation requirements, liquidity, and general position.

The Company's financial position does not give reason to believe anything other than that it can be expected to meet its commitments, both in the short and long term. The Board of Directors' view is that the Company's own funds are adequate considering the scope of the operation and the risks to which it is exposed.

# Financial reports

# Five-year summary

Amount in MSEK	2018	2017	2016	2015	2014
<b>Result</b>					
Premiums written, net of reinsurance, non-life operation	42,5	49,8	49,9	50,5	48,6
Premiums written, net of reinsurance, life operation	118,9	120,4	122,9	123,5	127,0
	<b>161,4</b>	<b>170,2</b>	<b>172,9</b>	<b>174,0</b>	<b>175,6</b>
Income from investment agreements	496,5	466,9	392,8	413,9	345,1
Investment income, net in the insurance operation	-14,5	-10,2	-5,1	-11,9	-5,0
Claims incurred, net of reinsurance, non-life operation	-22,5	-33,5	-31,5	-23,3	-28,2
Claims incurred, net of reinsurance, life operation	-31,9	-26,4	-54,1	-60,7	-61,0
	<b>-54,4</b>	<b>-59,9</b>	<b>-85,6</b>	<b>-84,0</b>	<b>-89,2</b>
Technical result of the non-life insurance operation	-1,2	-9,6	-3,0	10,1	-0,5
Technical result of the life insurance operation	115,8	98,7	69,3	74,4	33,2
<b>Profit/loss for the year</b>	<b>108,4</b>	<b>114,2</b>	<b>105,4</b>	<b>86,5</b>	<b>42,6</b>
<b>Financial position</b>					
Investment assets, valued at actual value	602,3	556,9	457,7	407,5	211,6
Investment assets for which the policyholder bears the risk	31 825,4	32 033,2	27 707,9	24 237,5	21 852,6
Technical provisions, net of reinsurance	355,7	355,9	345,8	311,8	287,9
Technical provisions for which the policyholder bears the risk	32 036,5	32 235,3	27 851,8	24 321,5	21 946,4
Net asset value	822,0	745,1	660,9	555,5	469,0
-of which deferred tax	-	-	-	-	-
Capital base for the Company <sup>1)</sup>	2 367,2	2 524,4	2 113,6	n/a	n/a
-of which Tier 1 capital	2 367,2	2 524,4	2 113,6	n/a	n/a
-of which Tier 2 capital	-	-	-	n/a	n/a
Minimum Own Funds requirement for the Company <sup>1)</sup>	333,1	403,9	362,6	n/a	n/a
Solvency capital requirement for the Company <sup>1)</sup>	1 332,3	1 615,6	1 450,6	n/a	n/a

<sup>1)</sup> Calculated according to the rules under Solvency II. These came into force on the 01-01-2016.

<sup>2)</sup> Direct return and total return were calculated in accordance with the regulations of the Swedish Financial Supervisory Authority.

KEY RATIOS	2018	2017	2016	2015	2014
<b>Non-life insurance operation</b>					
Claims ratio, %	53,0	67,2	63,0	46,1	58,0
Operating expenses ratio, %	49,8	55,9	44,7	35,5	44,0
Combined ratio, %	102,7	123,1	107,7	81,6	102,0
<b>Life insurance operation</b>					
Management cost ratio, %	1,4	1,5	1,5	1,6	1,9
<b>Asset management</b>					
Direct return, % <sup>2)</sup>	-0,0	0,0	0,0	0,0	0,0
Total return, % <sup>2)</sup>	-5,6	8,0	7,5	4,7	12,5
<b>Financial position</b>					
Consolidation, %	509,4	437,7	382,3	319,2	267,0



# Income Statement

## Amounts in KSEK

TECHNICAL ACCOUNT OF THE NON-LIFE INSURANCE OPERATION	Note	2018	2017
<b>Premiums written (net of reinsurance)</b>			
Premiums written (gross)	4	108 348	122 032
Premiums for ceded reinsurance		-63 538	-70 131
Changes in Provisions for unearned premiums and unexpired risks		-308	-3 656
Reinsurers' share of changes in Provisions for unearned premiums and unexpired risks		-1 966	1 557
		<b>42 536</b>	<b>49 802</b>
Allocated investment returns transferred to technical account	6	-	-677
Other technical income (net of reinsurance)		3	2 798
<b>Claims incurred (net of reinsurance)</b>			
Claims incurred and paid	7		
Gross		-44 671	-45 805
Reinsurers' share		33 266	33 074
Changes in Provisions for claims outstanding			
Gross		-48 689	-31 620
Reinsurers' share		37 570	10 877
		<b>-22 524</b>	<b>-33 474</b>
Operating expenses	8	-21 175	-27 828
Other technical expenses (net of reinsurance)		-	-175
<b>Technical result of the non-life insurance operation</b>		<b>-1 160</b>	<b>-9 554</b>

TECHNICAL ACCOUNT OF THE LIFE INSURANCE OPERATION	Note	2018	2017
<b>Premiums written (net of reinsurance)</b>			
Premiums written (gross)	4	272 672	284 117
Premiums for ceded reinsurance		-153 743	-163 673
		<b>118 930</b>	<b>120 444</b>
Investment income	9	2 483	364
Unrealised gains from investments	10	790	5 130
Income from investment contracts	5	496 467	466 880
<b>Claims incurred (net of reinsurance)</b>			
Claims incurred and paid	7		
Gross		-121 156	-122 419
Reinsurers' share		78 800	83 284
Changes in Provisions for claims outstanding			
Gross		32 362	36 652
Reinsurers' share		-21 875	-23 956
		<b>-31 868</b>	<b>-26 439</b>
<b>Changes in other technical provisions (net of reinsurance)</b>			
Technical provisions for life insurance			
Gross		9 072	-801
Reinsurers' share		-6 181	365
		<b>2 891</b>	<b>-436</b>
Operating expenses	8	-450 036	-452 205
Other technical expenses (net of reinsurance)		-6 089	-
Investments, costs	9	-16 039	-14 272
Unrealised losses from investments	10	-1 705	-756
<b>Technical result of the life insurance operation</b>		<b>115 824</b>	<b>98 710</b>

NON-TECHNICAL ACCOUNT	Note	2018	2017
Technical result of the non-life insurance operation		-1 160	-9 554
Technical result of the life insurance operation		115 824	98 710
Investment income, unrealised gains from investments	10	-	860
Allocated investment returns transferred to the non-life operation	6	-	677
Group contributions		4 689	23 034
<b>Result before appropriations and tax</b>		<b>119 353</b>	<b>113 727</b>
<b>Result before tax</b>		<b>119 353</b>	<b>113 727</b>
Tax on the year's result	11	-10 930	464
<b>Profit/loss for the year</b>		<b>108 423</b>	<b>114 191</b>
<b>Total reported result</b>			
Profit/loss for the year, according to income statement		108 423	114 191
<b>Total comprehensive income for the year</b>		<b>108 423</b>	<b>114 191</b>

# Performance analysis Life insurance operation

Amounts in KSEK	Total	Direct insurance, Swedish risks								
		Occupational pension			Other life insurance					
		Unit-linked	Fee-based traditional insurance	Occupational health & premium exempt	Individual traditional insurance	Unit-linked	Fee-based traditional insurance	Group life & TGL	Irrevocable sickness & accident insurance	Direct insurance of foreign risks
<b>Technical account for the life insurance operation</b>										
Premiums earned (net of reinsurance), note 1	118 930	1 035	–	50 037	16 040	116	–	50 631	1 031	40
Investment income	2 483	7	–	2 103	84	1	–	231	31	26
Unrealised gains from investments	790	200	–	485	20	19	–	53	7	6
Income from investment contracts	496 467	410 269	7 136	–	–	53 600	25 462	–	–	–
Claims incurred (net of reinsurance), note 2	-31 868	-114	–	-10 539	-7 586	-13	–	-13 385	-91	-140
Changes in other technical provisions (net of reinsurance)	2 891	–	–	842	813	–	–	1 200	39	-3
Operating expenses	-450 036	-325 894	-7 335	-33 819	15 330	-36 688	-29 494	-31 672	-683	219
Other technical expenses (net of reinsurance)	-6 089	-5 410	–	-178	–	-501	–	–	–	–
Investment charges	-16 039	-14 177	–	-466	-19	-1 314	–	-50	-7	-6
Unrealised losses from investments	-1 705	-5	–	-1 443	-58	-1	–	-158	-22	-18
<b>Technical result for the life insurance operation</b>	<b>115 824</b>	<b>65 911</b>	<b>-199</b>	<b>7 022</b>	<b>24 624</b>	<b>15 219</b>	<b>-4 032</b>	<b>6 850</b>	<b>305</b>	<b>124</b>
<b>Technical provisions, gross</b>										
Life insurance provisions	32 176	–	–	12 573	8 712	–	–	10 748	143	0
Claims outstanding	509 335	2 130	–	450 957	9 535	237	–	29 073	5 856	11 545
	<b>541 511</b>	<b>2 130</b>	<b>–</b>	<b>463 530</b>	<b>18 247</b>	<b>237</b>	<b>–</b>	<b>39 821</b>	<b>5 999</b>	<b>11 545</b>
<b>Technical provisions for life insurances for which the policyholder bears the risk, gross</b>										
Conditional dividends	2 969 716	–	758 219	–	–	–	2 211 498	–	–	–
Unit-linked commitments	29 066 754	26 580 718	–	–	–	2 486 036	–	–	–	–
	<b>32 036 470</b>	<b>26 580 718</b>	<b>758 219</b>	<b>–</b>	<b>–</b>	<b>2 486 036</b>	<b>2 211 498</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Performance analysis Life insurance operation (cont.)

Amounts in KSEK	Total	Direct insurance, Swedish risks								Direct insurance of foreign risks
		Occupational pension			Other life insurance					
		Unit-linked	Fee-based traditional insurance	Occupational health & premium exempt	Individual traditional insurance	Unit-linked	Fee-based traditional insurance	Group life & TGL	Irrevocable sickness & accident insurance	
<b>Reinsurers' share of technical provisions</b>										
Life insurance provisions	14 625	–	–	5 781	4 395	–	–	4 402	48	0
Claims outstanding	290 746	1 426	–	257 775	5 859	159	–	13 500	2 973	9 055
	<b>305 371</b>	<b>1 426</b>	<b>–</b>	<b>263 555</b>	<b>10 254</b>	<b>159</b>	<b>–</b>	<b>17 901</b>	<b>3 021</b>	<b>9 055</b>
<b>Note 1 Premiums earned (net of reinsurance)</b>										
Premiums written, gross	272 672	3 649	–	110 681	38 071	407	–	118 160	1 518	186
Premiums for ceded reinsurance	-153 743	-2 613	–	-60 645	-22 031	-291	–	-67 529	-487	-146
	<b>118 930</b>	<b>1 035</b>	<b>–</b>	<b>50 037</b>	<b>16 040</b>	<b>115</b>	<b>–</b>	<b>50 631</b>	<b>1 031</b>	<b>40</b>
<b>Note 2 Claims incurred (net of reinsurance)</b>										
<b>Claims incurred and paid</b>										
Gross	-121 156	-313	–	-35 659	-14 865	-35	–	-68 831	-667	-787
Gross	78 800	203	–	20 374	7 797	23	–	49 609	341	454
<b>Changes to claims outstanding</b>										
Gross	32 362	-17	–	13 114	-1 741	-2	–	19 523	590	895
Reinsurers' share	-21 875	13	–	-8 369	1 223	2	–	-13 687	-355	-702
	<b>-31 868</b>	<b>-114</b>	<b>–</b>	<b>-10 539</b>	<b>-7 586</b>	<b>-13</b>	<b>–</b>	<b>-13 385</b>	<b>-91</b>	<b>-140</b>

Foreign risks relate entirely to Norway.

# Performance analysis Non-life insurance operation

Amounts in KSEK	Direct insurance, Swedish risks	
	Total	Sickness and accident
<b>Technical account for the non-life insurance operation</b>		
Premiums earned (net of reinsurance) note 1	42 536	42 536
Other technical income	3	3
Claims incurred (net of reinsurance) note 2	-22 524	-22 524
Operating expenses	-21 175	-21 175
<b>Technical result of the non-life insurance operation</b>	<b>-1 160</b>	<b>-1 160</b>
<b>Technical provisions, gross</b>		
Provisions for unearned premiums and unexpired risks	12 147	12 147
Provisions for claims outstanding	409 773	409 773
	<b>421 920</b>	<b>421 920</b>
<b>Reinsurers' share of technical provisions</b>		
Provisions for unearned premiums and unexpired risks	4 654	4 654
Provisions for claims outstanding	297 705	297 705
	<b>302 358</b>	<b>302 358</b>
<b>Note 1 Premiums earned (net of reinsurance)</b>		
Premiums written, gross	108 348	108 348
Premiums for ceded reinsurance	-63 538	-63 538
Changes in Provisions for unearned premiums and unexpired risks	-308	-308
Reinsurers' share of changes in Provisions for unearned premiums and unexpired risks	-1 966	-1 966
	<b>42 536</b>	<b>42 536</b>
<b>Note 2 Claims incurred (net of reinsurance)</b>		
<b>Claims incurred and paid</b>		
Gross	-44 671	-44 671
Reinsurers' share	33 266	33 266
<b>Changes in Provisions for claims outstanding</b>		
Gross	-48 689	-48 689
Reinsurers' share	37 570	37 570
	<b>-22 524</b>	<b>-22 524</b>

# Balance sheet Assets

Amounts in KSEK	Note	2018-12-31	2017-12-31
<b>Intangible assets</b>			
Other intangible assets	12	57 573	60 746
		<b>57 573</b>	<b>60 746</b>
<b>Investment assets</b>			
<i>Investments in group companies and associated companies</i>			
Shares and participations in group companies	13	26 805	27 010
Shares and participations in associated companies	13	9 183	9 183
Interest-bearing loans to associated companies		8 056	7 722
<b>Other financial investment assets</b>			
Shares and participations	14	123 408	124 727
Bonds and other interest-bearing securities	15	430 489	383 732
Other financial investment assets	16	4 396	4 521
		<b>602 337</b>	<b>556 895</b>
<b>Investments for the benefit of life policyholders, for which the policyholder bears the risk</b>			
Assets with conditional dividends		2 969 716	2 944 143
Unit-linked assets		28 855 701	29 089 082
	<b>17</b>	<b>31 825 417</b>	<b>32 033 225</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums and unexpired risks	18	4 654	6 620
Life insurance provisions	19	14 630	20 811
Claims outstanding	20	588 452	572 514
		<b>607 736</b>	<b>599 945</b>
<b>Receivables</b>			
Receivables, direct insurance	21	89 711	81 846
Other receivables	22	56 268	97 774
		<b>145 979</b>	<b>179 620</b>
<b>Other assets</b>			
Tangible assets	23	1 293	2 443
Cash and bank		360 808	344 776
		<b>362 101</b>	<b>347 219</b>
<b>Pre-paid expenses and accrued income</b>			
Deferred acquisition costs	24	761 293	757 086
Other pre-paid expenses and accrued income	25	47 302	45 363
		<b>808 595</b>	<b>802 449</b>
<b>TOTAL ASSETS</b>		<b>34 409 738</b>	<b>34 580 099</b>

# Balance sheet Equity, provisions and liabilities

Amounts in KSEK	Note	2018-12-31	2017-12-31
<b>Equity</b>			
Share capital		13 000	13 000
Fund for development costs		40 469	34 332
Profit brought forward		660 148	583 594
Net profit for the year	26	108 423	114 191
		<b>822 040</b>	<b>745 117</b>
<b>Technical provisions (gross)</b>			
Unearned premiums and unexpired risks	18	12 147	11 839
Life insurance provisions	19	32 176	41 248
Claims outstanding	20	919 108	902 749
		<b>963 431</b>	<b>955 836</b>
<b>Technical provisions for life insurances for which the policyholder bears the risk (gross)</b>			
Conditional dividend	27	2 969 716	2 944 143
Unit-linked commitments		29 066 754	29 291 115
		<b>32 036 470</b>	<b>32 235 258</b>
<b>Other provisions</b>			
Provisions for pensions and similar commitments	28	5 678	5 705
Other provisions		3 816	6 182
		<b>9 494</b>	<b>11 887</b>
<b>Liabilities</b>			
Liabilities, direct insurance	29	29 757	82 415
Liabilities, reinsurance		46 788	45 011
Other liabilities	30	433 586	425 253
		<b>510 131</b>	<b>552 679</b>
<b>Accrued expenses and deferred income</b>			
Reinsurers' share of deferred acquisition costs		3 088	4 376
Other accrued expenses and deferred income	31	65 084	74 946
		<b>68 172</b>	<b>79 322</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>		<b>34 409 738</b>	<b>34 580 099</b>

# Statement of changes in equity

Amounts in KSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development costs	Profit brought forward	Profit/loss for the year	
<b>Opening balance 01-01-2017</b>	<b>13 000</b>	<b>33 199</b>	<b>509 311</b>	<b>105 416</b>	<b>660 926</b>
Distribution of profit	–	–	105 416	-105 416	–
-Dividends	–	–	-30 000	–	-30 000
Provision for the year	–	10 148	-10 148	–	–
Reversal	–	-9 015	9 015	–	–
Profit/loss for the year	–	–	–	114 191	114 191
<i>Total comprehensive income for the year</i>	–	–	–	114 191	114 191
<b>Closing balance 31-12-2017</b>	<b>13 000</b>	<b>34 332</b>	<b>583 594</b>	<b>114 191</b>	<b>745 117</b>
<b>Opening balance 01-01-2018</b>	<b>13 000</b>	<b>34 332</b>	<b>583 594</b>	<b>114 191</b>	<b>745 117</b>
Distribution of profit	–	–	114 191	-114 191	–
-Dividends	–	–	-31 500	–	-31 500
Provision for the year	–	21 532	-21 532	–	–
Reversal	–	-15 395	15 392	–	–
Profit/loss for the year	–	–	–	108 423	108 423
<i>Total comprehensive income for the year</i>	–	–	–	108 423	108 423
<b>Closing balance 31-12-2018</b>	<b>13 000</b>	<b>40 469</b>	<b>660 148</b>	<b>108 423</b>	<b>822 040</b>

As per the 31 December 2018, the number of shares in Movestic Livförsäkring AB was 13,000, with a quota value of 1,000 SEK. All shares carry one vote.

# Cash flow statement

Amounts in KSEK	2018	2017
<b>Current operations</b>		
Profit/loss before tax	119 353	113 727
Adjustments for items not included in cash flow <sup>1)</sup>	13 790	4 315
	<b>133 143</b>	<b>118 042</b>
Taxes paid	-70 131	-66 676
<b>Cash flows from current operations before changes in working capital</b>	<b>63 012</b>	<b>51 366</b>
<b>Cash flows due to changes in assets and liabilities of the operating business</b>		
Changes to investment assets, net	-45 441	-84 496
Changes to investment assets for which the policyholders bear the risk, net	9 021	58 179
Changes in other operating receivables	31 703	-18 362
Changes in other operating liabilities	11 494	114 370
<b>Cash flow from current operation</b>	<b>69 789</b>	<b>121 057</b>
<b>Investment activities</b>		
Acquisition of intangible assets	-21 329	-10 207
Acquisition of tangible assets	-307	-796
Acquisition of subsidiary	-	-9 000
Paid shareholders' contribution	-	-5 705
<b>Cash flow from investment activities</b>	<b>-21 636</b>	<b>-25 708</b>
<b>Financing activities</b>		
Changes in financial reinsurance	132 875	159 496
Repayment of financial reinsurance	-133 496	-113 971
Dividends	-31 500	-30 000
<b>Cash flow from financing activities</b>	<b>-32 121</b>	<b>15 525</b>
Cash flow for the year	16 032	110 875
Net cash at the beginning of the year	344 776	233 901
<b>Net cash at the end of the year</b>	<b>360 808</b>	<b>344 776</b>

Amounts in KSEK	2018	2017
<b>Additional information for the cash flow statement</b>		
<b>Interest paid</b>		
Interest received	162	102
Interest paid	-461	-278
<b>Liquid assets</b>		
<i>The following components are included in liquid assets:</i>		
Cash and bank	360 808	344 776
1) Change in pre-paid acquisition costs	-5 496	-32 048
Unrealised changes in the value of investments	915	-5 234
Write-offs and depreciations	25 960	25 773
Changes in technical provisions	16	10 583
Tax	-6 475	-
Unrealised gains from currency exchange rates	1 700	388
Other	-2 830	4 853
<b>Adjustment for items not included in the cash flow</b>	<b>13 790</b>	<b>4 315</b>



# Notes

All amounts in **KSEK** unless otherwise stated..

## NOTE 1 – VALUATION AND ACCOUNTING PRINCIPLES

### GENERAL INFORMATION

The parent company of the group in which Movestic Livförsäkring AB (516401-6718) is a subsidiary, and where the annual report for the group is prepared, is Chesnara plc (Company No 4947166). Movestic Livförsäkring does not prepare an annual report for the group, in accordance with the Swedish Accounts Act for Insurance Companies, chapter 7 § 3.

This annual report was approved for publication by the Board of Directors on the 20 March 2019.

### BASIS OF THE PREPARATION OF THIS REPORT

This annual report has been prepared in accordance with the Swedish Accounts Act for Insurance Companies (ÅRFL) and regulations and general advice regarding annual reports for insurance companies from the Swedish Financial Supervisory Authority (FFFS 2015:12, including amendments), as well as the Swedish Financial Reporting Board, RFR 2. Movestic Livförsäkring applies the so called 'IFRS limited by law', by which is meant the international accounting standard that has been approved for application in combination with those limitations specified in RFR 2 and FFFS 2015:12, including amendments. This means that all EU approved IFRS rules and statements are applied as far as is possible within the framework of Swedish law and with consideration to the connection between accounting and taxation.

As a rule, gross values of assets and liabilities are used in the report. However, net values are shown where there is a legal right to set off assets and liabilities, and these are to be wound up together or at the same time

### CHANGED ACCOUNTING PRINCIPLES

#### New and amended standards and interpretations that are in force and new standards that have not yet come into force

New and amended standards and interpretations that are in force and new standards that have not yet come into force.

#### *IFRS 9, Financial Instruments*

As of January 1 2018 IFRS 9 replaces IAS 39 Financial instrument: Recognition and measurement, and includes rules for recognition and measurement, impairment, derecognition and general hedge accounting.

The general principle of this standard is that financial assets should initially be classified and measured at fair value, with changes reflected in the income statement as they occur, then in subsequent measurements be classified as measured at either amortised cost, fair value through other comprehensive income, or fair value through the income statement. Which measurement category an asset belongs to depends both on the business model of the undertaking and on the contractual cash flows the undertaking will receive from the financial asset in question.

The standard also introduces a model for impairments, which is based on expected credit losses, rather than actual ones, as was the case in IAS 39. This introduction has no significant impact on the Company, as those of its financial assets reported at amortised cost, or fair value, through other comprehensive income, are of a limited extent.

In September 2016, the IASB issued an amendment to IFRS 4, which allows insurance undertakings to start applying IFRS 9 at the same time as the future standard, IFRS 17. In November 2018, the IASB postponed the effective date for IFRS 17 by one year, until the 1 January 2022. This postponement also applies to the temporary exemption from applying IFRS 9. Movestic Livförsäkring utilises the temporary exemption.

Insurance providers can only apply the temporary exemption if the entity has not previously applied IFRS 9, with the exemption of certain specific requirements, and if the entity's predominant activity is insurance-related. For an entity to be classified as being predominantly insurance-related, as assessed at the end of 2017-12-31, two conditions must be met:

- firstly, the reported value of the liabilities arising from contracts within the scope of IFRS 4, including for example deposit components unbundled from insurance contracts, must be significant compared to value of the total reported liabilities.
- secondly, the part of the total reported value of liabilities related to insurance, including non-derivative investment contracts measured at fair value in the income statement, must amount to more than 90 percent of the value of the total liabilities reported, or a ratio of between 80 and 90 percent if the entity has no other significant activity unconnected with insurance.

The calculations carried out as per the closing date, i.e. the 31 December 2017, show that the relation between the total reported value of liabilities relating to insurance, i.e. the technical provisions, including technical provisions for which the policyholders carry the risk (28 848 477 KSEK) and the total liabilities (29 394 543 KSEK) amounted to approximately 98 percent, of which approximately 30 percent relates to liabilities arising from contracts within the scope of IFRS 4.

#### *IFRS 15, Revenue from contracts with customers*

From 1<sup>st</sup> January 2018, Movestic Livförsäkring has applied IFRS 15 Revenue from contracts with customers. This standard replaces IAS 18 and other previously published standards relating to revenue. This standard applies to all contracts, or parts of contracts, deemed to relate to a service, however not to insurance agreements. In short, the standard means that companies must recognise revenue at the point in time when performance obligations are fulfilled, according to a five-step model.

The Company reports the following types of revenue in accordance with IFRS 15

- Policy based fees
- Fund rebates
- Advisory fees

The transfer has not had any impact on the Company's accounting principles, why no comparative amounts have been recalculated.

Within the unit-link operation, fees are charged to the customers' investment contracts to cover costs for administration, claims handling, asset management etc. Fees, which are charged at the time when Movestic Livförsäkringar's obligations are fulfilled, are debited on a monthly basis and consist of both fixed and variable amounts, based on the value of the assets under management.

Other fees, such as transfer fees and fees for lapses, are recognised as the services are carried out. The fees are paid by redemption of the policyholders' fund units.

Movestic Livförsäkring receives fund rebates from the fund companies, based on the value of the assets under management. These fund rebates are recognised and paid monthly, once the basis for calculation has been determined. The fees are recognised and paid on an ongoing basis, at the time when Movestic Liv fulfils its performance obligation. As per the closing day, there are no outstanding receivables or liabilities related to these fees.

The company is part of an investment council where advisory fee is paid based on level of achieved capital yield. See Note 5 Revenue from contracts with customers.

#### *IFRS 16, Leases*

IFRS 16 Leases will replace IAS 17 Leases and should be applied from 2019. This standard includes a leasing model for lessees, which states that more or less all leasing agreements should be recognised in the financial position statement. The right-of-use (leasing asset) and the liability are valued as the present value of future lease payments. The right of use also includes direct costs related to the setting up of the leasing agreement. Depreciation of the right of use and interest costs are reported through the income statement.

The Company does not intend to apply IFRS 16 as legal entity according relief rules of RFR 2.

#### *IFRS 17, Insurance Contracts*

On 18<sup>th</sup> May 2017, the International Accounting Standards Board, IASB, published a new standard for recognition of insurance contracts, IFRS 17. This standard replaces the current standard, IFRS 4, and comes into force on 1<sup>st</sup> January 2022.

The aim of the new standard is to establish a unified method for recognition of all types of insurance contracts, increase transparency about the earnings of insurance undertakings, and improve comparability between providers and countries. The definition of 'insurance contract' remains more or less unchanged from IFRS 4, whereas the rules for separation of investment and service components have been adjusted slightly.

The general valuation model in IFRS 17 is called the Building Block Approach, BBA, and should be applied to all insurance and reinsurance contracts. This approach is based on estimation of discounted expected cash flows, with adjustments for risk and profit margins, whereas the current rules are based on amortisation of incoming premium payments, and outgoing claims payments. Some insurance contracts can, however, be measured according to a simplified method, the Premium Allocation Approach, PAA, provided that the insurance coverage period does not extend more than one year from the effective date, and where it is felt that application of this approach will provide a reasonable approximation of the general model.

IFRS 17 provides two methods for how the profit margin should be divided across the lifetime of an insurance contract; the General Approach and the Variable Fee Approach. The general model is used for insurance contracts for which the size of the cash flows are agreed directly in the insurance contract, which is usually the case for non-life insurance contracts and life insurance contracts without profit participation. The profit margin is earned over the lifetime of the insurance contract, as the insurance cover is provided. The Variable Fee Approach, VFA is used for insurance contracts where the payments depend on the yields from underlying items. This method is applicable to for example life insurance contracts with conditional dividends.

Since the publication of this standard, Movestic Livförsäkring has been working to assess its impact on the Company's financial accounts, work that will further intensify in the coming year. The assessment so far is that the new standard will result in major changes to the financial statements, including for example the formats of the income statement and balance sheet, as well as further requirements for additional information.

#### **Current accounting principles**

##### **Reporting of insurance contracts**

According to IFRS 4, the definition of an insurance contract is a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' In an assessment of whether or not a contract is an insurance contract, two criteria must be met. The first is that the contract must include an insurance risk, and that second that this risk must be significant.

All insurance contracts between the Company and customers that do not carry significant insurance risk are classified as investment agreements and shown as financial instruments in accordance with IAS 39: Financial Instruments: Recognition and measurement. This means, for example, that payments into and out of the customers' saved capital are shown directly on the balance sheet. The resulting net change in value to the connected investment assets is shown in the balance sheet, under the heading "technical provisions for life insurance for which the policyholder bears the risk". Contracts that carry a significant insurance risk are classified as insurance contracts in accordance with IFRS 4, and reported on the income statement.

##### **Intangible assets**

Intangible assets are reported at their acquisition value, with deduction for accumulated depreciation and possible write-downs. Depreciations are based on acquisition costs for the equipment and individually estimated periods of usage. Intangible assets are reported at their acquisition value, with deduction for accumulated depreciation and possible write-downs. Depreciations are based on acquisition costs for the equipment and individually estimated periods of usage. The costs for smaller development or maintenance of software are reported as they arise.

Costs closely connected to the production of identifiable and unique software products, controlled by the Company and with probable financial benefits lasting more than one year and outweighing the costs, are shown as intangible assets. Costs closely connected to the development of software include personnel costs for the program development.

The reported values of assets are reassessed at each closing day. If there is an indication that depreciation is required, the asset's recovery value is calculated. The recovery value is set to the highest of the asset's expected net sales value and its value in use. The latter is determined based on the asset's contribution to expected future cash flows. Depreciation is reported when an asset's reported value is less than its recovery value. The depreciation is reported through the income statement.

Since 2016 a sum corresponding to the activated self-developed intangible assets for the year has been paid into a special, tied fund, the Fund for Development Costs. This fund is returned to unrestricted equity in case of write-off, depreciation or sale.

##### **Investments in group companies and associated companies**

Shares in group companies and associated companies are measured at acquisition value. Should the actual value on the closing day be considered to be less than the acquisition value, the value is

written down. This write-down is reported on the income statement. Should the value be deemed to be increasing again, the write-down is reversed on the income statement.

#### **Financial assets and liabilities – Classification and reporting**

Sales and acquisitions of financial instruments are reported on the day of the transaction. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred together with more or less all risks and rights connected with the ownership

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, financial instruments are divided into the following categories:

##### *Financial assets and liabilities valued at their actual value on the income statement*

A financial asset or liability valued at its fair value on the income statement is an asset or liability that meets one of the following criteria: a) it is classified as being held for trading purposes, or b) it is designated on initial recognition as one to be measured at fair value. The Company's holdings of investment assets fall into this category

The valuation is set to the fair value, recalculated through the income statement. Realised and unrealised gains and losses caused by changes in fair value are included in the income statement for the period in which they occur. The fair value of financial instruments traded on an active market is based on listed market prices on the balance day.

##### *Loan receivables and customer receivables*

This category includes financial assets with payments that are determined or possible to determine, and that are not listed on an active market, such as claims against policyholders and funds in the bank. The valuation is set as the amortised cost, which is determined based on the effective interest rate calculated at the time of the acquisition.

Loan and customer receivables are reported at the amounts the Company expects to receive, i.e. after the deduction of bad debts.

##### *Other financial liabilities*

This category includes all financial liabilities not included in the category 'Valued at fair value through the income statement'. Their value is set to the amortised cost.

The classification of financial assets and liabilities is in line with the Company's internal reporting and monitoring systems.

#### **Investment assets for which the life insurance holder carries the investment risk**

This category consist of investment assets for which the policyholders carry the investment risk, and assets are reported on the lines 'assets for conditional dividends' (custody accounts) and 'unit-linked assets'. The assets are reported at their fair value. The fair values are based on listed market prices on the balance day, which are set to the latest price paid. Any change in value that occurs is reported at its in the balance sheet, as these changes in value belong wholly to the policyholders.

#### **Liquid assets**

Liquid assets consist of cash and bank balance.

#### **Tangible assets**

Equipment and inventories are reported at their historical acquisition values with deductions for write-downs made according to the estimated periods of usage. The remaining value and period of use for the assets are reassessed on each closing day and adjusted when required. For the calculation of depreciation times, the assets are divided into the following groups, based on estimated period of use:

- Computers and similar equipment, 3 years
- Other machines and inventories, 3-5 years

The acquisition value includes, apart from the purchasing price, also expenses directly connected to the purchase.

#### **Pre-paid acquisition costs**

Expenditure for acquisitions of both insurance and investment contracts are activated through the balance sheet. The depreciation time for products with ongoing deposits within private pension and endowment insurance is 10-14 years, depending on the type of product and year of purchase, whilst products with one-off deposits have a depreciation time of 5 years. For policies taken out in 2011 or later, a flat depreciation period of 10 years is applied for private pension plans and endowment insurance. For occupational pension plans, the depreciation period is 17 years. The reported value of the activated acquisition costs is reassessed on each balance day, based on expected future cash flows. Depreciation is reported when the value of an asset is less than the expected future cash flows. The depreciation is recognised through the income statement.

#### **Group contributions**

Group contributions are reported in accordance with RFR2, which means that group contributions received from subsidiaries are reported as financial income. Outgoing group contributions from the parent company to subsidiaries are reported as an increase in the number of participations held in group companies.

#### **Dividends**

All dividends from subsidiaries are reported as income in this year's profit/loss.

#### **Technical provisions**

Technical provisions are made up of Provisions for unearned premiums and unexpired risks, Provisions for outstanding claims, and Life insurance provisions, and correspond to the Company's obligations according to existing insurance contracts.

The provisions for unearned premiums are intended to cover the expected claims and operating costs for the remaining lifetime of insurance contracts already entered into. The provisions for unearned premiums and unexpired risks for direct insurance are calculated based on the actual allocation of premiums written (pro rata temporis)

The provision for outstanding claims has been calculated based on all available facts relating to individual claims and claims development. The provision for outstanding claims includes expected claims payments and claims handling costs for all reported claims and for claims which have not yet been reported, so called IBNR-provision. The provision is calculated using statistical methods and individual estimates of specific claims, often through a combination of both. The calculation is based on a conservative analysis of the known but outstanding claims, as well as on an estimation of size, number and time of the not yet reported claims. This estimation is based on historic reporting patterns.

*Liability adequacy test*

On each closing date, the company carries out a liability adequacy test in accordance with IFRS 4. A test is carried out on whether or not the reported insurance contract obligations are adequate. This is done by estimating future cash flows relating to accepted insurance contracts. The future cash flows are discounted and compared to the reported value of the provisions, reduced by associated pre-paid acquisition costs and intangible assets. Any deficits are reported through the income statement.

**Technical provisions for life insurance contracts for which the policyholder carries the risk**

Provisions for which the policyholders carry the investment risk in the unit-linked operation consist of the sum of the real value of units allocated to existing policies and monies which have been paid in, but not yet invested in fund units. Provisions for life insurance contracts for which the policyholders carry the investment risk where the assets have been invested in a custody account consist of the sum of the actual value of the assets. The actual values are based on listed market prices on the balance day, which are set to the latest price paid. Provisions for custody accounts are classified as 'assets with conditional dividends'.

**Effects of transactions in foreign currencies**

The functional currency is SEK. All accounting transactions in foreign currencies are converted at the exchange rate that applied on the day of the transaction. Assets and liabilities in foreign currencies are reported at closing day rate. Exchange rate gains and losses which occur when monetary assets and liabilities are converted are reported in the income statement, net, under the items Investment income and Investment costs.

**Premiums written**

A premium is the payment an insurance company receives from the policyholder to accept the transfer of the insurance risk. For non-life insurance, the premiums written are reported according to the due-date principle. This means that the premiums written are reported on the income statement when the insurance policy comes into force. For life insurance, the premiums written are reported according to the cash principle, i.e. when they are paid.

**Premiums earned**

Premiums earned for non-life insurance is that part of the premiums written which applies to the reporting period. The part of the premiums written from insurance contracts that apply to time periods after the closing day is allocated to the premium reserve on the balance sheet.

**Income from investment contracts**

Income from investment contracts is reported as and when the services are provided to the contract holders, which takes place at regular intervals during the lifetime of the agreement.

**Insurance claims**

The total claims paid for the period include both those claims paid during the period and changes to provisions for outstanding claims. Insurance claims include, apart from payments made, also costs for claims handling.

**Investment income from the insurance operation**

The total investment income for non-life insurance is reported in the non-technical result. Part of the investment income is transferred from the result of the asset management to the technical result for the non-life insurance operation. The non-life insurance operation is allocated an investment income amounting to the average of the incoming and outgoing technical provisions for the non-life operation, net of reinsurance. The interest rate is equivalent to a risk-free interest rate, which is set at the rate of a 90-day treasury bill.

**Operating expenses**

The costs of investment and insurance agreements are reported as expenses when they arise, except in respect to commission for new premiums written, increases in agreed premiums, and commissions on premiums. These are activated and reported as pre-paid acquisition costs. The amortisation of these acquisition costs should correspond to the future income from the agreements concerned. The costs of claims handling are reported under the item Paid insurance claims

**Operational leasing**

All leasing agreements are classified as operational and reported in accordance with the rules for operational leasing. Costs related to operational leasing agreements are reported in the income statement for the year, on a straight-line basis over the period of lease.

**Remunerations to employees**

The Company secures pension benefits for employees in accordance with laws and agreements.

Charges relating to fee-based pension plans, for which the Company's commitment is limited to the charges the Company has agreed to pay, are reported as a cost in the income statement for the period to which they relate.

Commitments regarding retirement and family pensions for employees born in 1971 or earlier are safeguarded through insurance with FPK, unless otherwise agreed. This is a benefit-based scheme that includes a number of employers. As the Swedish Pension Obligations Vesting Act must be applied for the cost to be tax deductible, the rules about benefit-based schemes in IAS 19 do not have to be applied for a legal person. Instead a simplified rule can be applied, which states that companies should report benefit-based schemes as fee-based schemes, where a pension premium has been paid to an insurance undertaking, friendly society, or similar. The scheme is therefore reported as a cost and charged to the result for the period to which it applies.

**Taxes**

The Company's operation is subject to yield tax and income tax.

*Income tax*

The total tax shown in this year's result consists of actual tax and deferred tax. Taxes are reported on the income statement, except when the underlying transaction is shown directly against the equity, when the corresponding tax effect is reported under equity. Actual tax includes tax which should be paid or received for the current year as well as adjustments of actual tax for previous periods. Deferred tax is calculated according to the balance-method, based on temporary differences between reported and taxable values of assets and liabilities. The amounts are calculated based on how temporary variations are expected to even out through the application of tax rates and taxation rules which have been decided or announced as per the closing day. Deferred tax claims for deductible temporary variations and deductions for losses are only shown if it is probable that they will lead to reduced tax payments in the future.

*Yield tax*

The yield tax is based on standard calculations of the yield from net assets being managed on behalf of policyholders. The basis of the yield tax is calculated based on the capital base, and using the different tax rates that apply to each product. Pension plans are taxed at 15 percent and calculated based on the value of the assets under management on behalf of the policyholders at the beginning of the fiscal year. Capital life insurance is taxed at 30 percent and calculated based on the opening value of the assets under management on behalf of policyholders and 100 percent of premiums paid in the first six months, as well as 50 percent of premiums paid in the second half

of the year. The cost is calculated each year, and reported as an operating expense within the life insurance operation.

Tax charges deducted from policies to cover the yield tax are reported under the heading Income from investment agreements.

#### **Cash flow analysis**

The cash flow analysis for Movestic Livförsäkring has been prepared according to the indirect method, i.e. it is based on the pre-tax result, with adjustments for items which do not affect the liquidity, and those changes to the balance sheet that have affected the cash flow.

The cash flow has been divided into three segments:

##### *The current operation*

Consists of flows from the main operation: premium payments and paid claims, as well as operating expenses.

##### *Investment activities*

Consists of cash flows that arise because of acquisitions or disposals of tangible assets.

##### *Financing activities*

Consists of changes in loans taken or given, and owner transactions.

## **NOTE 2 – IMPORTANT ASSUMPTIONS AND JUDGEMENTS THAT AFFECT THE ACCOUNTING**

When financial reports are prepared it is assumed that the board of directors and company management make assumptions and judgements that affect the application of the accounting principles and the reported values of assets, liabilities, income and costs. These judgements and assumptions are based on, among other things, historical experiences and knowledge about the insurance industry. Those assumptions that have had a major impact on the financial reports for the financial year 2018 are commented on below.

#### **Technical provisions**

The provision for outstanding claims should cover expected future payments for all claims, including claims not yet reported to Movestic Livförsäkring, so called IBNR provisions. The provision is calculated with the aid of statistical methods and individual assessments of specific claims, often a combination of both. These provisions are vital to the evaluation of the Company's reported result and position, as any variation from actual future claims payments will result in a run-off profit/loss, which will be reported in the coming year.

#### **Prepaid acquisition costs**

Pre-paid acquisition costs are amortised based on the expected lifetime of the contracts. Should the assumptions about expected lifetimes be adjusted and the depreciation schedule change, this may have an impact on the result.

### NOTE 3 – RISKS AND RISK MANAGEMENT

Risk management is a natural part of running any insurance operation. As a result of its activities within risk insurance, unit-linked and custody account products with focus on occupational pensions, private and company-owned endowment policies, and private pension plans Movestic Livförsäkring is mainly exposed to financial risks, insurance risks, operational risks and business risks.

To ensure effective risk management and internal control within the Company, an organizational structure based on three lines of defense has been put in place.

The first line of defense consists of the CEO, the business and operational managers, and their personnel. The first line of defense is responsible for the risks that arise, or could arise, within their departments or areas of responsibility. They are also responsible for the actions put in place to manage these risks. The first line of defense is also responsible for reporting any incidents to the second line of defense. The second line of defense consists of the independent control functions, i.e. the Risk Management, Compliance and Actuarial functions.

The second line of defense is responsible for monitoring, checking, reviewing and following up the risk management work of the first line of defense. It also supports the CEO and the Board of Directors in their responsibility to ensure that the Company has in place an effective risk management system.

The third line of defense is the Internal Audit function, an independent function that reports direct to the Board of Directors.

#### Risk Management organisation

The final responsibility for making sure the Company has an effective risk management system in place rests with its Board of Directors. The Board has appointed an Audit and Risk Committee, tasked with helping the Board to review Movestic Livförsäkrings financial reports, internal controls, and risk management system. The risk management system consists of policy documents, strategies, processes and routines for identifying, evaluating, monitoring, handling and reporting risks to which the company is or may become exposed. An Own Risk and Solvency Assessment (ORSA) is carried out annually and whenever the Company's risk profile alters significantly. The Board determines, based on current regulations, the framework for Movestic Livförsäkrings risk management activities, via internal rules set out in different steering documents. The Company's CEO is responsible for making sure that all steering documents are implemented in the operation and for providing more detailed instructions. The steering documents are updated and adopted on an annual basis.

The role of the *Risk Management function* is to assist the Board, CEO and other employees and departments in their efforts to maintain an effective risk management system and the function is responsible for updating and improving the Company's risk management system on an ongoing basis. The Risk Management function monitors the Company's risk profile and acts to prevent excessive risk taking. This function reports direct to the CEO and informs both the Board of Directors and the CEO on the status of the Company's risk management system and risk situation. The function also issues recommendations to the Board and the CEO in relation to any changes or improvements required to ensure compliance with all laws and regulations related to the Company's handling of risks.

The role of the *Compliance function* is to help the Company to follow legislation, regulations, good business practice or standards, as well as all internal rules relating to the licensed operation. This function shall also help the operation to identify and evaluate significant risks of lack of compliance. The Compliance Function is independent of, and objective in relation to, the business operation, and therefore reports direct to the CEO. Reports to the CEO are submitted on a regular

basis and a Compliance Report is prepared for each board meeting. The Compliance Officer also leads the work to ensure that the Company's internal rules are designed to comply with all legal requirements and other regulations

The role of the *Actuarial function* is to contribute to the Company's risk management system, in particular by ensuring that the handling and calculation of technical provisions and capital requirements comply with both internal and external rules and regulations. This also covers the capital requirements calculated as part of the ORSA. The Actuarial function is outsourced and regulated through a service contract.

The *Internal Audit function* is an independent auditing function that reports direct to Movestic Livförsäkrings Board of Directors. Its task is to review and assess the Company's systems for governance, risk management and internal control, and to recommend improvements within these areas. The Internal Audit function is outsourced and regulated through a service contract.

#### Financial risks

Financial risks include market, liquidity, credit and counterparty risks. The Board of Directors of Movestic Livförsäkring annually adopts a Policy for the management of investment risks, which sets out the direction and targets of the investments, limits per instrument, and decision-making rights for investment activities.

#### Market risk

Market risk is the risk that changes to interest rates, exchange rates or share prices have a negative effect on the market value of the Company's assets.

Below is a sensitivity analysis for market risk:

Riskelement, MSEK	Exposure	Risk parameter	Change	Effect on resultat	Effect on equity
Interest-bearing assets	430,5	Changed Interest rates	1%	3,1	3,1
Shares and participations	123,4	Changed share prices	10%	9,6	9,6
Currencies	32,7	Changed exchange rates	10%	2,6	2,6

The impacts of the exposure to market risks have been calculated as the change in the actual values of the exposed assets in case of a change in the underlying market risk components. Current tax has been taken into account in the assessment of impact on the operational result and own assets.

The Company invests mainly in liquid assets, with debt covering assets invested in other interest-bearing assets. The exposure to interest risk is limited, as the assets are mainly short-term.

For the unit-linked operation, the future earnings from fees from the management of customers' assets are important. Movestic Livförsäkring is exposed to the risk that future earnings decrease as a result of interest rate fluctuations or a general downturn on the stock or currency market.

#### Liquidity risk

Liquidity risk is the risk that Movestic Livförsäkring is unable to fulfil its payment commitments by the due dates, without a significant increase in the costs for obtaining funds.

Movestic Livförsäkring's exposure to liquidity risk is limited, as insurance premiums are collected in advance, and major claim payments are usually known long before they become due. To reduce the remaining liquidity risk, the Company's cash flows are analyzed on an ongoing basis, and the Risk Management function regularly checks how quickly the Company's assets could be realized. The majority of the Company's assets are invested in securities that can be sold on a second-hand market at short notice, without any effect on the price. Investments are made in listed securities with good liquidity levels, why the liquidity risk is deemed to be limited. The financial liabilities are met by the Company's financial assets, and by the reinsurers' share of the technical liabilities, which can all be turned into liquid assets at short notice.

Financial liabilities, MSEK	< 1 year	1-5 years	> 5 years
Provisions for policies for which the policyholders carry the investment risk	311	1 080	30 645
Technical provisions	208	427	329
Liabilities, direct insurance	30	–	–
Liabilities, reinsurance	47	–	–
Other liabilities	148	288	43
	744	1 795	31 017

#### Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty is unable to fulfil its commitments to Movestic Livförsäkring.

The main exposure is towards financial institutions and relate to assets held in deposit accounts with banks. The credit risk for these financial assets is deemed to be low.

Claims against policyholders carry a limited credit risk, as non-payment leads to cancellation of the insurance policy and the Company's responsibility towards the customer therefore ends.

The greatest exposure to credit risk applies to reinsurers, both through reinsurance claims and through reinsurers' share of outstanding claims. The Company's Reinsurance Policy states that agreements can only be entered into with external reinsurers with a credit rating of or higher from Standard & Poor's or with a solvency ratio not lower than 140% according to the Solvency II regulation. Special rules may apply to reinsurance where Movestic Livförsäkring has ownership interest, as that may give the Company a higher potential for assessing the risks associated with the reinsurance contract. The creditworthiness of the reinsurers is reviewed regularly to ensure that the desired reinsurance cover is maintained.

The risk of credit loss also exists in relation to insurance brokers. This could happen in situations where the Company has an outstanding cancellation debt or legal cancellation liability and an intermediary goes bankrupt.

The table below describes the credit and market risks to which Movestic Livförsäkring is exposed, allocated per credit rating from Standard & Poor's.

Credit exposure, MSEK	2018	2017
<b>Investments</b>		
Interest-bearing loans to associated companies	8,1	7,7
Bonds and other interest-bearing securities <sup>1)</sup>	430,5	383,7
<b>Receivables, direct insurance</b>		
Intermediaries	0,1	0,6
<b>Receivables reinsurers (including reinsurer's share of technical provisions)</b>		
Reinsurers, credit rating AA-	358,6	359,9
Reinsurers, undetermined credit rating <sup>2)</sup>	249,2	240,1
<b>Cash and bank</b>		
Counterparty with credit rating AA-	360,8	344,8

<sup>1)</sup> Pertains to holdings in investment fund

<sup>2)</sup> Pertains to ceded reinsurance to Modernac S.A.

**Insurance risks**

Life insurance risks are risks that arise as a result of undertakings to insure the life and health of individual persons. Examples of such risks are the risk of sickness and disability, mortality, operating expenses, lapses, underwriting risks and risks relating to reserve setting. Mortality risks consist in the longevity of the portfolio not meeting the Company's assumptions. The risk of disability and sickness refers to the risk that the rate of disability and sickness among the policyholders is greater than expected. The operating expenses refer to the risk that the Company's assumptions for operating costs do not cover its actual costs for running the operation in the longer term. Lapse risk is the risk that terminations, surrenders or transfers have a negative effect on the Company's earnings. To reduce the financial impact of lapses, the Company has signed a reinsurance solution. Underwriting risk is the risk of losses due to incorrect pricing, risk concentration, incorrect reinsurance cover or irregular variations in the frequency and/or size of insurance claims. Reserve-related risk is the risk that the Company does not have sufficient reserves to cover the payments of claims made.

Within the risk insurance operation, the Company is mainly exposed to the risk of increased mortality, disability or sickness from the insurance policies provided to groups and individuals. These risks are managed partly through reinsurance, by analyzing the results per insurance segment and settlement outcomes, and by ensuring the correct pricing of risks. In 2018 the Company had reinsurance cover for insurance risks in the shape of a quota share agreement, with retention of on average 32%, as well as a catastrophe reinsurance agreement. The reinsurance program also includes financial reinsurance, which also covers commissions for the unit-linked operation.

Within the unit-linked and custody account operation, the main insurance risks relate to unfavorable movements within the customer portfolio, such as surrenders and transfers of policies, and the risk that customers stop paying the premiums relating to their agreements. To some extent, this risk is reduced by charges taken from customers who lapse or transfer their assets, and from distributors that terminate agreements prematurely

**Claims cost trends**

The tables below show, per claims year, how the estimated claims costs changed as our knowledge about the claims increased. For each year in the period shown, 2013-2018, the claims cost developed positively compared to our initial estimates.

<b>Claims cost trends</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Gross in MSEK per claims year</b>						
Estimated final claims cost						
At the close of the claims year	324,0	319,1	320,5	384,6	357,9	327,7
One year later	260,3	243,4	244,3	280,8	265,6	
Two years later	230,2	206,9	217,3	245,7		
Three years later	209,8	173,5	186,6			
Four years later	189,4	162,1				
Five years later	176,2					
Current estimate of total claims cost	176,2	162,1	186,6	245,7	265,6	327,7
Cumulative payments	-150,5	-105,9	-109,1	-129,6	-112,3	-67,4
Current provisions	25,7	56,2	77,6	116,0	153,3	260,2
Provisions for previous claims years						230,1
Total provisions						919,1
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Net in MSEK per claims year</b>						
Estimated final claims cost						
At the close of the claims year	129,0	153,9	122,7	123,3	126,4	107,7
One year later	85,2	82,2	66,4	77,1	22,9	
Two years later	76,2	52,3	57,4	65,1		
Three years later	45,1	40,2	49,4			
Four years later	37,8	38,5				
Five years later	34,2					
Current estimate of total claims cost	34,2	38,5	49,4	65,1	72,6	107,7
Cumulative payments	-26,4	-18,3	-22,4	-25,7	-22,9	-12,9
Current provisions	7,8	20,2	27,0	39,3	49,7	94,8
Provisions for previous claims years						91,8
Total provisions						330,7



**Operational risk**

Operational risk is defined as the risk losses caused by non-productive or failed internal processes, human error or faulty systems. IT risks, other technology-related risks, the risk of internal or external irregularities, and legal risks are also included in operational risks. The operation is responsible for handling operational risks and the Risk Control function is responsible for continuous monitoring, evaluation and reporting of operational risks. The overall risk exposure is reported to the Company's CEO and Board of Directors on a regular basis

Operational risk is the risk of losses caused by non-productive or failed internal routines, human error, or failing systems. This risk category includes reputational risk and legal risks, which can be due to inappropriate processes or negligence by staff members. The operation is responsible for the management of operational risks, and the Risk Management function is responsible for continuous monitoring, assessment and reporting of operational risks. Evaluation and follow-up of operational risks is achieved through own assessment of risks in collaboration with managers and co-workers. These assessments should be carried out at least once a year, and follow-ups made as required. Risks that are judged to be particularly high are discussed and challenged by Movestic Livförsäkrings leadership and the Risk Management function on a quarterly basis.

Operational risks are evaluated by estimating the probability that an adverse event occurs as a result of a specific risk, and the impact that such an event would have on the day-to-day operation. Any identified risks can then be managed with supportive measures from the Risk Management function, who can assist with the introduction of improved routines, processes and collaborations.

The overall risk exposure is reported to the Company's CEO and Board of Directors on a regular basis.

**Business risks**

Business risks relate to large-scale, structural risk factors. Business risks are divided into the following sub-categories:

Strategic risk is the risk of losses due to the Company's general business strategy, business decisions, or a failure to act when there are changes in society or the industry

Political risk is the risk of losses due to political or societal changes, such as changes to legislation or other external regulations.

Other business risks are risks that do not fit into either of the above categories, such as the risk of losses because of competition from other companies, or price pressures on a competitive or politically regulated market, which cannot be accommodated by reducing costs.

The Risk Management function assesses the business risks to which the Company is exposed on a regular basis, together with relevant business and operational managers. Business risks are measured, monitored and reported according to similar processes and principles as those used for operative risks, however, using an approach specially adapted to this particular risk category. Business risks are re-evaluated at least once a year, and follow-ups are carried out as required. Risks that are judged to be particularly high are discussed and challenged by Movestic Livförsäkrings leadership and the Risk Management function on a quarterly basis.

**Solvency risk**

Solvency risk is the risk that the Company does not meet its solvency requirements, which includes both regulatory requirements and other adopted target levels. The Company's solvency situation is monitored continuously, and all known risks relating to solvency are documented and communicated to the Board. Previous forecasts of the Company's solvency situation are used to identify potential future solvency risks, so that appropriate action can be taken as needed.

**NOTE 4 - PREMIUMS EARNED**

<b>Total</b>	<b>2018</b>	<b>2017</b>
Direct insurance, Sweden	380 834	405 939
Direct insurance, rest of the EEA	186	210
	<b>381 020</b>	<b>406 149</b>

<b>Life insurance operation</b>	<b>2018</b>	<b>2017</b>
Individual insurance	154 512	149 707
Group insurance	118 160	134 410
	<b>272 672</b>	<b>284 117</b>

All premiums related to risk insurance and are paid in installments.

**NOTE 5 - REVENUE FROM CONTRACTS WITH CUSTOMER**

	<b>2018</b>	<b>2017</b>
Policy based fees		
- Administration fee	155 357	150 446
- Transfer fee	17 551	15 557
Fundrebate	272 544	265 983
Advisory fees	–	1 020
	<b>445 453</b>	<b>433 006</b>

## NOTE 6 - ALLOCATED INVESTMENT RETURNS TRANSFERRED FROM THE FINANCE OPERATION TO THE NON-LIFE OPERATION

	2018	2017
Transferred investment income	–	-677
Interest rate	0,00%	-0,71%

The transferred investment income has been calculated based on the average of the non-life insurance operation's in and outgoing technical provisions for own account. The interest is set to the average annual value of 90-day treasury bills.

## NOTE 7 - CLAIMS INCURRED

	2018			2017		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred, non-life insurance operation						
Claims paid	-39 876	32 811	-7 065	-40 150	32 584	-7 566
Cost of claims handling	- 4 795	454	-4 341	-5 655	490	-5 165
	<b>-44 671</b>	<b>33 266</b>	<b>-11 405</b>	<b>-45 805</b>	<b>33 074</b>	<b>-12 731</b>
	2018			2017		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred, life insurance operation						
Claims paid	-115 443	78 753	-36 690	-117 530	83 228	-34 302
Cost of claims handling	-5 713	47	-5 665	-4 889	56	-4 833
	<b>-121 156</b>	<b>78 800</b>	<b>-42 356</b>	<b>-122 419</b>	<b>83 284</b>	<b>-39 135</b>

## NOTE 8 - OPERATING EXPENSES

Non-life insurance operation	2018	2017
Acquisition costs	-29 579	-37 927
Changes in Pre-paid acquisition costs	71	830
Administrative costs	-5 639	-9 074
Commission and profit share from ceded reinsurance	13 971	18 343
	<b>-21 175</b>	<b>-27 828</b>

Life insurance operation	2018	2017
Acquisition costs	-316 071	-379 050
Changes in Pre-paid acquisition costs	5 000	66 831
Administrative costs	-193 955	-184 172
Commission and profit share from ceded reinsurance	54 990	44 186
	<b>-450 036</b>	<b>-452 205</b>

Claims handling costs <sup>1)</sup>	-10 508	-10 544
<b>Total operating expenses</b>	<b>-481 720</b>	<b>-490 578</b>

Total cost per type of expense	2018	2017
Personnel costs	-156 644	-157 721
Costs of premises	-8 925	-8 419
Depreciations and write down	-25 960	-25 773
Capital yield tax <sup>2)</sup>	-46 050	-36 149
Other <sup>3)</sup>	-244 599	-262 517
	<b>-481 720</b>	<b>-490 578</b>

Fees and remunerations to auditors	2018	2017
Deloitte AB		
Auditing fees	-1 298	-1 275
	<b>-1 298</b>	<b>-1 275</b>

Auditing contract' relates to the auditor's remuneration for carrying out the auditing tasks required by law. This includes reviewing the annual report and financial reporting, the management of the Board of Directors and the CEO, and fees for auditing advice given in relation to the auditing contract. Auditing tasks outside the auditing contract relates to other types of quality assurance services.

<sup>1)</sup> Claims handling costs are included in Claims paid on the Income Statement, see note 7

<sup>2)</sup> Taxation fees charged to the policy to cover the capital yields tax are reported under the heading Income from investment contracts.

<sup>3)</sup> 'Other' includes commission costs, commissions and profit shares from reinsurers, auditing fees and other

**NOTE 9 - INVESTMENT INCOME, LIFE INSURANCE OPERATION**

	2018	2017
<i>Income</i>		
Interest income	1 536	364
Exchange-rate gains	946	–
Realised gains	1	–
	<b>2 483</b>	<b>364</b>
<i>Costs</i>		
Interest costs	-15 962	-13 851
Exchange-rate losses	-77	-421
	<b>-16 039</b>	<b>-14 272</b>

Investment income not related to income from assets covered by the policyholders' beneficiary rights are included in the non-technical report.

**NOTE 10 - UNREALISED GAINS AND LOSSES FROM INVESTMENTS**

	2018	2017
<i>Value increases</i>		
Bonds and other interest-bearing securities	790	5 990
	<b>790</b>	<b>5 990</b>
<i>Value decreases</i>		
Shares and participations		-756
Bonds and other interest-bearing securities	-1 705	–
	<b>-1 705</b>	<b>-756</b>

**NOTE 11 - TAX ON THE YEAR'S RESULT**

	2018	2017
<i>Current tax</i>		
Tax cost for the period	-6 352	–
Tax cost for previous period	-4 455	–
	<b>-10 807</b>	<b>–</b>
<i>Deferred tax</i>		
Deferred tax relating to temporary variations <sup>1)</sup>	-123	464
	<b>-123</b>	<b>464</b>

<sup>1)</sup> Deferred tax related to temporary differences are calculated according to Parliament decision in June 2018.

The effective tax on the Company's pre-tax result is different from the Company's nominal tax rate as a result of the following items:

	2018	2017
Profit/loss for the year before tax	119 353	113 727
- of which business subjected to yield tax	93 096	112 074
- of which business subjected to income tax	26 257	1 653
Profit/loss for income tax purposes	26 257	1 653
Tax based on a nominal tax rate of 22%	-5 777	-364
Non-taxable income	70	48
Non-tax deductible costs	-645	-471
Unused tax losses or tax credits from previous years applied this year, for which the taxable value has not been reported as an asset		787
Tax cost for previous years	-4 455	0
Deferred tax	-123	464
<b>Reported tax cost</b>	<b>- 10 930</b>	<b>464</b>

**NOTE 12 - OTHER INTANGIBLE ASSETS**

	2018	2017
<i>Accumulated acquisition value</i>		
Opening acquisition value	244 920	249 500
Purchases	21 329	10 207
Sales and disposals	–	-14 787
<b>Closing acquisition value</b>	<b>266 249</b>	<b>244 920</b>
<i>Accumulated amortization according to plan</i>		
Opening amortizations	-184 174	-176 395
Write-offs during the year	-16 962	-22 566
Depreciation	-7 540	–
Sales and disposals	–	14 787
<b>Closing accumulated amortizations and depreciations</b>	<b>-208 676</b>	<b>-184 174</b>
<b>Closing net value</b>	<b>57 573</b>	<b>60 746</b>

**NOTE 13 - INVESTMENTS IN GROUP COMPANIES AND ASSOCIATED COMPANIES**

					2018	2017
	Corp.ID	Seat of the board	Number	Share of equity, %	Book value	Book value
<i>Shares in group companies</i>						
Movestic Kapitalförvaltning AB	516401-6718	Stockholm	1 400	100	12 100	12 100
Movestic Fund Management S.A.	B 213 292	Luxemburg	1 000	100	5 706	5 910
<i>Sparplatsen Sverige AB</i>	559021-6247	Stockholm	3 191 489	100	9 000	9 000
<i>Shares in associated companies</i>						
Modernac S.A.	332319-2520	Luxemburg	6 370	49	9 183	9 183
					<b>35 989</b>	<b>36 193</b>

**NOTE 14 - SHARES AND PARTICIPATIONS**

	2018-12-31		2017-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
<i>Shares and participations</i>				
Sweden	113 665	123 323	113 657	121 872
Europé	98	85	3 414	2 855
	<b>113 763</b>	<b>123 408</b>	<b>117 071</b>	<b>124 727</b>
-of which listed	113 763	123 408	117 071	124 727

**NOTE 15 - BONDS AND OTHER INTEREST-BEARING SECURITIES**

	2018-12-31		2017-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
<i>Securities issued by:</i>				
The Swedish Government	281 914	284 699	232 247	235 141
Other issuers	144 975	145 790	145 369	148 591
	<b>426 889</b>	<b>430 489</b>	<b>377 616</b>	<b>383 732</b>

The item 'bonds and other interest-bearing securities' includes assets in interest-bearing securities and holdings in investment funds, where more than 50% of the holding consists of interest-bearing assets.

**NOTE 16 - OTHER FINANCIAL INVESTMENT ASSETS**

	2018-12-31		2017-12-31	
	Acquisition value	Actual value	Acquisition value	Actual value
Company-owned endowment policies	3 589	4 396	3 822	4 521
	<b>3 589</b>	<b>4 396</b>	<b>3 822</b>	<b>4 521</b>

Company-owned endowment policies to cover our direct pension commitments.

**NOTE 17 - ASSETS COVERED BY THE POLICYHOLDERS' BENEFICIARY RIGHTS**

	2018-12-31	2017-12-31
Interest-bearing securities <sup>1)</sup>	292 723	315 924
Investment assets for which the policyholders bear the investment risk <sup>2)</sup>	31 825 417	32 033 225
	<b>32 118 140</b>	<b>32 349 149</b>

<sup>1)</sup> Assets corresponding to the sum of best estimation of future cash flows according to FRL 2010:2043 incl SFS 2015:700, 5 chapter §§6,7 and 9-12, and a risk margin in accordance with §13.

<sup>2)</sup> Assets corresponding to participations in such funds that are associated with the policy, and which the policyholder or the person insured selects from time to time.

**NOTE 18 - PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS**

	2018-12-31			2017-12-31		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	11 839	-6 620	5 219	8 183	-5 062	3 121
Change to provisions	308	1 966	2 274	3 656	-1 558	2 098
<b>Closing balance</b>	<b>12 147</b>	<b>-4 654</b>	<b>7 493</b>	<b>11 839</b>	<b>-6 620</b>	<b>5 219</b>

**NOTE 19 - LIFE INSURANCE PROVISIONS**

	2018-12-31			2017-12-31		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	41 248	-20 811	20 437	40 447	-20 447	20 000
Change to provisions	-9 072	6 181	-2 891	801	-364	437
<b>Closing balance</b>	<b>32 176</b>	<b>-14 630</b>	<b>17 546</b>	<b>41 248</b>	<b>-20 811</b>	<b>20 437</b>

**NOTE 20 - OUTSTANDING CLAIMS**

	2018-12-31			2017-12-31		
	Gross	Ceded	Net	Gross	Ceded	Net
Opening balance	902 749	-572 514	330 235	909 264	-586 621	322 643
Exchange rate changes	31	-243	-212	-1 483	1 028	-455
Change to provisions	16 328	-15 695	633	-5 032	13 079	8 047
<b>Closing balance</b>	<b>919 108</b>	<b>-588 452</b>	<b>330 656</b>	<b>902 749</b>	<b>-572 514</b>	<b>330 235</b>

**Specification, closing balance****Non-life insurance operation**

Occurred and reported claims	236 904	-190 998	45 906	212 175	-171 567	40 608
Occurred but unreported claims (IBNR)	172 869	-106 708	66 161	149 015	-88 569	60 446
	<b>409 773</b>	<b>-297 706</b>	<b>112 067</b>	<b>361 190</b>	<b>-260 136</b>	<b>101 054</b>

**Life insurance operation**

Provision for confirmed claims	340 949	-195 467	145 482	390 115	-224 610	165 505
Provision for unconfirmed claims	168 386	-95 279	73 107	151 444	-87 768	63 676
	<b>509 335</b>	<b>-290 746</b>	<b>218 589</b>	<b>541 559</b>	<b>-312 378</b>	<b>229 181</b>

<b>Total outstanding claims</b>	<b>919 108</b>	<b>-588 452</b>	<b>330 656</b>	<b>902 749</b>	<b>-572 514</b>	<b>330 235</b>
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**NOTE 21 - RECEIVABLES, DIRECT INSURANCE**

	2018-12-31	2017-12-31
Receivables, policyholders	89 597	81 239
Receivables, intermediaries	115	607
<b>Closing balance</b>	<b>89 711</b>	<b>81 846</b>

**NOTE 22 - OTHER RECEIVABLES**

	2018-12-31	2017-12-31
Receivables, group companies	26 630	35 843
Deferred tax assets	8 156	24 536
Other receivables	21 482	37 395
<b>Closing balance</b>	<b>56 268</b>	<b>97 774</b>

**NOTE 23 - TANGIBLE FIXED ASSETS**

	2018-12-31	2017-12-31
<i>Accumulated acquisition value</i>		
Opening acquisition value	23 045	22 249
Purchases	307	796
<b>Closing acquisition value</b>	<b>23 352</b>	<b>23 045</b>
<i>Accumulated depreciation according to plan</i>		
Opening depreciation	-20 602	-17 395
Depreciation for the year	-1 457	-3 207
<b>Closing depreciation according to plan</b>	<b>-22 059</b>	<b>-20 602</b>
<b>Closing net value</b>	<b>1 293</b>	<b>2 443</b>

**NOTE 24 - DEFERRED ACQUISITION COSTS**

<b>Deferred acquisition costs, investment contracts</b>		
	2018-12-31	2017-12-31
Opening acquisition cost	1 442 329	1 270 125
Activation for the year	143 812	172 204
<b>Closing acquisition cost</b>	<b>1 586 141</b>	<b>1 442 329</b>
Opening amortization	-693 240	-552 329
Amortization for the year	-130 348	-105 777
Depreciation for the year	-8 393	-35 134
<b>Closing amortization and depreciation</b>	<b>-831 981</b>	<b>-693 240</b>
<b>Closing net value, investment contracts</b>	<b>754 160</b>	<b>749 089</b>

Amortization of deferred acquisition costs for products within the private pension and endowment segments are done over 10-14 years, depending on product type and year of purchase, whilst products with one-off deposits have a depreciation time of 5 years. For policies taken out in 2011 or later, a common amortization period of 10 years applies to both private pension products and endowment policies. The amortization period for occupational pension products is 17 years.

<b>Deferred acquisition costs, insurance operation</b>		
	2018-12-31	2017-12-31
Closing net value, insurance operation	7 133	7 997
<b>Total closing net value</b>	<b>761 293</b>	<b>757 086</b>

**NOTE 25 - OTHER DEFERRED COSTS AND ACCRUED INCOME**

	2018-12-31	2017-12-31
Accrued commission income	2 533	2 535
Accrued income from investment contracts	36 921	36 753
Other deferred costs	7 848	6 075
<b>Closing balance</b>	<b>47 302</b>	<b>45 363</b>

Accrued commission income refers to accrued profit share commissions.

**NOTE 26 - APPROPRIATION OF PROFIT**

SEK 768 570 256 is at the disposal of the general meeting of shareholders. The Board of Directors proposes that dividends of SEK 33 075 000 are paid to shareholders, and that SEK 735 495 256 is carried forward to new account.

**NOTE 27 - TECHNICAL PROVISIONS FOR LIFE INSURANCE POLICIES FOR WHICH THE POLICYHOLDERS BEAR THE RISK, GROSS****Conditional dividends**

	2018-12-31	2017-12-31
Opening balance	2 944 143	2 556 561
Payments received	743 292	575 590
Payments made	-293 490	-258 989
Value change, including dividends	-172 641	164 709
Other changes	-251 588	-93 728
<b>Closing balance</b>	<b>2 969 716</b>	<b>2 944 143</b>

The conditional dividends relate to custody account commitments.

**Unit-linked**

	2018-12-31	2017-12-31
Opening balance	29 291 115	25 295 236
Payments received	3 860 972	3 599 814
Payments made	-2 222 288	-1 647 696
Value change, including dividends	-1 740 948	2 287 641
Other changes	-122 097	-243 880
<b>Closing balance</b>	<b>29 066 754</b>	<b>29 291 115</b>

Of the total number of unit-linked contracts and contracts with conditional dividends, 223 869 (202 032) KSEK was uninvested as per the 31-12-2018. These have been reduced by management and risk fees amounting to 155 357 (150 446) KSEK.

**NOTE 28 - OTHER PROVISIONS**

Provisions for pensions and similar commitments	2018-12-31	2017-12-31
Endowment policies <sup>1)</sup>	4 396	4 521
Special payroll tax <sup>1)</sup>	1 282	1 184
Other provisions	3 816	6 182
<b>Other provisions</b>	<b>9 494</b>	<b>11 887</b>

<sup>1)</sup> This provision relates to company-owned endowment insurance, intended to guarantee direct pension commitments.

**NOTE 29 - LIABILITIES, DIRECT INSURANCE**

	2018-12-31	2017-12-31
Liabilities, policyholders	21 637	47 264
Liabilities, intermediaries	8 120	35 151
	<b>29 757</b>	<b>82 415</b>

**NOTE 30 - OTHER LIABILITIES**

	2018-12-31	2017-12-31
Liabilities, VAT	554	591
Debts to suppliers	2 826	2 882
Employees' taxes (PAYE)	9 853	9 551
Liabilities, group companies	498	–
Other interest-bearing liabilities	416 655	402 579
Premium taxes	2 811	3 375
Other liabilities	389	6 275
	<b>433 586</b>	<b>425 253</b>

Other interest-bearing liabilities, 416 655 (402 579) KSEK, consist entirely of liabilities to reinsurers. The Company has taken out a quota share reinsurance agreement to cover its unit-linked operation, which includes a financial reinsurance section. This section states that the reinsurer pays its share of the up-front commission, which is then repaid over a period of five to eight years. This liability is adjusted on a quarterly basis, when new commissions are deducted and repayment, including interest, is made. The interest is calculated according to an agreed model based on market interest rates.

**NOTE 31 - OTHER ACCRUED COSTS AND DEFERRED INCOME**

	2018-12-31	2017-12-31
Accrued interest costs	236	208
Accrued personnel costs	33 170	35 213
Accrued asset management costs	1 571	260
Accrued commission costs	22 150	32 137
Other accrued costs	7 957	7 128
	<b>65 084</b>	<b>74 946</b>



## NOTE 32 - AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATIONS

Average number of employees	2018			2017		
	Male	Female	Total	Male	Female	Total
Sweden	63	61	124	73	62	135

Gender distribution of the Company management	2018			2017		
	Male	Female	Total	Male	Female	Total
Board of Directors	5	2	7	5	2	7
Other leading positions	2	4	6	3	4	7
<b>Total</b>	<b>7</b>	<b>6</b>	<b>13</b>	<b>8</b>	<b>6</b>	<b>14</b>

Salaries, other remunerations and social security contributions	2018	2017
Board of Directors and CEO	6 843	8 558
Other employees	88 362	87 697
<b>Total</b>	<b>95 205</b>	<b>96 255</b>

Social security contributions	58 077	53 165
of which pension contributions	22 085	18 582

### Information about salaries, remunerations and other benefits

#### Salaries and remuneration

No remuneration for being a member of the Board is paid to Company employees. The remuneration to the CEO and persons in other leading positions consists of a basic salary, variable remuneration, other benefits and pension.

#### Variable remuneration

Variable remuneration is paid as salary.

#### Pensions

The CEO has a pension entitlement corresponding to 30 percent of pensionable salary. Other persons in the Company management have pension entitlements according to current collective agreements. Commitments regarding retirement and family pensions for employees born in 1971 or earlier are safeguarded through a policy with FPK. This is a benefit-based scheme that includes a number of employers. As the Swedish Pension Obligations Vesting Act must be applied for the cost to be tax deductible, the rules about benefit-based schemes in IAS 19 do not have to be applied for a legal person. Instead a simplified rule can be applied, which states that companies should report benefit-based schemes as fee-based schemes, where a pension premium has been paid to an insurance undertaking, friendly society, or similar. All the employers involved are jointly responsible

for financing the scheme in its entirety. This means that they all also share the tangible risk associated with the scheme. The latest available information from the FPK comes from the published part-year report for the first half of 2018. According to this, the collective level of consolidation amounted to 122 percent (121), calculated based on distributable assets relative to commitments to policyholders. Assets under management amounted to 15,4 billion SEK (14,5 billion SEK). The number of employers included was 121 and the number of insured persons was 26,000 as per December 2017.

The fees paid by the Company for this scheme for 2018 amounted to 8171 KSEK (6,500 KSEK). The fees for 2019 are expected to be in line with the fees for 2018.

No information is available about potential future surpluses or deficits within this scheme, or whether these may have an impact on the fees for future years.

#### Final payment

The CEO is entitled to salary during notice period of 6 months if the Company terminates the employment. Additionally the CEO has a severance pay of 12 months after the notice period.

#### Remuneration policy

The Board of Directors has adopted a Remuneration Policy. The policy states that the Board determines the remuneration to the CEO, and sets targets and levels of variable remunerations for persons in leading positions. The Board also determines whether the targets set in relation to the variable remuneration have been met. The board member responsible for preparing decisions about variable remuneration is the CEO of Chesnara. Where required, matters can be referred to the remuneration committee of the parent company, Chesnara plc. The Board can decide that no variable remuneration should be paid.

There are two different models for variable remuneration:

1. The CEO and some holders of leading positions have a long-term incentive program, made up of two parts. The first part is the development of the Company's EcV (Economic Value), and awards variable remuneration of 0.125 - 0.5 percent of the increase in the EcV in the year of remuneration. The underlying amount is adjusted for any capital injections and is limited to certain maximum amounts, set for each position-holder concerned.

The result is measured as the change in the Company's EcV during the year, and the calculation model takes into account the fact that the result is affected by the main risks to which the operation is exposed.

The second part is based on target-related performance at company, department or individual level, where both financial and non-financial criteria are considered.

This results in a variable remuneration of no more than four months' salary. The total variable remuneration can amount to no more than 60 percent of the fixed annual salary.

2. The category 'other holders of leading positions' includes some persons without any variable remuneration, and others that are covered by an incentive program based on achieved targets. These persons can receive a maximum of 50% of their fixed salary for the year in which the variable remuneration was earned. The intention is that the targets should be designed in such a way that they lead to long-term improvement in the Company's performance.

For these members of the leadership team, target-achievement is assessed based on set criteria after the end of the year.

For specially regulated personnel with variable remunerations in excess of 100 KSEK, payment of 60 percent of the variable remuneration set by the Board should be deferred for a period of three years. The deferred portion can be paid pro rata once a year during the period of deferral, starting no earlier than one year after the variable remuneration was agreed.

#### Risk assessment

The risk assessment is based on the premise that the remuneration system should promote sound and effective risk management within the Company, and not encourage excessive risk taking or counteract the Company's long-term interests. The Company must strive to ensure that the total

remunerations do not jeopardize its ability to return a positive consolidated result over an economic cycle. The Company's remuneration policy is based on long-term thinking and limited risk-taking. Considering the criteria set in the remuneration policy, as well as the routines and control activities implemented by the Company, the current assessment is that the design of the remuneration system does not result in any material risks.

## NOTE 32 - AVERAGE NUMBER OF EMPLOYEES, SALARIES AND REMUNERATIONS (CONT.)

### Remuneration to holders of leading positions 2018

	CEO	Other holders of leading positions	Chairman of the Board	Other board members	Total
Salaries/director's fees	4 345	9 347		500	14 192
Variable remuneration	1 892	3 718		–	5 610
- of which provisions for variable remuneration 2018	2 160	2 847		–	5 007
Benefits	106	211		–	317
Pension contributions	1 108	2 624		–	3 732
Social contributions	2 313	4 741		–	7 054
	<b>9 764</b>	<b>20 641</b>		<b>500</b>	<b>30 905</b>

### Remuneration to holders of leading positions 2017

	CEO <sup>1)</sup>	Other holders of leading positions	Chairman of the Board	Other board members	Total
Salaries/director's fees	4 881	12 631	–	542	18 054
Variable remuneration	2 992	1 901	–	–	4 893
- of which provisions for variable remuneration 2017	2 160	5 303			7 463
Benefits	143	379	–	–	522
Pension contributions	1 579	3 460	–	–	5 039
Social contributions	2 857	5 405	–	–	8 262
	<b>12 452</b>	<b>23 776</b>	<b>–</b>	<b>542</b>	<b>36 770</b>

<sup>1)</sup> To the former CEO, Lars Nordstrand salary of 4 622 KSEK and variable remuneration of 2 065 KSEK were paid during 2017 and the pension contribution for 2017 amounted to 759 KSEK.

Remunerations and benefits relating to 2018 and 2017, distributed between the categories persons in leading positions, employees who could affect the Company's risk level, and other employees are detailed below.

### Registered remunerations 2018

	Average no of employees	Salaries/director's fees	Variable remuneration <sup>1)</sup>	Benefits	Pension contributions	Social contributions	Total
Holders of leading positions	6	14 192	3 842	317	3 732	6 499	28 582
Employees who could affect the Company's risk level <sup>2)</sup>	4	3 460	–	46	1 023	1 335	5 864
Other employees	114	70 489	1 766	1 648	17 330	27 603	118 836
<b>Total</b>	<b>124</b>	<b>88 141</b>	<b>5 608</b>	<b>2 011</b>	<b>22 085</b>	<b>35 437</b>	<b>153 282</b>

### Registered remunerations 2017

	Average no of employees	Salaries/director's fees	Variable remuneration <sup>1)</sup>	Benefits	Pension contributions	Social contributions	Total
Holders of leading positions	8	18 054	4 893	522	5 039	8 262	36 770
Employees who could affect the Company's risk level <sup>2)</sup>	3	2 090	–	37	394	752	3 273
Other employees	124	64 957	4 008	1 693	13 149	25 570	109 377
<b>Total</b>	<b>135</b>	<b>85 101</b>	<b>8 901</b>	<b>2 252</b>	<b>18 582</b>	<b>34 583</b>	<b>149 420</b>

<sup>1)</sup> The variable remuneration consists entirely of variable remuneration paid in cash.

<sup>2)</sup> Employees who could affect the Company's risk level relates to persons employed in positions with the potential to affect the Company's risk levels in the course of their duties.

### Changes to liabilities for variable remuneration

	2018	2017
<b>Opening balance</b>	17 051	14 677
Remuneration earned during the year	10 119	11 554
Paid remunerations, earned in previous years	-6 700	-6 492
Adjusted unpaid earned remunerations	-4 891	-2 688
<b>Closing balance</b>	<b>15 579</b>	<b>17 051</b>
-of which deferred remunerations	5 460	5 029

### NOTE 33 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AND THEIR ACTUAL VALUES

Financial assets as per the 31-12-2018	Financial assets reported at actual value in the income statement	Loans and customer receivables	Reported value	
			Reported value	Actual value
Interest-bearing loans to associated companies		8 056	8 056	8 056
Shares and participations	123 408		123 408	123 408
Bonds and other interest- bearing securities	430 489		430 489	430 489
Assets for conditional dividends	2 969 716		2 969 716	2 969 716
Unit-linked assets	28 855 701		28 855 701	28 855 701
Other financial investment assets	4 396		4 396	4 396
Receivables, direct insurance		89 711	89 711	89 711
Other receivables		59 268	56 268	56 268
Cash and bank		360 808	360 808	360 808
Accrued income		37 072	37 072	37 072
<b>Total</b>	<b>32 383 710</b>	<b>551 916</b>	<b>32 935 625</b>	<b>32 935 625</b>

Financial assets as per the 31-12-2018	Level			Total
	Level 1	Level 2	Level 3	
Shares and participations	123 408	–	–	123 408
Bonds and other interest- bearing securities	430 489	–	–	430 489
Assets for conditional dividends	2 969 716	–	–	2 969 716
Unit-linked assets	28 855 701	–	–	28 855 701
Other financial investment assets	4 396	–	–	4 396
<b>Total</b>	<b>32 383 710</b>	<b>–</b>	<b>–</b>	<b>32 383 710</b>

Financial assets as per the 31-12-2017	Financial assets reported at actual value in the income statement	Loans and customer receivables	Reported value	
			Reported value	Actual value
Interest-bearing loans to associated companies		7 722	7 722	7 722
Shares and participations	124 727		124 727	124 727
Bonds and other interest- bearing securities	383 732		383 732	383 732
Assets for conditional dividends	2 944 143		2 944 143	2 944 143
Unit-linked assets	29 089 082		29 089 082	29 089 082
Other financial investment assets	4 521		4 521	4 521
Receivables, direct insurance		81 846	81 846	81 846
Other receivables		97 774	97 774	97 774
Cash and bank		344 776	344 776	344 776
Accrued income		36 753	36 753	36 753
<b>Total</b>	<b>32 546 205</b>	<b>568 871</b>	<b>33 115 076</b>	<b>33 115 076</b>

Financial assets as per the 31-12-2017	Level			Total
	Level 1	Level 2	Level 3	
Shares and participations	124 727	–	–	124 727
Bonds and other interest- bearing securities	383 732	–	–	383 732
Assets for conditional dividends	2 944 143	–	–	2 944 143
Unit-linked assets	29 089 082	–	–	29 089 082
Other financial investment assets	4 521	–	–	4 521
<b>Total</b>	<b>32 546 205</b>	<b>–</b>	<b>–</b>	<b>32 546 205</b>

### NOTE 33 - CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AND THEIR ACTUAL VALUES (CONT.)

Financial liabilities as per the 31-12-2018	Financial liabilities reported at actual value in the income statement	Other financial liabilities	Reported value	Actual value
Conditional dividends	2 969 716		2 969 716	2 969 716
Unit-linked contracts	29 066 754		29 066 754	29 066 754
Liabilities, direct insurance		29 757	29 757	29 757
Liabilities, reinsurance		46 788	46 788	46 788
Other liabilities		433 586	433 586	433 586
Accrued costs		65 084	65 084	65 084
<b>Total</b>	<b>32 036 470</b>	<b>575 215</b>	<b>32 611 685</b>	<b>32 611 685</b>

Financial liabilities as per the 31-12-2018	Level 1	Level 2	Level 3	Total
Conditional dividends	2 969 716	–	–	2 969 716
Unit-linked contracts	29 066 754	–	–	29 066 754
<b>Total</b>	<b>32 036 470</b>	<b>–</b>	<b>–</b>	<b>32 036 470</b>

Financial liabilities as per the 31-12-2017	Financial liabilities reported at actual value in the income statement	Other financial liabilities	Reported value	Actual value
Conditional dividends	2 944 143		2 944 143	2 944 143
Unit-linked contracts	29 291 115		29 291 115	29 291 115
Liabilities, direct insurance		82 415	82 415	82 415
Liabilities, reinsurance		45 011	45 011	45 011
Other liabilities		425 253	425 253	425 253
Accrued costs		74 946	74 946	74 946
<b>Total</b>	<b>32 235 258</b>	<b>627 625</b>	<b>33 862 883</b>	<b>33 862 883</b>

Financial liabilities as per the 31-12-2017	Level 1	Level 2	Level 3	Total
Conditional dividends	2 944 143	–	–	2 944 143
Unit-linked contracts	29 291 115	–	–	29 291 115
<b>Total</b>	<b>32 235 258</b>	<b>–</b>	<b>–</b>	<b>32 235 258</b>

#### Financial assets and liabilities - valuation

For valuation purposes, each holding is classified as one of three valuation levels.

##### Level 1

Valued at listed rates on an active market.

##### Level 2

Values are calculated using valuation methods. All important input data required for the valuation are based on observable market information.

##### Level 3

Values are calculated based on assumptions and assessments. Some important input data required for the valuation are not based on observable market information.

#### Offsetting of financial instruments

Movestic Livförsäkring AB has not entered into any derivative contracts.

**NOTE 34 - LEASING**

	2018	2017
<i>Current leasing agreements</i>		
within one year	9 185	9 154
more than one year, but within five years	14 161	8 327

The total leasing cost for the year amounted to 9 774 (10 811) KSEK.

**NOTE 35 - INFORMATION ON AFFILIATED COMPANIES****Affiliated companies**

Affiliated companies are defined as all companies within the Chesnara Group and key personnel in leading positions within the Company. Associated companies are also defined as affiliated.

**Internal pricing**

The pricing methods used for transactions with affiliated companies are based on actual cost or market price. The prices of services sold to or purchased from the subsidiary Movestic Kapitalförvaltning AB are based on actual cost. Market prices are used for example for premiums to the associated company Modernac S.A.

**Transactions between Movestic Livförsäkring AB and affiliated companies**

Service purchases of 6,1 (3,5) MSEK relate to an annual management fee to the parent company. The Company has entered into agreements with its subsidiary, Movestic Kapitalförvaltning AB, concerning rental of offices and sales of administrative services, 4,6 (4,9) MSEK for 2017. Group contributions of 4,7 MSEK (23,0 MSEK) were paid from Movestic Kapitalförvaltning AB to its parent company, Movestic Livförsäkring AB.

The Company has also an agreement with its subsidiary in Luxembourg, Movestic Fund Management, concerning sales of administrative services, 3,5 (1,4) MSEK for 2018. Transactions related to income from investment contracts of 135,6( 83,9) MSEK has been received from Movestic Sicav.

Movestic Liv has during 2018 purchased services from Sparplatsen for inhouse development 0,5 (0) MSEK

Reinsurance premiums of 95,7 (106,3) MSEK were paid to the associated company, Modernac S.A., whilst claims payments of 63,3 (64,0) MSEK and reinsurance commission, including profit-share commission, of 31,3 (31,3) MSEK were received. Interest on loans amounted to 0.5 (0.5) MSEK.

No other transactions have been made with key personnel in leading positions than those specified in Note 32.

**Overview of transactions with affiliated companies**

	Year	Sales of services to affiliated companies	Purchases of services from affiliated companies	Income from investment contract	Group contributions	Other	Claims on affiliates as per December 31	Debts to affiliates as per December 31
<i>Parent company</i>								
Chesnara plc	2017		3 485					900
Chesnara plc	2018		6 158					
<i>Subsidiaries</i>								
Movestic Kapitalförvaltning AB	2017	4 947			23 034		31 569	
Movestic Kapitalförvaltning AB	2018	4 579			4 689		25 348	
Movestic Fund Management	2017	1 412					4 275	
Movestic Fund Management	2018	3 522					1 282	
Movestic SICAV	2017			83 939				
Movestic SICAV	2018			135 606				
Sparplatsen	2017							
Sparplatsen	2018		498					498
<i>Associated companies</i>								
Modernac S.A.	2017					11 637	7 722	30 400
Modernac S.A.	2018					14 740	8 056	31 662

**NOTE 36 - EVENTS AFTER THE CLOSING DAY**

No important events after the closing day.

**STOCKHOLM, 20<sup>TH</sup> MARCH 2019**

Peter Mason  
*Chairman of the board*

David Brand

John Deane

Linnéa Ecorcheville  
*CEO*

David Rimmington

Ingrid Bojner

Anders Larsson

Our Auditor's Report was submitted on the 11 of April 2019

Deloitte AB  
[Signature on the Swedish orginial]

Henrik Nilsson  
*Authorised public accountant*

# Auditor's report

**To the general meeting of the shareholders of Movestic Livförsäkring AB corporate identity number 516401-6718**

## **REPORT ON THE ANNUAL ACCOUNTS ACCOUNTS OPINIONS**

We have audited the annual accounts of Movestic Livförsäkring AB for the financial year 2018-01-01 - 2018-12-31. The annual accounts of the company are included on pages 20-54 in this document.

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

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee 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 Movestic Livförsäkring AB 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.

### **VALUATION OF CLAIMS OUTSTANDING**

#### **DESCRIPTION OF RISK**

Claims outstanding amounts to SEK 919 108k at December 31, 2018.

The provision for claims outstanding is a significant balance sheet item which is based on complex actuarial calculations and assumptions of future development of several financial and non-financial parameters. The most central assumptions, with a high degree of uncertainty and a significant impact on the valuation of the balance sheet item, relate to the frequency and the size of future claims for both reported claims and incurred but not reported claims (IBNR).

A misjudgment of the assumption of above parameters or a misapplication of the actuarial models used for the calculation of the provision of claims outstanding could significantly impact the valuation and hence this is a key audit matter in our audit.

In note 1 in the annual report a description of applied accounting principles for claims outstanding is presented. In note 2 and 3, important assumptions and judgements that affect the accounting for claims outstanding are presented.

### **OUR AUDIT PROCEDURES**

Our audit performed included the following procedures, but where not limited to these;

- ▶ evaluation of the design and efficiency of the controls that we assess to be relevant such as controls related to data quality in the insurance system, controls related to applied assumptions and controls related to assessment and analysis of the financial outcome,
- ▶ evaluation of management's application of assumptions of expected future claims expense related to the reported claims and incurred but not reported claims (IBNR) with support of our actuaries,
- ▶ analysis of the experience result in order to assess the accuracy of the historic provision compared to actual outcome with support of our actuaries,
- ▶ review of the disclosures for claims outstanding in order to assess if the disclosures are appropriate and complete.

### **VALUATION OF DEFERRED ACQUISITION COSTS**

#### **DESCRIPTION OF RISK**

Deferred acquisition costs amount to SEK 761 293k at December 31, 2017 and consist of capitalized expenses related to acquisition of insurance- and investment contracts. The deferred acquisition costs are amortized in the income statement by the expected duration of the insurance policies. At each balance sheet date, the recorded value of the of the deferred acquisition costs needs to be tested through an impairment test and be compared to the present value of the expected future cash flow per insurance type (cash generating unit). If the value of the recorded asset is below the discounted future cash flow, a write-down needs to be recorded through the income statement. A misjudgment of the assumption related to expected duration of the insurance policies could significantly impact the valuation of the

deferred acquisitions costs and the impairment test is sensitive to changes of assumptions, such as profitability in current insurance policies and applied method of cash generating units. Due to the above, this area is assessed to be a key audit matter in our audit.

In note 1 in the annual report a description of applied accounting principles for deferred acquisition costs is presented.

### **OUR AUDIT PROCEDURES**

Our audit performed included the following procedures, but where not limited to these;

- ▶ evaluation of the design and test of the efficiency of the controls that we assessed to be most relevant such as controls related to applied method of amortization and controls related to the impairment test,
- ▶ evaluation of management's application of assumption of the valuation of the balance sheet item, such as amortization period and cash generating units,
- ▶ review of the disclosures for deferred acquisition costs in order to assess if the disclosures are appropriate and complete.

### **OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-18. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated 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 and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated 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 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 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 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

### **AUDITOR'S RESPONSIBILITY**

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 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 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 a 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 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 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 Movestic Livförsäkring AB for the financial year 2018-01-01 - 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 the company 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.

Deloitte AB, was appointed auditor of Movestic Livförsäkring AB by the general meeting of the shareholders on the 2018-05-11 and has been the company's auditor since 2009-11-09.

Stockholm 11 April 2019  
Deloitte AB  
[Signature on the Swedish original]

Henrik Nilsson  
Authorized public accountant

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