KLP Skadeforsikring AS Annual Report 2008

2008 – The year the world was changed

Someone has said the best that can be said about last year is that it is over. Even though this was a passing comment, it is certain that the turbulent financial markets have affected the business and world around us substantially.

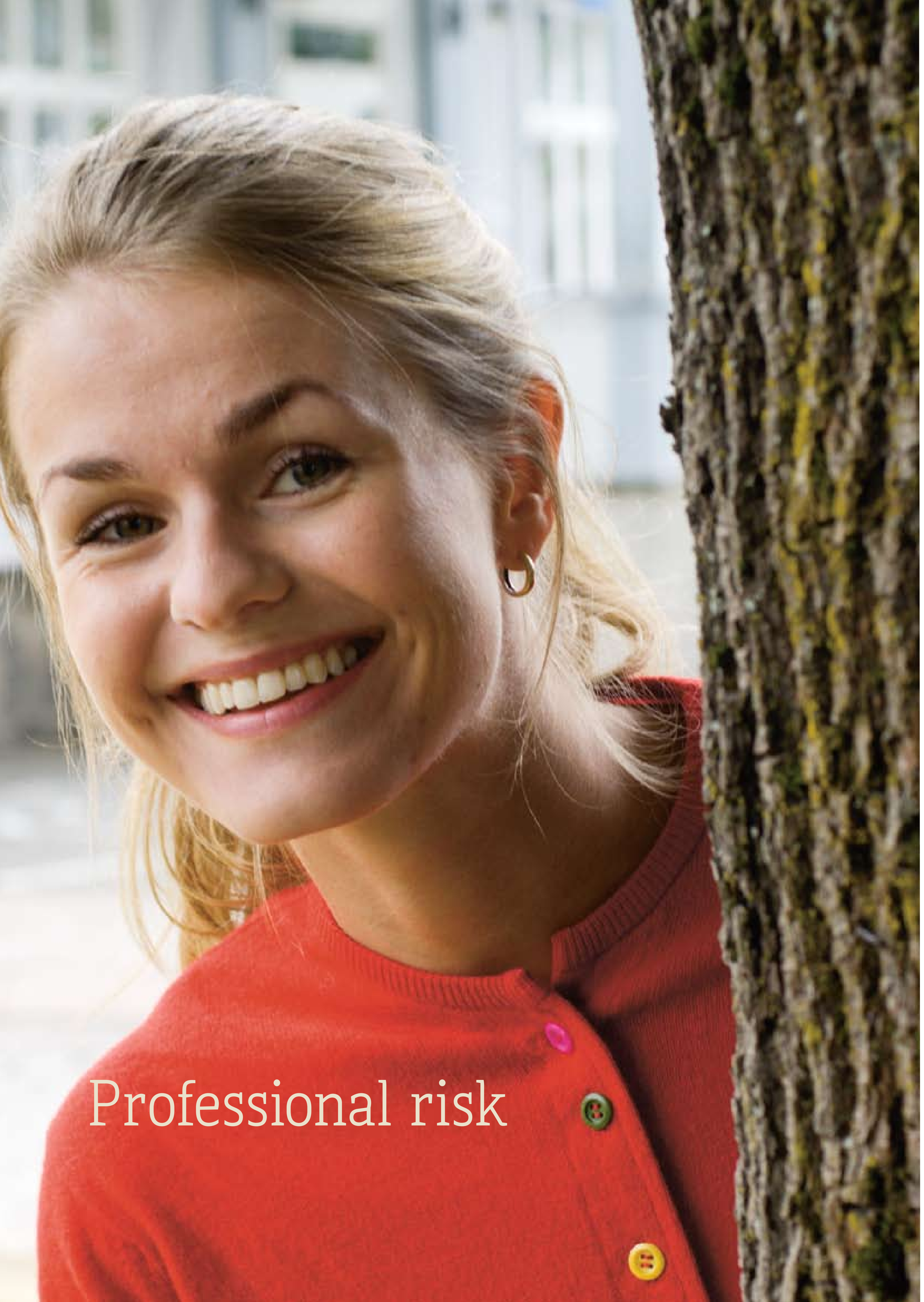
KLP Skadeforsikring AS has had very prudent exposure to the financial market and therefore avoided having to sell shares at great losses. But the absence of a substantial expected income contribution has certainly been felt. And so it is extremely important that the rest of the business is profitable.

Despite it having been a year with many large claims, in fact the worst since 2000, the insurance business as a whole has produced good results. This applies both for 2008 in isolation and for the accounting effect from previous claims years.

The year will also go down in history as the year in which we started private personal insurances. This endeavour is directed at employees of KLP's customers and members. The response in the market is positive and development is stable and good – including in the new online sales channel.

During 2008 the Company has carried out comprehensive work in renewing computer systems and procedures. This should make us better prepared to deliver better services to our customers and, with improvement and more cost-effective operation, ensure competitive power and earnings that continue to equip us to meet uncertain developments in the future. As we all know – the only thing certain about the future is that it is uncertain. Basically, that is why we have insurance!

Hans M Hovden



This is KLP Skadeforsikring
Communal interests

KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse. KLP Skadeforsikring AS forms part of the KLP Group providing supplementary non-life insurance services mainly for the local government sector. Starting in 2008 the Company has also offered non-life insurance in the personal market primarily aimed at public sector employees.

Since the start in 1993 the company has built up a substantial insurance portfolio and is the market leader within these segments for the local government sector.

KLP Skadeforsikring AS works on the basis of explicit profitability requirements, aiming to deliver risk products and provide a service that gives the company a leading position in its market.

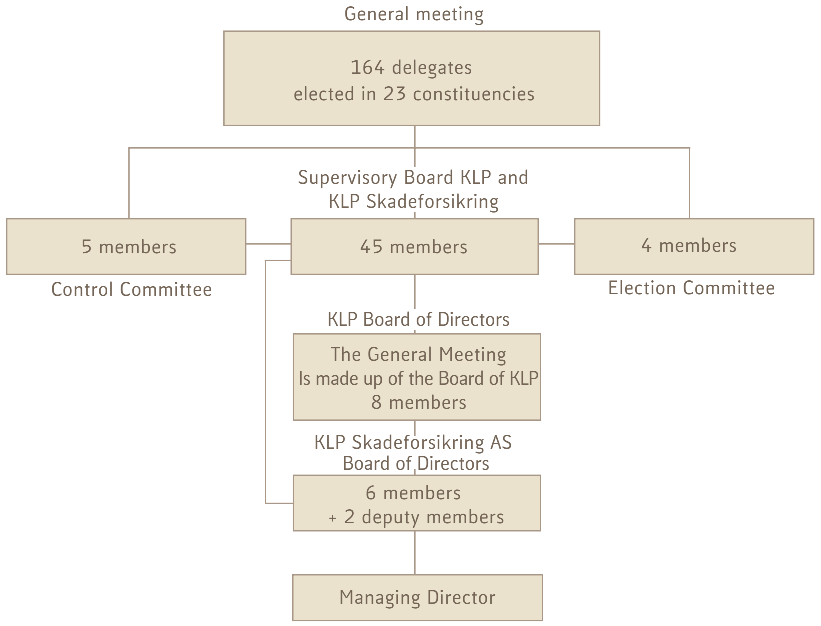
The company's position in the Group is shown in the figure below.

General Meeting

The Board of Director's of Kommunal Landspensjonskasse forms the General Meeting of KLP Skadeforsikring AS and comprises a total of eight members. Of these, five are elected by the members of the parent company's Supervisory Board nominated by the General Meeting, two members are elected by and from the employees of KLP and finally one representative is nominated by the employee organisation with most members at KLP.

The General Meeting approves of the annual accounts, the annual report and allocation of profit or provision for deficit, as well as other matters that by law or in accordance with the Articles of Association are subject to its authority.

Organisation of the non-life company



Election Committee

The Election Committee has four members elected by the parent company's General Meeting. The Election Committee is to put forward proposals on the election of members to the Supervisory Board, the Control Committee and the Board of Directors.

The Supervisory Board

The Supervisory Board elects KLP Skadeforsikring AS's Board of Directors. The Company's Supervisory Board is identical with that of the parent company, and comprises 45 members, of which 24 are elected by the General Meeting of the parent company, six representatives are nominated by the employee organisations and 15 are elected by and from the employees. Of these, three are elected by and from the employees of KLP Skadeforsikring AS.

The Supervisory Board is to supervise the administration of the company by the Board of Directors and the Managing Director and to provide a statement to the General Meeting on the proposals of the Board of Directors for the annual accounts and allocation of profit or provision for loss.

Board of Directors

The Board of Directors of KLP Skadeforsikring has six members as well as two deputy members. Three members, as well as one deputy member, are elected from the employees of the holding company. Two Board members are elected from individuals not employed or holding elected office in the Company or in another financial institution. In this way the Company satisfies the requirement for a minimum of 25 per cent external Board members in a financial institution. In addition one member of the Board of Directors with a deputy is elected by the staff. The Group Chief Executive Officer is normally nominated as Chair of the Board of Directors.

Control Committee

The Company's Control Committee comprises the same individuals forming the Kommunal Landspensjonskasse's Control Committee.

The Control Committee supervises the company's activities. One of the Control Committee's members must satisfy the requirements to be a judge (the Courts of Justice Act § 54) and be approved by the Financial Supervisory Authority of Norway. The Control Committee's activities are governed by the Insurance Activity Act and separate instructions adopted by the General Meeting.

Other governing and supervisory bodies

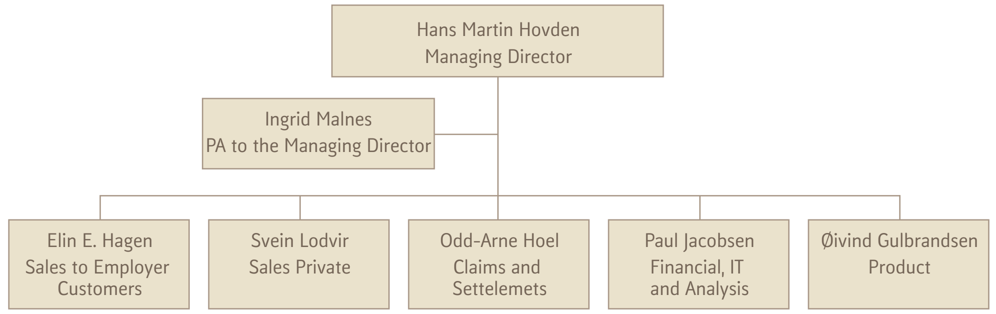
All insurance companies are subject to inspections by the Financial Supervisory Authority of Norway which check that the company is run in a satisfactory way and in accordance with legislation and regulations and circulars issued by the Financial Supervisory Authority of Norway itself.

The Company has the same external auditors as the holding company. Currently the PricewaterhouseCoopers AS accountancy company audits the company's accounts and procedures.

The Group has a central staff of internal auditors who also examine the company's activities at an operational level. Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board annually while also providing an annual confirmation of the company's internal controls process.

Organisation of the non-life company

The senior management of KLP Skadeforsikring AS comprises the Managing Director and five section managers responsible for sales to private customers, sales to the employee sector, claims settlement, products, and staff functions respectively.



We know our customer group

From the left: Paul Jacobsen, Espen F. Olsen (Chief Actuary), Svein Lodvir, Elin Evjen Hagen, Odd-Arne Hoel and Hans Martin Hovden. Øivind Gulbrandsen was not present when the picture was taken.

Annual Report 2008

KLP Skadeforsikring AS had a result before tax of NOK 34.7 million (70.7) for 2008. The result is characterised by a weak financial result with a total return of 0.4% on the Company's assets. The technical insurance result was very good with a surplus both for the year's operations and for previous years. The Company's security reserves have been reduced during the period by NOK 12.5 million but continue to represent a solid buffer against disadvantageous risk occurrences and any run-off losses.

The technical result is very good

The main weight of the Company's customers comprises municipalities, county administrations, businesses and enterprises within the local government sector. In spring 2008 KLP Skadeforsikring AS launched personal insurance products, primarily directed at public sector employees. The Company's initiative has been very well received and both customer volume and the response to the Company's offerings to personal customers are good. KLP Skadeforsikring is competitive both in price and in terms and conditions. The Internet channel shows increasing sales and by the end of the year about every third customer arrived via www.klp.no. This proportion is expected to grow during 2009.

Result and allocation

The result before tax for 2008 was NOK 34.7 million (70.7). This is the outcome of a year in which the financial markets have experienced their weakest year since the 1930s.

NOK million	2008	2007	2006
Gross premiums due (MNOK)	573.8	554.7	583.1
Profit after tax (MNOK)	-9.8	40.5	55.7
Shareholders' funds (MNOK)	595.1	501.5	498.7
Total assets (MNOK)	2,941.7	2,763.2	2,579.0
Financial return (%)	0.4	4.0	4.1
Capital adequacy (%)	39.4	30.9	56.2
Claims ratio (%)	70.6	82.2	76.1
Costs ratio (%)	26.8	23.1	20.3

Key figures from the accounts

The Company's technical results are very satisfactory. The total claims ratio for own account for all sectors was 70.6 per cent (82.2). Combined ratio was 97.3 per cent (105.3). Over the year the Company has put a lot of work into business and system development, a factor that has contributed to the growth in costs compared to 2007. During 2008 NOK 20.3 million has been taken to expenses in connection with the work on transition to a new insurance system.

The Company's new initiative on personal insurance products has been very well received

NOK million	2008	2007	2006
Accrued premium for own account	525.8	521.2	537.1
Reversal of loss provisions	3.4	28.0	0
Other income	1.4	1.4	1.4
Financial income	9.1	98.2	96.5
Claims incurred, net of reinsurance	-371.3	-428.2	-408.6
Security reserves etc.	10.6	-31.8	-45.9
Operating expenses	-144.2	-118.1	-109.1
Profit before tax	34.7	70.7	71.4
Tax	-44.6	-15.3	-15.7
Profit/loss after tax	-9.8	55.4	55.7
Actuarial gains and losses on defined benefits pension scheme		-14.9	
Provision for re-classification funds	-14.3	-10.0	-11.4
Profit/loss after tax and provision for funds reclassified to owners' equity	-24.1	30.5	44.3

The Board of Directors of KLP Skadeforsikring AS considers the income statement, the balance sheet and the cash flow analysis with notes provide comprehensive information on operation during the year and the financial position at the end of the year. The Board confirms that the accounts have been prepared in accordance with the going concern assumption in accordance with the Norwegian Accounting Act. The Board considers the Company's' equity and buffers satisfactory.

Allocation of annual profit

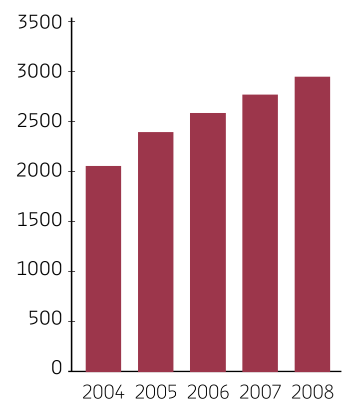
NOK million	2008
Profit for the year	-9.8
is allocated as follows:	
- to the natural perils pool	11.9
- to administration reserves	0.8
- to the guarantee scheme	0.8
- to changed minimum required reinsurance reserves	0.7
- Group contribution paid (after tax)	91.1
- transferred from other equity	-115.1
Total allocation and transfer	-9.8

Solvency and owners' equity

The Company's equity after allocations of the surplus is NOK 595.1 million. Unrestricted shareholders' funds totals NOK 161.1 million. Of the restricted equity NOK 214.0 million represents reclassified insurance funds. The Company has set aside NOK 383.3 million in contingency reserves against a minimum requirement of NOK 193 million.

During 2008 the Company also had growth in total assets. The growth results from a large part of the business being long tail, which means that reserves are built up over a number of years. Over the last 5-year period total assets have increased by more than 50 percent.

Total assets (NOK million)



The Company's liquidity situation has been satisfactory throughout the accounting year. A large proportion of premiums are received during the first quarter, which makes the liquidity situation predictable.

At the end of the year the Company had capital adequacy of 39.4 per cent compared to the 8.0 per cent required by the regulations. From 2008 all non-life insurance companies submit quarterly reports on their calculation of solvency capital to the Financial Supervisory Authority of Norway in accordance with the EU joint regulations. KLP Skadeforsikring satisfies these requirements by a good margin.

Behind the chosen risk strategy there is comprehensive modelling work taking account of the capital situation, the insurance risk, the payout profile, the distribution of assets and their duration.

The accounts and the balance sheet have been restated in accordance with changed accounting regulations. This means that administration, guarantee and natural peril pool reserves have been transferred to restricted equity and deferred tax liability. The effect of the reworking is that the restricted equity has increased by NOK 214.0 million. In the view of the Company this reworking contravenes the instructions for the Natural Perils Pool where it states that the Natural Perils Pool Reserve can only be used to pay future natural perils claims.

Risk considerations

Risk taking is at the core of the Company's business. Professional analysis of individual portfolios - and the interplay between portfolios – is the central element of the Company's risk management. Regular reports, analyses and assessments supplement the Company's overall risk management.

The Company's new initiative on personal insurance products has been very well received

Insurance risk

A fundamental principle is that the insurance premiums must be at a level that will cover expected claims and administration costs. Municipal insurance has to a greater extent than other non-life insurance proved to have major variation in risk outcome. This type of fluctuation is taken into account in calculating the Company's insurance premiums.

The individual insurance portfolios, as well as some large single risks, are managed through a specially adapted reinsurance programme. This has both disaster coverage and frequency protection in that the Company's first loss costs decrease after a certain number of large claims within a calendar year. The level of ceded premium is now as low as 6 per cent.

As a result of the strong growth both in business volume and buffer capital, the ability to bear risk on own account has increased considerably. During the period the Company has also built up a substantial solvency buffer.

Financial risk

KLP Skadeforsikring AS manages large assets and the Company's investment funds are in the care of KLP Kapitalforvaltning AS, a sister company in the KLP Group. The Company's finance department continuously monitors the investment activities and the Board receives regular reports of status and analyses of the investment portfolio's fluctuation risk.

KLP Skadeforsikring AS has a large share of the business in worker's compensation and personal accident in the municipal sector. Because it takes many years before compensation is finally set and paid, large claims provisions are generated and there is a correspondingly high dependence on the financial revenues. Funds management is therefore designed for this and the Company has a substantial portfolio of hold-to-maturity bonds where the maturity structure is matched to the expected payout profile for the claims provisions. During the year the Company has increased the proportion of funds managed in accordance with a hold-to-maturity strategy.

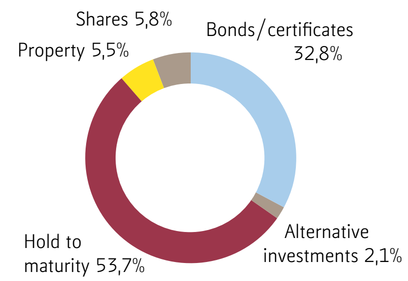
The Company's good solvency has provided the opportunity to develop the investment strategy further. During 2008 KLP Skadeforsikring invested NOK 140.9 million in property, which contributed to further spreading of risk. The property investments were undertaken through acquisition of two holdings in property general partnerships in which the properties are centrally located in Oslo.

The proportion of equities fell as a result of developments in the equity markets, from 10% at the start of the year to 5.8% at the end of 2008.

Foreign exchange forwards and interest derivatives are used only for hedging purposes and were used to a very limited extent during 2008.

The Company measures its risk exposure in the investment portfolio according to a Value at Risk concept. In this way the Company can adapt the investments risk exposure to developments in the insurance business. The risk framework associated with Value at Risk is related to the Company's buffer capital. These limits are reassessed at least on a monthly basis but have been monitored more closely in connection with the financial unrest in the second half of 2008. On no measurement date has the Company's risk exposure exceeded the limits set.

Asset composition
as at 31.12.2008



Counterparty risk

The largest single exposure in the investment portfolio amount to NOK 82.4 million, corresponding to 3% of total investment assets. Through the credit bond fund the Company had a small exposure to Lehman Brothers and in connection with this has realised a loss of NOK 2.9 million.

Liquidity risk

The risk that KLP Skadeforsikring AS should have inadequate liquidity to meet its current liabilities is very small since a major part of the Company's assets is liquid. The liquidity risk for the Company is therefore primarily associated with the costs of releasing assets to meet maturity liabilities.

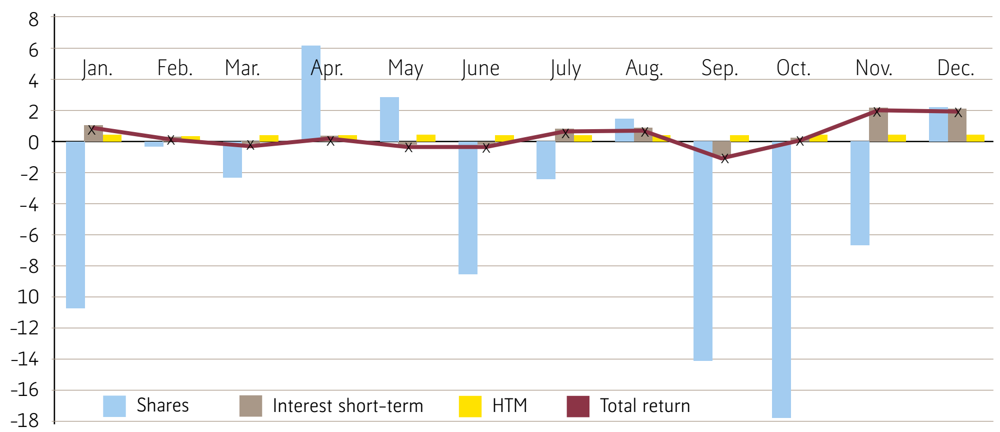
Operational risk

The Company closely monitors its risks at the administrative level and last year examined and further documented all internal work processes. This ensures consistent and correct processing, a stable operational environment and good procedures for providing services to the customers. There is close attention to securing against and if necessary dealing with interruption of operations connected to the IT systems.

Emphasis is laid on good internal audit procedures to ensure the Company at all times meets the requirements and expectations the outside world has of the Company as an operator in the Norwegian financial market. This includes emphasis on acting as a safe business partner and on the Company's representatives satisfying strict ethical requirements.

Return on capital

2008 has illustrated the necessity of a well-diversified investment portfolio. Despite the worst shares year in over 70 years coinciding with large decline in the value of financial bonds the Company had a weak but nevertheless positive return on its investment assets.
Return on assets managed was 0.4 per cent (4.0). Interest-bearing investments in current assets and hold-to-maturity produced 6.7 and 5.0 per cent respectively, whereas shares produced -42.1 per cent The Company's property investments had a return of -2.4 per cent



Operating expenses
Measured against premiums due on own account the costs ratio was 26.7 per cent (23.1). The main reason for this increase lay in the taking to expenses of a comprehensive investment in system and business development. The Company started its offerings in non-life insurance to its clients employees in May 2008. Major parts of the costs associated with this work have been taken to expenses during the year.

Regulatory framework
The authorities are working on new capital and solvency regulations for the finance industry. The Company's capital situation is considered satisfactory within the new regulatory framework as well.

The Banking Law Commission's report on the non-life companies' activities was submitted on 16 December. The report has now been sent out for consultation. The Company does not consider that the recommendation will involve significant changes in regard to current practice but notes that the report bases itself on statutory regulation of self-insurance solutions that lies very close to the company's own recommendation.

The company's customers should be confident in the knowledge that funds in KLP Skadeforsikring AS are invested in accordance with ethically accepted norms

Ethics in the investment process
In their specifications of requirement more and more of the Company's customers emphasize the social and ethical aspects of providers' business approach. The Company's customers should have confidence that KLP Skadeforsikring's assets are invested in accordance with ethically accepted norms. The Company has adopted the UN conventions on norms for ethical assessment criteria in investment decisions. These cover human rights, child labour, the environment, employee rights, weapons manufacture and corruption.

KLP's general investment strategy means that companies that can be linked to systematic or gross breach of commonly accepted environmental and human rights principles are excluded from the investment portfolio.

Corporate governance
The Company's articles and the applicable legeslation gives the tenets for corporate governance and a clear division of roles between governing bodies and management. The KLP Group has adopted the guidelines in the 'Norwegian Code of Practice for Corporate Governance'. KLP Skadeforsikring follows the same rules, but has adapted its practice of the rules in line with the limitations resulting from the Company being a wholly-owned subsidiary of a larger mutually owned group.

Loss prevention initiatives
During 2008 KLP Skadeforsikring AS in partnership with the Norwegian Directorate for Civil Protection and Emergency Planning (DSB) and the Norwegian Fire Protection Association concluded a programme for Systematic Safety Management in Local Government Buildings. In addition to a theoretical section, the programme contains a computer tool to be used in monitoring safety status in individual buildings. Six courses have been completed. The courses gathered about 90 participants from a total of 28 local government authorities. Feedback from the participants has been unanimously positive. It has been decided to carry out a further 25 courses during 2009. In addition three regional meetings have been held for business customers touching on particular aspects of loss prevention.

During 2008 KLP Skadeforsikring AS has further developed its relationships with partners such as Norwegian Water BA, the Norwegian Council for Road Safety, Kommunal Kompetanse (local government training and development provider), the Norwegian Automobile Federation (NAF) and the Norwegian Maritime Academy to achieve greater breadth and depth in loss prevention work. There is major focus on loss prevention in fields such as the working environment, safe school roads, reducing the scope of damage, saving the environment and saving life.

Environment
On World Environment Day, 5 June 2008, KLP Skadeforsikring was accredited as an Eco-Beacon company.
A strong environmental focus is in line with the Company's values and social responsibility. As an office business the Company will implement measures to improve the environment in those areas the Company can affect. There are collection schemes and return arrangements for paper, cardboard, fluorescent tubes, plastic waste and toner cartridges. Returned office material and consumables are reconstituted and used to the extent possible. Any disposal of this is handled as special waste.

The Company is generally not directly party to damage repair but lays down requirements for external partners both in claim settlement, procurement and other services.

Environmental work amongst all employees creates focus on the environment and contributes to being an attractive employer. Feedback from customers shows that municipalities/county authorities are introducing environmental requirements to a greater extent in tender competitions. The public sector wants suppliers who take the environment seriously. This means that environmental work also provides financial benefits, income opportunities and customer loyalty.

Organisation
There were 91 employees in permanent positions associated with the non-life company's activity at the end of 2008. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

Turnover in 2008 was 13.5 per cent (13 individuals), of which 4.5 per cent was the result of internal transfers within the Group. During the same period 18 new employees were appointed. The Company monitors the reasons for departures closely and concludes that today's employment market involves a considerable degree of mobility.

Total sickness absence was 3.8 per cent, divided between 1.7 per cent short-term absence and 2.1 per cent long-term absence. In total this represents 760 days of absence. Both short-term and long-term absence declined in 2008. Efforts to reduce sickness absence place emphasis on adapting the workplace for staff who have had lengthy sickness absence.

On World Environment Day, 5 June 2008, KLP Skadeforsikring AS was certified an Eco-Beacon company

Quarterly cooperation committee meetings are held between management and elected employee representatives in the Company. Health and safety is also discussed at these meetings. The meeting structure works satisfactorily both for management and for staff representatives.

During 2008 no work-related injuries or accidents were reported among the staff.

A good workplace
KLP Skadeforsikring AS has to attract, develop and retain highly qualified employees to be competitive both now and in the future. The Company wants to be an attractive employer for people with the right competencies. Personnel and pay policy must therefore be balanced between cost-effectiveness, matching the market and flexibility. Changed external requirements require adjustment of employees' job descriptions and competencies in line with what the Company should be delivering at all times to our customers.

Equal opportunities
KLP Skadeforsikring AS is committed to providing equal opportunities for personal and professional development in regard to appointment, pay, training and promotion. To fulfil this, an equal opportunities policy has been developed with set targets for prioritised areas and an action plan to meet these targets.

At the end of the year the Company had 50 per cent female representation on the Board of Directors. Amongst the staff the gender distribution is about half of each. Amongst managers the female proportion is weaker, with one director and four heads of department from a total of 15 managers. It is an explicit goal to increase the female proportion of senior staff.

Future prospects

KLP Skadeforsikring AS is a solid company with sound finances. Growth in profits in recent years mean the Company has resources to meet expected negative fluctuations in future claims.

The Company is experiencing increased competition in it is core market, municipalities and county authorities.

The number of municipal customers is stable even though there is a fall in the number of insurance policies. In assessments and feedback from customers during the autumn round of tendering the Company scored the highest total points on quality and service. Reports showed that the Company's quality and service targets are being reached and that customers are satisfied. With continuing focus on development of good and efficient operation in all channels, this provides a good basis for happy customers and good results in the future as well.

The Company is experiencing a good inflow of customers in the corporate market.

KLP Skadeforsikring AS is finding the investment in personal non-life insurance successful. KLP has received the desired confirmation through customers in the Company's main market having shown their approval both of products and prices.

Controlled growth is expected, taking account of feedback from customers in continued tailoring to the market.

The personal market for non-life insurance is strongly competitive with several new providers, but the Company sees clearly that it is competitive. The number of customers via the Internet will be steadily growing, because of increased familiarity with KLP and general market development in this area where one sees a higher degree of self-service customers.

Financial returns are of major significance for a company such as KLP Skadeforsikring AS since about 40 per cent of the business is long tail. Development of the financial market is closely monitored and necessary adjustments are made continuously.

Oslo, 20 February 2009

Sverre Thornes Board Chair	Kjell Arvid Svendsen	Reidar Mæland
Ida Espolin Johnson	Reidun W. Ravem	Linda Brodin Employee-elected representative
	Hans Martin Hovden Managing Director	

Accounts

KLP Skadeforsikring AS Income Statement

Notes	NOK thousands	2008	2007	2006
	TECHNICAL ACCOUNTS			
5	Gross premiums due	573 783	554 751	583 091
	Reinsurance premiums ceded	-34 201	-43 921	-47 882
	Change in provision for unearned gross premium	-13 718	1 820	1 879
	Change in reinsurer's share of unearned gross premiun	-53	8 604	0
	Premium income for own account	525 810	521 253	537 088
	Allocated return on investments transferred from non-technical account	101 426	99 161	69 954
	Other insurance-related income	1 401	1 386	1 448
5	Gross claims paid	-293 221	-293 907	-329 108
	Reinsurer's share of gross claims paid	4 545	22 282	26 788
	Changes in gross claims provision	-111 926	-122 178	-70 637
	Change in reinsurer's share of gross claims provisions	29 270	-34 429	-35 680
	Claims incurred, net of reinsurance	-371 332	-428 232	-408 637
16	Sales costs	-38 440	-25 027	-24 609
	Insurance-related administration costs	-105 775	-93 051	-84 447
13,14	**Insurance-related operating expenses**	-144 215	-118 079	-109 056
	Reversal of loss provisions	3 362	27 995	0
	Other insurance-related operating expenses	3 362	27 995	0
	Technical profit/loss before contingency reserve provisions	116 453	103 485	90 797
	Change in security reserves	12 514	-28 374	-43 879
	Changes in other technical provisions	-1 911	-3 433	-2 037
	Change in contingency reserves etc.	10 604	-31 806	-45 916
	Technical profit/loss	127 056	71 678	44 881
	NON-TECHNICAL ACCOUNT			
8	Income from interest and dividends etc on financial assets	117 606	122 459	93 350
8	Value changes on investments	-103 947	-13 538	-1 594
8	Gains and losses realised on investments	-201	-7 458	7 513
	Administration costs related to investments, including interest paid	-4 342	-3 265	-2 801
	Net income from investments	9 116	98 197	96 468
	Allocated return on investments transferred to technical account	-101 426	-99 161	-69 954
	Non-technical profit/loss	-92 310	-963	26 514
	Profit/loss before taxes	34 746	70 715	71 395
18	Tax	-44 569	-15 321	-15 746
	Profit/loss before other profit/loss components	-9 823	55 394	55 648
	Other profit/loss components			
	Actuarial gains and losses on defined benefits pension schemes - benefits to staff	0	-10 755	0
	Tax on other profit/loss components	0	-4 183	0
	Total profit/loss	-9 823	40 457	55 648
	Change in natural perils pool fund provision	-11 927	-7 968	-8 441
	Change in adm. provisions	-771	-2 261	-4 095
	Change in guarantee scheme	-848	264	415
	Net Group contribution made	-91 065	-51 572	-29 235
	Change in minimum requirement reinsurance reserves in other owners' equity	-708	0	751
	Allocated to/from(-) other equity	115 142	21 080	-15 045
	TOTAL "ALLOCATIONS"	9 823	-40 457	-55 648

KLP Skadeforsikring AS Balance Sheet

Notes	NOK thousands	2008	2007	2006
	ASSETS			
13	Capitalised IT systems	32 720	30 505	0
	Intangible assets	32 720	30 505	0
	Investments held to maturity	775 236	330 559	210 315
	Loans and receivables	708 791	784 575	904 815
10	**Financial assets valued at amortised cost**	1 484 027	1 115 134	1 115 129
	Shares and holdings unit trust funds	201 200	317 747	176 405
	Property company holdings	140 887	0	0
	Holdings interest-bearing funds	272 404	248 636	0
8,10	Shares and holdings	614 491	566 383	176 405
	Bonds and other fixed-return securities	636 720	907 190	1 130 120
	Financial derivatives	0	0	165
	Other financial assets	50 658	41 418	30 161
10	**Financial assets valued at fair value**	1 301 869	1 514 991	1 336 851
	Total investments	2 785 896	2 630 125	2 451 980
	Reinsurers' share of unearned gross premium	8 550	8 604	0
	Reinsurers' share of gross claims reserve	71 161	41 891	76 320
	Reinsurers' share of gross insurance liabilities	79 711	50 495	76 320
	Receivables from policyholders	24 884	16 599	20 408
	Receivables related to reinsurance agreements	3 933	11 227	16 868
	Other receivables	315	515	7 046
	Receivables	29 133	28 342	44 322
	Bank deposits	14 248	23 705	7 545
	Prepaid expenses	0	0	-1 167
	Prepayments and accrued interest	0	0	-1 167
	TOTAL ASSETS	2 941 708	2 763 171	2 579 001

KLP Skadeforsikring AS Balance Sheet

Notes	NOK thousands	2008	2007	2006
	SHAREHOLDERS' EQUITY AND LIABILITIES			
	Shareholders' equity contributed			
	Share capital	152 000	152 000	152 000
	Unregistered share capital contributed	68 000		
	Other owners' equity contributed	140 866	14 386	931
11	**Shareholders' equity contributed**	360 866	166 386	152 931
	Retained earnings			
	Administration reserve	49 547	48 776	46 515
	Natural perils pool fund provision	146 085	134 159	126 191
	Guarantee scheme provision	18 360	17 513	17 776
11	**Funds etc.**	213 993	200 447	190 482
	Other retained earnings	18 041	133 183	152 723
	Reinsurance reserve in other owners' equity	2 183	1 477	2 587
11	**Other retained earnings**	20 223	134 660	155 310
	Retained earnings	234 217	335 108	345 792
	Provision for unearned gross premium	84 028	70 310	72 130
	Gross provision for claims	1 688 882	1 576 956	1 454 778
	Contingency reserves	383 252	395 766	367 392
	Other technical provisions	7 066	9 276	8 123
	Gross insurance liabilities	2 163 228	2 052 308	1 902 423
19	Pension liabilities etc	26 419	22 832	4 882
20	Liabilities re deferred taxes	78 675	69 519	74 685
	Provision for liabilities	105 094	92 351	79 567
	Liabilities related to direct insurance	31 812	36 500	34 350
	Liabilities related to reinsurance	1 593	306	4 164
	Liabilities within the Group	7 995	65 013	47 834
	Other liabilities	28 878	7 484	4 022
	Liabilities	70 278	109 303	90 370
	Other accrued costs and unearned income received	8 025	7 715	7 919
	Accrued costs and unearned income received	8 025	7 715	7 919
	TOTAL EQUITY AND LIABILITIES	2 941 708	2 763 171	2 579 001

Oslo, 20 February 2009

Sverre Thornes
Board Chair

Kjell Arvid Svendsen

Reidar Mæland

Ida Espolin Johnson

Reidun W. Ravem

Linda Brodin
Employee-elected representative

Hans Martin Hovden
Managing Director

KLP Skadeforsikring AS Schedule of changes in owners' equity

NOK thousands	2008	2007	2006
Total profit/loss for the year	-9 823	40 457	55 648
- of which to parent company's owners	-9 823	40 457	55 648
Changes in shareholders' equity resulting from change in principle			
Retained earnings			
Administration reserve	49 547	48 776	46 515
Natural perils pool fund provision	146 085	134 159	126 191
Guarantee scheme provision	18 360	17 513	17 776
Funds etc.	213 993	200 447	190 482
Transactions with owners			
Group contribution received	126 480	13 455	0
Group contribution paid net after tax	91 065	51 572	29 234
Reconciliation of capitalised value			
Shareholders' equity contributed			
Share capital as at 1 Jan	152 000	152 000	152 000
Unregistered share capital contributed	68 000	0	0
Share capital as at 31 Dec	220 000	152 000	152 000
Other shareholders' equity contributed 1 Jan	14 386	931	931
Group contribution received	126 480	13 455	0
Other shareholders' equity contributed 31 Dec	140 866	14 386	931
Contributed equity totalled:			
Shareholders' equity contributed as at 1 Jan	166 386	152 931	152 931
Changes during the period	194 480	13 455	0
Shareholders' equity contributed as at 31 Dec	360 866	166 386	152 931
Retained earnings			
Funds etc.			
Administration provision 1 Jan	48 776	46 515	42 420
Provisions for the period	771	2 261	4 095
Administration provision 31 Dec	49 547	48 776	46 515
Natural perils fund 1 Jan	134 159	126 191	117 750
Provisions for the period	11 927	7 968	8 441
Natural perils fund 31 Dec	146 086	134 159	126 191
Guarantee scheme provisions 1 Jan	17 512	17 776	18 191
Provisions for the period	848	-264	-415
Guarantee scheme provisions 31 Dec	18 360	17 512	17 776
Funds etc totalled:			
Funds etc. 1 Jan	200 447	190 482	178 361
Change for the period	13 546	9 965	12 121
Funds etc. 31 Dec	213 993	200 447	190 482
Other retained earnings:			
Other retained earnings 1 Jan	134 660	155 310	112 855
Transferred from profit/loss for the year *	-115 142	-21 080	21 724
Reclassification of adm. reserve in excess of min. req.	0	0	12 810
Reclassification of reinsurance reserve in other equity	0	0	2 587
Change in reinsurance reserve in other equity	708	0	0
Deferred tax	0	0	5 755
Corrected deferred tax previous years	0	431	-421
Other retained earnings 31 Dec	20 223	134 660	155 310

* Includes Group contribution made under "Transactions with owners".

NOK thousands	2008	2007	2006
Retained earnings totalled:			
Other equity 1 Jan	335 107	345 792	291 216
Change for the period	-100 888	-10 684	54 576
Other equity 31 Dec	234 217	335 108	345 792
Shareholders' equity in total:			
Shareholders' equity 1 Jan	501 493	498 723	444 147
Changes during the year	93 592	2 771	54 576
Shareholders' equity 31 Dec	595 083	501 494	498 723

KLP Skadeforsikring AS Cash flow analysis

NOK thousands	2008	2007	2006
CASH FLOWS FROM OPERATIONS			
Direct insurance premiums received	566 563	559 228	584 414
Reinsurance premiums paid	-32 914	-47 780	-43 274
Direct insurance claims and benefits paid	-299 394	-288 882	-330 605
Reinsurance settlement received for claims and insurance benefits	11 096	51 109	34 815
Payments to other suppliers for products and services	-90 406	-112 924	-54 137
Payments to staff, pension schemes, Employer's NI contribution etc.	-52 810	-44 691	-55 436
Interest received	113 663	113 582	95 711
Dividend received	0	0	0
Tax and public charges paid	-274	244	217
Commission received on reinsurance ceded	0	0	0
NET CASH FLOW FROM OPERATIONS	215 525	229 886	231 705
CASH FLOW FROM INVESTMENT ACTIVITIES			
Receipts on the sale of shares	575	639	37 473
Payments on the purchase of shares and holdings	-152 602	-137 474	-48 000
Receipts on the sale of bonds	11 733	910 107	399 359
Payments on the purchase of bonds	-339 266	-893 933	-804 632
Receipts on the sale of certificates	146 089	884 740	678 850
Payments on the purchase of certificates	80 041	-939 770	-568 675
Net cash flow from purchase/sale of other short-term securities	14 779	-7 531	60 914
Payments received holdings of ANS (general partnerships)	0	0	0
Payments made holdings ANS	0	0	0
Receipts on the sale of fixed assets etc.	0	0	0
Payments on the purchase of fixed assets etc.	-4 916	-30 505	0
Payments on investments in long-term financial assets	0	0	0
NET CASH FLOW FROM INVESTMENT ACTIVITIES	-243 565	-213 727	-244 712
CASH FLOW FROM FINANCING ACTIVITIES			
Payments received on issue of share capital/preference capital	18 584	0	0
Group contributions made	0	0	0
NET CASH FLOW FROM FINANCING ACTIVITIES	18 584	0	0
NET CHANGE IN BANK DEPOSITS	-9 457	16 160	-13 007
BANK DEPOSITS AT START OF PERIOD	23 705	7 545	20 552
BANK DEPOSITS AT END OF PERIOD	14 248	23 705	7 545
RECONCILIATION			
Profit/loss before taxes	34 746	52 528	62 284
Ordinary depreciation	-2 215	0	0
Change in trade debtors	210	-210	103
Change in trade creditors	-3 145	4 047	-4 166
Non-cash items (premium reserves etc.)	0	0	0
Diff. betw. pensions carried to expense and payments in/out in pens. schemes	0	0	0
Effect of foreign exchange rate changes	0	0	0
Items classified as investment or financing activities	115 450	25 775	1 665
Changes in other accruals	70 478	185 864	212 423
NET CASH FLOWS FROM THE YEAR'S OPERATIONS	215 525	229 886	231 705

Note 1 General information

KLP Skadeforsikring AS provides non-life insurance to municipalities, county authorities, health enterprises and businesses both in the public and private sector. From 2008 KLP Skadeforsikring AS has also offered non-life insurance in the personal market.

The largest product area is public-sector insurance. KLP Skadeforsikring AS is a limited company registered and domiciled in Norway. KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). The Company has its head office at Holberg Terrasse, Oslo.

The Company's annual accounts for 2008 were approved by the Company's Board of Directors on 20 February 2009.

Note 2 Summary of the most important accounting principles

Below follows a description of the most important accounting principles that have been used in the Company accounts. These principles have been used consistently for all periods presented.

2.1 FUNDAMENTAL PRINCIPLES

The accounts for KLP Skadeforsikring AS have been prepared in accordance with Regulation No. 1241 of 16 December 1998: "Regulations for annual accounts etc for insurance companies" (Annual Accounts Regulations) as well as the regulations of 30 January 2009 on amendment of the above mentioned Regulation No. 1241. The regulations have been changed as a result of harmonisation with international EU-approved accounting principles (IFRS/IAS) and changes in insurance legislation. The amendments lay down that company accounts are to be prepared in accordance with Regulations on International Accounting Standards made pursuant to the Norwegian Accounting Act § 3-9 second paragraph unless otherwise provided for in the Regulations. KLP Skadeforsikring AS is part of a Group that presents consolidated accounts in accordance with IFRS and thus presents company accounts complying with international accounting standards in accordance with the Accounting Act § 3-9 with the exception of those supplements resulting from the Annual Accounts Regulations.

The Company has used Regulation No. 57 of 21 January 2008 "Regulations on simplified application of international accounting standards" for presentation of Group contributions. This means that the Group contribution taken to account is presented as a liability (Group contribution paid) and a receivable (Group contribution received), even though the Group contributions had not been approved at the balance sheet date.

This has involved certain changes in relation to the principles used in the annual accounts for 2007. A reconciliation has been prepared of the effect on owners' equity of switching from previously used accounting principles.

The Company accounts have been prepared based on the principle of historic cost, with the following exception:

- Financial assets and liabilities (including financial derivatives) valued at fair value through profit and loss.

To prepare the Company accounts in accordance with the Annual Accounts Regulations, management has to make accounting estimates and approximate valuations. This will affect the value of the Company's assets and liabilities, income and expenses presented in the accounts. Actual figures may deviate from estimates used. Areas in which approximate valuations and estimates of material significance for the company have been utilised are described in Note 3.

All amounts are presented in NOK thousands without decimals unless otherwise stated.

The accounts have been prepared in accordance with the going concern assumption.

2.2 SEGMENT INFORMATION

The Company's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The company's segments have been divided into the employer and personal markets.

2.3 CONVERSION OF TRANSACTIONS IN FOREIGN CURRENCY

a) Functional currency and presentational currency
The Company's accounts are presented in NOK, which is the functional currency of the Company.

b) Transactions and balance sheet items
Transactions in foreign currency have been converted to NOK by using the conversion rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are taken to expenses. This also applies to conversion of money items (assets and liabilities) on the balance sheet date.

Conversion differences on non-money items are included as part of the gain and loss on valuation at fair value. Conversion differences associated with non-monetary items, such as shares at fair value through profit and loss, are included as an element of value change taken to profit/loss.

2.4 INTANGIBLE ASSETS

In the main the Company's intangible assets comprise capitalised IT systems. On the purchase of a new IT system directly attributable costs paid to the system supplier are capitalized, as well as external consultancy support and internally accrued costs of having the system installed and readied for use.

On the further development of IT systems both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational the capitalized costs are depreciated by straight line over the expected life (3 - 12 years). In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum, a test of decline in value is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is depreciated to the recoverable sum.

2.5 FINANCIAL ASSETS

The Company's financial assets are divided into the following categories: financial assets at fair value through profit and loss, loans and receivables and financial assets held to maturity. The purpose of the asset determines the classification and management undertakes classification on acquisition of the financial asset.

a) Fair value through profit and loss
This category is divided into two subcategories: (1) held for trading, (2) voluntarily categorised at fair value through profit and loss on acquisition according to the fair value option.

Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Company's derivatives are included in this category. Fair value is determined on the basis of observable prices in an active market, or where such prices are not available, through internal modelling with regular collection of external pricing to quality-assure the internal pricing model.

Financial assets voluntarily categorised at fair value through profit and loss on acquisition comprise financial assets managed as a group and where their earnings are valued and reported to management on the basis of fair value. The size of the portfolio is decided on the basis of the Company's desired risk exposure to interest and equity markets.

Gains or losses from changes in fair value of assets classified as financial assets at fair value through profit and loss are included in the income statement in the period they arise. This is included in the line "value changes on investments".

Coupon interest is taken to income as it accrues and is included in the line "interest income and dividend etc on financial assets". Share dividend is included in the income statement in the line "interest income and dividend etc on financial assets" when the company's entitlement to dividend is established.

Fair value in this category is determined in relation to observable purchase prices in an active market, or where such purchase prices are not available, through internal valuation models based on external data.

b) Loans and receivables
Loans and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market or that the Company intends to sell in the short-term or has earmarked at fair value through profit and loss.

Loans and receivables are divided into two subcategories:
i) Loans and receivables linked to investment business
ii) Other loans and receivables including receivables from policyholders

Loans and receivables in the investment business comprise bonds at amortised cost that are not priced in an active market.

Other loans and receivables including premiums receivable comprise premiums receivable and various other receivables.

Loans and receivables are initially recognized on the balance sheet at fair value. Subsequent measurement is at amortised cost using the effective interest rate method with write-down for loss if appropriate.

The effective interest rate on loans and receivables in the investment business are taken to profit and loss and included in the line "Income from interest and dividends etc on financial assets".

Fair value in this category is determined on the basis of internal valuation models based on external data.

c) Financial assets held to maturity
Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the company has the intention and the ability to hold to maturity with the exception of:
- those the business on first recognition earmarks as fair value through profit and loss
- those that meet the definition of loans and receivables.

Financial assets held to maturity are recognized in the balance sheet for the first time at fair value. Subsequent measurement is at amortised cost using the effective interest rate method with deductions for write-downs from losses, and this change in value is included in the line "Income on interest and dividend etc on financial assets" in the income statement.

Fair value is set based on observable prices in an active market.

Purchases and sales of financial assets are taken to account on the trading date, i.e. when the Company has committed itself to buy or sell that financial asset. Financial assets are recognized at fair value from the date the company takes over entitlements and liabilities associated with the asset. Direct costs of purchase are included in acquisition cost except for purchase costs associated with assets at fair value over profit and loss. For these assets purchase costs are taken to expenses directly. For financial assets where the purchase costs are included in the acquisition cost, the difference between the transaction price including purchase costs will form the basis for change in value to final price on the trading day. Financial assets cease to be recognized when the Company is no longer entitled to receive the cash flow from the asset or the Company has transferred all risk and entitlements associated with its ownership.

2.5.1 CALCULATION OF FAIR VALUE

Fair value of market-listed investments is based on the applicable purchase price. If the market for the security is not active, or the security is not listed on a stock market or similar, the Company uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected interest rate and spread curves. Interest rate curves are collected daily, whereas spread curves are collected monthly. As far as possible the estimates are based on externally observable market data and rarely on company-specific information. Of the Company's financial assets, including bank deposits, about 40 per cent are priced on the basis of observable curves, whereas about 60 per cent are priced on the basis of valuation techniques.

The different financial instruments are thus priced in the following way:

a) Shares (listed)
Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares:
Oslo Børs
MSCI
Reuters
Oslo Stock Exchange has first priority, followed by MSCI and finally Reuters.

b) Shares (unlisted)
As far as possible the Company uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:
The last traded price has the highest priority. If the last traded price lies outside the Bid/Ask spread in the market, price is adjusted accordingly. I.e. if the last traded price is below Bid, price is adjusted up to Bid. If it is above Ask, it is adjusted down to Ask. If the price picture is considered outdated the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares. For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

c) Foreign interest-bearing securities
Foreign interest-bearing securities are generally priced on the basis of prices obtained from an index provider. At the same time prices are compared between several different sources to identify any errors. The following sources are used:
JP Morgan
Barclays Capital Indices
Bloomberg
Reuters

JP Morgan and Barclays Capital Indices have the first priority (they cover government and corporate bonds respectively). After that Bloomberg is used ahead of Reuters based on Bloomberg's BVAL price source. BVAL contains verified prices from Bloomberg. The final priority is Reuters.

d) Norwegian interest-bearing securities - government
Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

e) Norwegian interest-bearing securities - other
All Norwegian bonds except government bonds are priced theoretically. A zero coupon curve is used, as well as a spread for pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. In 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years. The reason Bloomberg is not used for the whole curve is that Reuters is generally considered better than Bloomberg for most Scandinavian prices.

The spread curves are received from the NMFA. These are based on spread curves collected from five anonymous market operators that are reprocessed to an average curve. These are sent out about once a week.

f) Bonds measured at amortised cost, including bonds held to maturity
Market prices are obtained for these securities following the same principles as for Norwegian securities described above. The spread curves are provided by SE Banken and Swedbank.

g) Futures/FRA/IRF
All futures contracts are priced by Reuters. Prices are also obtained from Bloomberg to check the Reuters prices are correct.

h) Options
Bloomberg is used as the source for pricing stock market traded options.

i) Interest rate swaps
Interest rate swap pricing is done theoretically. The price is based on swap curves obtained from Reuters.

For financial assets not measured at fair value, an assessment is made on the balance sheet date of whether there are objective indicators of value reduction of the individual financial asset or a group of homogeneous financial assets.

In assessing whether there is objective proof of value reduction emphasis is placed on whether the issuer/debtor has significant financial difficulties, on whether there is a breach of contract, including default, whether it is assessed that there is a probability that the debtor will be bankrupted, whether there is no longer an active market for the asset because of financial difficulties, or whether measurable reduction has been observed in the expected cash flow from a group of financial assets. The assessment is based exclusively on historical data: future events are not considered regardless of the degree of probability.

If there is objective proof of a fall in value, write-down is carried out. If default is observed an assessment is made on whether there is objective proof of value reduction. The write-down is calculated by comparing the new, anticipated cash flow with the original cash flow discounted by the original effective interest rate (fixed interest loans) or by the effective interest rate at the time of measurement (variable interest loans). The write-down is set against provisions and included within the income statement. Any reversal of previous write-down is returned to provisions via profit/loss. The Company has no such write-downs for the years presented in these annual accounts.

2.6 ALLOCATED INVESTMENT RETURN
The return on investments is recorded in the non-technical accounts. In order to show a more correct technical profit/loss, a proportion of the return on investments is transferred from the non-technical accounts to the technical accounts.

In the calculation of allocated investment return a calculation basis is used corresponding to "insurance funds gross" with deduction for the item "other technical provisions". In addition the item "reassurance share of gross liabilities" is included in the calculation. The calculation base is set as an average for the accounting year. In calculating the average, information on the above mentioned balance sheet item related to start and end balances is used together with information from the quarterly balance sheet statements.

The accounting year's average interest on government bonds with three years remaining to maturity is used as technical interest. For practical reasons the average for 2008 and 2007 has been calculated using data for the period mid-December of the previous year to mid-December of the reported year. The average technical interest rate for 2008 has been calculated by the Financial Supervisory Authority of Norway at 4.60 per cent. For 2007 and 2006 it was calculated at 4.78 per cent and 3.70 per cent respectively.

2.7 NETTING
Financial assets and financial liabilities are set off to the extent there is a legal entitlement to set off liability against receivable as well as the maturity date of the asset corresponding with the date the debt is due payment.

2.8 INSURANCE CONTRACTS
The Company defines insurance contracts in line with IFRS 4. An essential condition for a contract being defined as an insurance contract is that it must contain significant insurance risk. The meaning of significant insurance risk is not clearly defined, but the Company assumes that when the outcome of an insured event varies with the order of magnitude of 5-10 per cent of the contribution paid, the contract is considered to be an insurance contract. The products the Company offers satisfy the requirement of significant insurance risk according to this definition.

Adequacy testing has been carried out to check that the level of the liabilities on insurance contracts recognized in the accounts is proportionate to the insurance customers' contractual entitlements. The Company's provisions satisfy the requirements of this test and IFRS 4 imposes no further requirements for reserves. The Company has therefore used applicable Norwegian regulations to account for insurance contracts.

2.9 PRODUCTS
The following non-life insurance products are offered:

Occupational Injury and Safety
Insurance contracts cover the customers' employees for occupational injury within the scope of the Occupational Injury Act and the Basic Collective Agreement for the Civil Service. In addition insurance contracts are drawn to cover employees for accidents during their own time.

Accidents
Insurance contracts to cover customers for accidents in their own time. Insurance contracts are also drawn covering school pupils during school time.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event of damage to or loss of the property.

Motor Vehicle
Insurance contracts covering damage occurring through use of the customers' motor vehicles.

Third-part liability
Insurance contracts that cover damage incurred by third parties as result of customers' activities

Travel
Insurance contracts covering injury and loss arising during travel.

The risk for the Company is reduced through taking reinsurance contracts covering compensation in excess of a set amount per claim in all the types mentioned above.

2.10 INSURANCE PROVISIONS
The company should at all times have technical reserves fully covering the technical liability and other risk emanating from the insurance business. The company's provisions must in any event at all times satisfy the minimum requirements for reserves pursuant to the regulations or from decisions and rules laid down pursuant to the "Regulations concerning technical provisions and risk statistics in non-life insurance" of 10 May 1991, No. 301, and "Supplementary regulations concerning technical provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242 with updates.

Insurance legislation's requirements for technical provisions in non-life insurance are not exclusively linked to existing contracts with customers. Three types of provisions therefore fall outside the debt definition in accordance with IFRS, which has now been implemented in the amended Regulations on Annual Accounts. This applies to the following funds, which have thus been reclassified from technical provisions to owners' equity:

a) Administration reserve
The administration reserve reflects expenses that could arise if a possible future event (run-off of the Company) occurs and that are not linked to the insurance company's insurance risk in relation to existing (or future) customers. The administration reserve is to be seen as a conditional liability and must thus be classified as shareholders' equity.

b) Guarantee scheme
Provisions to the guarantee scheme are meant to cover possible future payments resulting from another non-life insurance company not being able to meet its obligations. The provision equates to 1.5 per cent of the gross premiums accrued over the last three years. Provisions for the guarantee scheme are to be seen as a conditional liability and must thus be classified as shareholders' equity.

c) Natural perils pool fund
Provisions to the natural perils pool fund are meant to cover possible future payments for compensation associated with future natural perils claims. The provisions reflect insurance risk and are made based on existing contracts, but the provision is not removed on termination of the contracts. Application of the fund can thus go to cover future natural perils claims not associated with existing insurance contracts. Provisions associated with terminated contracts cannot be classified as a liability and must therefore be classified as shareholders' equity.

These three funds have been reclassified as restricted shareholders' equity and deferred tax is assessed at 28%. This change has also been recalculated in the comparison figures.

Reinsurance provision was already presented as other shareholders' equity. The reinsurance reserve represents provision to cover the costs accruing if one or more of the Company's reinsurers does not cover its share of the total claims liabilities.
The following funds are thus included in the technical provisions:

Provision for unearned premiums
The premium reserve comprises premiums due but not earned by the end of the accounting year.

Claims reserve
This reserve comprises provision related to claims notified but not settled. It also applies to claims events incurred but not reported by the accounting year end.

Securityreserve
The purpose of the security reserve is to ensure that the company is able to cover liability for claims for own account resulting from extraordinary losses.

Other provisions
Other provisions represent provisions to the Norwegian Occupational Injury Insurance Bureau, the Norwegian Motor Insurance Bureau, and the Pharmaceuticals Insurance Pool.

The provisions to the Norwegian Occupational Injury Insurance Bureau and the Norwegian Motor Insurance Bureau are based on the Company's share of the bureaus' expected future compensation for claims that have occurred before the end of the accounting year and that are covered through these schemes.

The provisions to the Pharmaceuticals Insurance Pool are equal to the company's share of the Pool's accumulated result.

2.11 PENSION OBLIGATIONS OWN EMPLOYEES
The Company's pension obligations are partially insurance-covered through KLP public sector occupational pensions through membership of the joint pension scheme for municipalities and companies ("Fellesordningen"). The Company's membership of KLP's group annuity was terminated 31 December 2006 and pension liability in excess of the joint pension scheme is covered through operation. Pension costs are treated in accordance with IAS 19.

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the current value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions. Net liability is classified as provision for obligations in the balance sheet. If the value of the pension assets exceeds the current value of calculated pension liabilities, net assets are shown as long-term receivables.

The period's net pension costs comprise the sum of the period's pension accumulation, interest costs on the calculated liabilities and expected returns on the pension assets. In addition there are estimate deviations brought to profit/loss. The estimate deviation comprises the difference between estimated and finally calculated pension liabilities and assets. Estimate deviations in excess of 10 % of the higher of gross pension obligations and gross pension assets at the beginning of the year (the corridor) are presented as profit/loss by straight line over the remaining accumulation time.

The Company forms part of the Group which presents Group accounts in accordance with IFRS starting with 2007. Accumulated corridor, taking account of deferred tax, was taken to profit/loss in the item "other profit/loss components" at the time of transition to IFRS (1 January 2007).

The joint pension scheme is a 'Multi-enterprise scheme', i.e. the technical insurance risk is spread between all of the local authorities and enterprises participating in the scheme. The financial and actuarial assumptions underlying the calculation of net pension obligations are thus based on assumptions that are representative of the whole group.

Employer's NI contributions are calculated on net obligations. Employer's

NI contribution is not assessed on gross pension obligations and is therefore not included in the estimate deviations/corridor.

2.12 THE COMPANY'S SHAREHOLDERS'FUNDS

The Company's owners' equity comprises share capital and other owners' equity. The share capital was found by Kommunal Landspensjonskasse, which owns all the shares in the Company. The Company's shares are negotiable equity instruments but the shares are not listed on the stock exchange or other marketplace.

Other shareholders' equity comprises Group contributions received and retained earnings.

Attention is also drawn to the description in subparagraph 2.10 stating that 72 per cent of the administration reserve, provision to the guarantee scheme and provision to the Natural Perils Pool are included in the Company's shareholders' equity as restricted funds. In addition the reinsurance reserve and the administration reserve in excess of the minimum requirement are included in other equity.

Allocations from the Company are governed through ordinary company law provisions.

2.13 PRESENTATION OF INCOME IN THE ACCOUNTS

Income on the sale of goods and services is valued at fair value of the consideration.

a) Premium income
Premium income is taken to income by the amount falling due during the accounting year. Accrual of earned premium is taken into account through provisions against unearned premiums. The share of the period's gross premium income accruing to reinsurers in connection with reinsurance is shown as a deduction from gross premium income.

b) Interest income/cost
Interest income and interest costs associated with all interest-bearing financial instruments valued at amortised cost, are taken to income using the effective interest rate method. For interest-bearing financial investments measured at fair value the interest income is classified as current returns from financial investments whereas the effect of changes in interest is classified as net unrealised gains from financial investments at fair value through profit/loss.

2.14 TAX

The tax expense in the income statement comprises both the period's tax payable and change in deferred tax. Deferred tax is calculated at 28 per cent on the basis of the temporary differences between accounting and taxable values, as well the tax deficit to be carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off. Net deferred tax gains are recorded in the balance sheet to the extent it is likely they may be utilised.

Tax on Group contributions made that are shown directly against equity is recorded against tax payable in the balance sheet.

2.15 CASH AND CASH EQUIVALENTS

Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. Bank deposits associated with the securities business are defined as financial assets. The cash flow analysis has been carried out in accordance with the direct method.

Note 3 Important accounting estimates and valuations

The Company prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations on probable future events considered on the basis of data available at that time of presentation of the accounts.

It must be expected that the estimates will deviate from the final outcome and discussed below are areas where there is significant risk of substantial changes in capitalised value in future periods.

a) Insurance contracts
In calculating technical provisions in the non-life insurance industry individual claim provisions are made for all reported (but not settled??) claims (RBNS). The provisions are continuously adjusted as claims are processed. All open claims should have a special assessment at least once a year. Provision for claims incurred but not yet reported to the Company (IBNR) is made using statistical models. The models take account of the historic reporting pattern in the different risk groups.

In non-life insurance measurements adjustments are also made to the total claim provisions (RBNS+IBNR) so the total level of provision is measured against changes in risk elements such as claim frequency, major claim occurrence, population mix and population size. The claims provisions are assessed at the expectation level, i.e. they contain no safety margins. Claim provision is not discounted, i.e. financial income from the provisional assets up to the date of pay-out is not taken into account. This represents a safety margin in relation to future claim payments.

Non-life insurance contingency reserves should cover extraordinary fluctuations. The minimum requirement corresponds to a level that will cover fluctuations in claims results with 99 per cent probability.

The minimum requirement for provisions in non-life insurance is calculated with models provided in the Regulations concerning technical provisions and risk statistics in non-life insurance laid down by the Financial Supervisory Authority of Norway. The actual provisions exceed the minimum requirements.

b)Property company holdings
The Company has holdings in property companies organised as general partnerships (ANS). The ANS-holdings are valued at fair value with value changes through profit and loss. The ANS-holdings are not traded in an active market and fair value is estimated on the basis of the underlying properties' value. Nor is there an active market for the underlying properties and valuation of these is based on an internal pricing model that assumes a long-term return requirement for the individual property. Valuation is carried out by our sister company KLP Eiendom AS, which has experience in valuing investment properties for the KLP Group. KLP Eiendom is a substantial property operator in the Norwegian market.

To quality-assure the Group's internal valuation model external valuations are carried out each quarter for 2-3 "standard properties" so that the brokers' assessment of the value trend on these is obtained from quarter to quarter. These valuations are carried out ahead of the internal valuation so that the results can be used on the whole property portfolio. External valuation of 10 per cent of the property stock is carried out annually.

The return requirement is calculated based on risk-free interest (10-years government bonds interest adjusted for an interest supplement towards 20-years interest). In addition an administrative supplement and a risk premium are added. The risk premium is individually set for the individual property. The risk premium is assessed in relation to the market's valuations based on formal valuations carried out by external, independent and competent valuation companies.

Small changes in the returns requirement will have relatively large impact on the property values and thus also large impact on the value of KLP Skadeforsikring's holdings in property-ANS.

c) Pension obligations own employees
The present value of the net pension obligations the Company has for its employees depends on a range of economic and demographic assumptions. Small changes in these variables can have a relatively large effect on gross accrued pension obligations and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension obligations by allocating and taking to profit/loss over the remaining duration only estimate deviations in excess of 10 per cent of the higher of gross pension obligations and gross pension assets.

The Company has followed "Guidance for Determining Pension Assumptions" published by the Norwegian Accounting Standards Board (NASB), last amended 6 January 2009. Emphasis is placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension obligations are the discounting interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, adjustments on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The discounting interest rate is set on the basis of government bonds interest and was assessed as at 31 December 2008 at 3.8 per cent and as at 31 December 2007 at 4.7 per cent (25 years weighted duration).

The assumptions on future salary growth, future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 4.0 per cent (salary growth) and 3.75 per cent (G and pensions adjustment). The pension adjustment for the local authority pension scheme should be the same as the G-adjustment.

The assumptions on longevity (mortality) are based on the latest mortality table (K2005).

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

d) Fair value of financial assets
Financial assets classified as assets for which changes in fair value are taken to profit/loss are generally assets traded in a market so the market value can be determined with a great deal of certainty. For listed securities with little turnover an assessment is made whether the observable price can be taken as realistic.

If it is concluded that the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing on the date of the balance sheet. Unlisted interest-bearing securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. The yield curves are obtained daily from external sources but spread curves are obtained monthly. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

e) Losses on financial assets
Financial assets not measured at market value are assessed for loss of value on the balance sheet date.

KLP Skadeforsikring's portfolio of bonds valued at amortised cost, including bonds held to maturity, are valued individually each quarter. The portfolio comprises issuers with high credit rating and, if the issuer's credit rating changes for the worse, write-down is carried out only if additional factors are observed that are considered to be an objective event that influences future cash flows from the investment.

f) Fixed assets and capitalised software
If depreciation is suspected a write-down test is carried out to check whether the book value of fixed assets and capitalised software is present. In this context the recoverable sum is estimated. There are uncertainties associated with estimating cash flows and discounting factors in connection with calculating a recoverable sum.

Note 4 Risk management

Through its activity the Company is exposed to both insurance risk and financial risk. For the Company overall risk management aims to handle financial risk in such a way that at all times the liabilities the insurance contracts place on the business are met.

Overall risk is handled by the Company's Finance Department, which ensures compliance with the Board's risk management guidelines.

4.1 INSURANCE RISK

Insurance risk for the individual insurance contract comprises the probability of an insured event occurring and the uncertainty of the magnitude of the claim payment. The uncertainty at the portfolio level is additionally affected by factors such as changes in law and court decisions. The larger the portfolio, the smaller the relative insurance risk. The total insurance risk will also be less through the portfolio having geographic dispersion and being spread over different insurance products. In addition there is a risk that the claims reserve, i.e. the sum set aside for claims incurred in previous years, will deviate from the final settlements of these claims.

In the table below the profit/loss effect is shown of a 1 per cent change in costs, premium level, claim payments and claims reserve for previous years:

Profit/loss effect	
In NOK million	
1% change in costs	1.4
1% change in premium level	5.6
1% change in claim payments	4.1
1% change in claims reserves for previous years	13.1

Guidelines have been prepared for the types of risks the Company accepts in its portfolio. In the first instance risks are accepted from customers from within the Company's primary target groups provided the scope of the insurance lies within the standard products the Company offers. Premium is differentiated based on the individual customer's risk. In borderline cases special decision procedures are followed before the risk can be taken on.

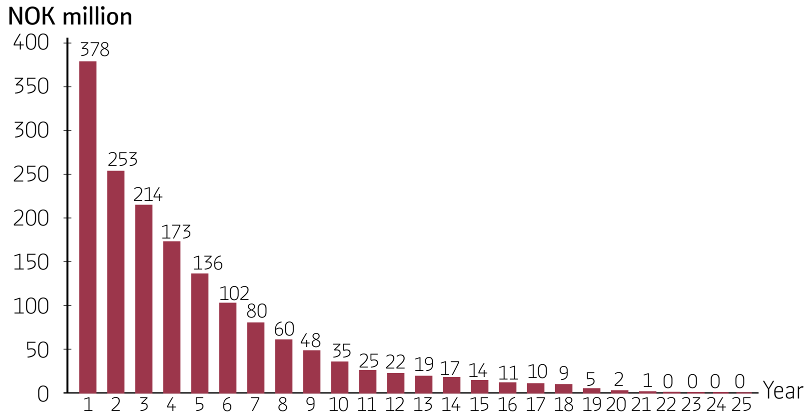
The Company reduces its insurance risk, including concentration risk, through reinsurance cover that limits the Company's retention per claim. To reduce credit risk against reinsurers only reinsurance companies with satisfactory credit ratings are used. In addition each individual reinsurance contract is divided between several independent reinsurers.

4.2 FINANCIAL RISK

The Company's financial risk comprises liquidity risk, market risk and credit risk.

a) Liquidity risk
The Company needs liquidity in relation to payment of claims settlement in connection with insurance business. In addition liquidity is needed to handle the Company's current operating liabilities.

The company's claims reserve as at 31 December 2008 is expected to have the following decay profile:



The risk of the Company not having adequate liquidity to meet its current liabilities is very small since a major part of the Company's assets is liquid.

During the second half of 2008 liquidity in the securities markets became generally poorer and a risk arose of normally liquid securities no longer being traded to the extent indicating an active market. This increased the risk of securities being traded at a lower price than book value. The Company's need to release liquidity by selling securities has been modest in scope during this period and there has been no need to realise securities at a lower price than the Company has estimated as market value at the time of sale.

The Company's liquidity strategy involves the Company always having adequate liquid assets to meet the Company's liabilities as they fall due without accruing significant costs associated with releasing assets. Asset composition in the Company's portfolios should be adequately liquid to be able to cover other liquidity needs that may arise.

KLP Kapitalforvaltning AS manages the Company's liquidity. Internal parameters for the size of the liquidity holding have been established. The Company's Finance Department monitors developments in the liquidity holding continuously. In December 2008 the Company's Board adopted a liquidity strategy for 2009. It contains inter alia parameters, responsibilities, risk targets and contingency plans for liquidity management.

b) Market risk
Market risk is the risk of losses as a result of changes in market prices of shares, bonds and other securities and currency. Market risk depends both on the volatility of market prices and the size of positions. Developments in the Norwegian and international securities markets generally have major significance for the Company's results.

Equity exposure is considered to be the greatest financial risk factor in the short term. In the longer term however the risk of low interest rates is of greater significance. Technical provisions are not directly affected, with the current formulation of the rules, by changes in market interest rates. In the event of possible future transition to the market value of liabilities, the size of the reserves for long tailed business will vary in line with interest rate changes.

The Company has a strategy that involves exchange-rate hedging of the major part of international exposure. Hedging of currency exposure is carried out through derivatives and the financial hedging effect is expressed through ordinary accounting treatment without the use of hedging accounting. As a general rule all of the Company's interest-bearing investments in foreign currency are hedged back to Norwegian kroner (NOK), whilst for equity investments in foreign currency the degree of hedging is between 70 and 100 per cent.

In the Company's management, derivatives are principally used for risk reduction as well as for cost and time effective implementation of value hedging or adjustments in the investment portfolio. In many cases it will be both cheaper and quicker to implement risk changes using derivatives than through trading in underlying instruments. An example could be short-term adjustments of equity exposure in global markets.

The Company's market risk is continuously assessed using acid tests and statistical analysis tools. The Financial Supervisory Authority of Norway is now developing new supervisory tools for insurance with a new acid test for non-life insurance companies that also includes interest rate risks from insurance liabilities and counter party risk. During 2008 the Company carried out calculations in accordance with the Financial Supervisory Authority of Norway's new acid test and in accordance with a quantitative impact study (QIS4) for effects of the new insurance solvency regulations (Solvency II).

Sensitivity analysis market risk
Market risk in an insurance company can be measured in different ways. In its continuous monitoring the Company has used a standardised method that the majority of Norwegian non-life companies use to report market risk. The acid test is based on Norwegian shares falling 30 per cent, foreign shares falling 20 per cent and a simultaneous interest rate increase of 2 per cent for short term interest-bearing investments. Value falls for property are also incorporated. Account is not taken of market risk in foreign exchange since the Company hedges exchange rates on the international portfolios by almost 100 per cent.

The acid test does not allow for covariance between the asset classes shares, interest-bearing investments and properties. In fact, normally bond interest rates will fall and bond prices rise when equity prices fall. This means that the acid test normally over-assesses the potential market risk. In addition a fall of 20 per cent in international shares is a relatively seldom evident, particularly an instant and sudden fall as assumed in the acid test.

2008 has however been characterised by troubled financial markets in which equity prices, bond prices and property values have all experienced sometimes substantial falls in the same period. This supports the need to carry out calculations with assumptions normally considered extreme.

At the end of 2008 equity exposure was over 6 per cent, of which about 13 per cent was exposure to Norwegian shares. Holdings in property companies represented 5.5 per cent.

The table below shows total market risk for KLP Skadeforsikring AS.

NOK million	31.12.08	31.12.07
Market risk KLP Skadeforsikring AS	166	165

c) Credit risk
Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. Changes in debtors' credit assessments are monitored and followed up by KLP Kapitalforvaltning.

Credit risk also exists in relation to reinsurance. This is monitored by the Company's Finance Department.

The Company has good balance between Norwegian bonds and international bonds and has a portfolio of exclusively good credit notes with high credit quality, according to the ratings bureaus' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.5 billion, 40 per cent are rated AAA. The Company has about NOK 254 million in an international credit bond fund. The credit exposure in this fund closely follows the exposure to an index, which is a tailored version of Barclays Capital Aggregate Corporate Index. The portfolio had a small investment in bonds issued by Lehman Brothers. These securities were sold in September 2008.

No write-down has been carried out for credit losses in the Company's bonds portfolio during the periods presented in these annual accounts.

Note 5 Business sectors

From the start of 2008 the business sector is defined as being "Personal" and "Employer".

NOK thousands	2008			2007			2006		
	Personal	Employer	Total	Personal	Employer	Total	Personal	Employer	Total
Premium income for own account	2 356	523 454	525 810	0	521 253	521 253	0	537 088	537 088
Net financial income	24	9 092	9 116	0	98 197	98 197	0	96 468	96 468
Claims for own account	-5 329	-366 004	-371 333	0	-428 232	-428 232	0	-408 637	-408 637
Change in insurance provisions for own account	-5 145	15 749	10 604	0	-31 807	-31 807	0	-45 916	-45 916
Insurance related operating expenses	-17 659	-126 556	-144 215	0	-118 079	-118 079	0	-109 056	-109 056
Other income/expenses	33	4 729	4 762	0	29 381	29 381	0	1 448	1 448
Result before taxes	-25 720	60 464	34 744	0	70 715	70 715	0	71 395	71 395
Loss ratio, net of reinsurance	-	69,9 %	70,6 %	-	82,2 %	82,2 %	-	76,1 %	76,1 %
Expense ratio, net of reinsurance	-	24,0 %	26,7 %	-	23,1 %	23,1 %	-	20,4 %	203,4 %
Combined Ratio, net of reinsurance	-	93,9 %	97,3 %	-	105,3 %	105,3 %	-	96,5 %	96,5 %

* Information is not provided on key figures for the newly started personal segment. The key figures on such a small and young population will not be representative of the actual situation.

Note 6 Premiums, claims and provisions

NOK thousands		BUSINESS (B2B)						PRIVATE LINES (B2C)												
		Occup. injury insurance	Safety insurance	Combined insurance	Motor veh. insurance	Third-party insurance	Total B2B insurance	Accident insurance	Combined insurance	Motor veh. insurance	Leis. boat insurance	Travel insurance	Total private lines	Nature Perils insurance	Instalment fee and written-off premiums	Total 2008	Total 2007	Total 2006	Total 2005	Total 2004
Premiums due																				
Gross premiums		133 263	56 619	207 276	65 860	45 298	508 316	12 683	3 285	6 664	292	1 804	24 728	40 172	567	573 783	554 751	583 091	620 456	615 269
Premiums ceded		-2 791	-1 186	-22 463	-2 529	-4 758	-33 727	-261	-79	-55	-8	-72	475	0	0	-34 202	-43 922	-47 882	-41 925	-48 813
Premiums for own account		130 472	55 433	184 813	63 331	40 540	474 589	12 422	3 206	6 609	284	1 732	24 253	40 172	567	539 581	510 829	535 209	578 531	566 456
Gross business																				
Gross premiums earned		137 051	57 639	203 349	62 322	44 464	504 825	12 708	716	1 395	63	1 338	16 220	38 451	569	560 065	556 571	584 970	592 675	608 853
Gross claims incurred		-102 038	-31 532	-172 545	-50 814	-15 340	-372 269	-5 135	-4 275	-819	-161	-602	10 992	-21 886		-405 147	-416 085	-399 745	-432 045	-432 579
Gross insurance-related operating expenses		-30 534	-12 973	-47 494	-15 090	-10 379	-116 470	-3 207	-4 475	-9 078	-398	-997	18 155	-9 591		-144 215	-118 079	-109 056	-89 844	-74 592
Gross technical profit/loss		4 479	13 134	-16 690	-3 582	18 745	16 086	4 366	-8 034	-8 502	-496	-261	-12 927	6 974	569	10 703	22 407	76 169	70 786	101 682
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.																				
Ceded business																				
Premiums earned		2 483	1 085	22 834	2 453	4 969	33 825	250	59	41	6	73	430	0		34 255	35 318	47 882	41 925	48 813
Reinsurance share of claims incurred		-5 264	-1 816	-21 193	-5 057	-507	-33 837	38	-1	-14	-1	0	-22	-0		33 815	-12 147	-8 892	-42 667	-10 693
Technical profit/loss		-2 781	-731	1 641	-2 604	4 462	-12	288	58	27	5	73	452	0		440	47 465	56 774	-742	38 120
Own account																				
Technical profit/loss		7 260	13 865	-18 331	-979	14 283	16 098	4 078	-8 092	-8 529	-501	-334	-13 378	6 974		10 263	-25 058	19 395	71 528	63 562
Financial income		3 741	1 078	1 071	246	373	6 509	87	14	12	1	4	118	624		7 251	88 110	86 559	93 067	78 839
Profit/Loss		11 000	14 943	-17 260	-733	14 656	22 607	4 164	-8 078	-8 517	-500	-330	-13 260	7 599		17 514	63 052	105 954	164 595	142 401
Financial income is calculated through "financial income achieved" multiplied by average provisions in the relevant sector.																				
Claims incurred gross																				
Claims for the year		132 692	53 730	187 964	48 858	35 206	458 450	7 189	4 275	819	161	602	13 046	21 886		493 382	458 393	424 431	484 899	395 703
Final settlement losses for previous years		-30 654	-22 198	-15 419	1 956	-19 866	-86 181	-2 054	0	0	0	0	-2 054	0		-88 235	-42 308	-24 686	-52 854	36 876
Claims incurred gross		102 038	31 532	172 545	50 814	15 340	372 269	5 135	4 275	819	161	602	10 992	21 886		405 147	416 085	399 745	432 045	432 579
Claims incurred, for own account																				
Claims for the year		129 873	53 684	162 786	48 858	33 363	428 564	7 189	4 274	805	160	600	13 028	21 886		463 478	453 276	417 386	446 556	395 589
Final settlement losses for previous years		-33 099	-23 968	-11 434	-3 101	-18 530	-90 132	-2 016	0	0	0	2	-2 014	0		-92 146	-25 044	-8 749	-57 178	26 297
Claims incurred, for own account		96 774	29 716	151 352	45 757	14 833	338 432	5 173	4 274	805	160	602	11 014	21 886		371 332	428 232	408 637	389 378	421 886
Technical provisions																				
Premium reserve, unearned gross	01.01.08	17 476	6 192	27 694	6 302	6 533	64 197	1 082	0	0	0	157	1 239	4 874		70 310				
FSA of N min requirements gross		*17 476*	*6 192*	*27 694*	*6 302*	*6 533*	*64 197*	*1 082*	*0*	*0*	*0*	*157*	*1 239*	*4 874*		*70 310*				
Premium reserves, reinsurance share		-428	-177	-5 987	-557	-1 401	-8 549	-35	0	0	0	-19	-54	0		-8 604				
Premium reserve, unearned f.o.a.		17 049	6 015	21 707	5 745	5 133	55 647	1 047	0	0	0	138	1 185	4 874		61 706				
FSA of N min requirements f.o.a.		*17 049*	*6 015*	*21 707*	*5 745*	*5 133*	*55 647*	*1 047*	*0*	*0*	*0*	*138*	*1 185*	*4 874*		*61 706*				
Premium reserve, unearned gross	31.12.08	13 688	5 172	31 620	9 839	7 367	67 686	1 057	2 569	5 269	229	623	9 747	6 595		84 028				
FSA of N min requirements gross		*13 688*	*5 172*	*31 620*	*9 839*	*7 367*	*67 686*	*1 057*	*2 569*	*5 269*	*229*	*623*	*9 747*	*6 595*		*84 028*				
Premium reserves, reinsurance share		-735	-278	-5 615	-632	-1 190	-8 450	-47	-20	-14	-2	-18	-101	0		-8 551				
Premium reserve, unearned f.o.a.		12 953	4 894	26 005	9 207	6 177	59 236	1 010	2 549	5 255	227	605	9 646	6 595		75 477				
FSA of N min requirements f.o.a.		*12 953*	*4 894*	*26 005*	*9 207*	*6 177*	*59 236*	*1 010*	*2 549*	*5 255*	*227*	*605*	*9 646*	*6 595*		*75 477*				
Claims reserve, gross	01.01.08	1 001 645	235 290	186 518	44 165	92 860	1 560 478	16 260	0	0	0	218	16 478			1 576 956				
FSA of N min requirements gross		*783 145*	*115 790*	*128 638*	*43 035*	*44 587*	*1 115 196*	*16 260*	*0*	*0*	*0*	*218*	*16 478*			*1 131 674*				
Claims reserve, reinsurance share		-13 724	-84	-14 560	-4 658	-8 844	-41 870	-18	0	0	0	-3	-21			-41 891				
Claims reserve, f.o.a.		987 921	235 207	171 958	39 507	84 016	1 518 607	16 242	0	0	0	216	16 458			1 535 065				
FSA of N min requirements f.o.a.		*761 921*	*115 707*	*117 788*	*39 507*	*40 912*	*1 075 834*	*16 242*	*0*	*0*	*0*	*216*	*16 458*			*1 092 292*				
Claims reserve, gross	31.12.08	956 276	326 134	236 902	54 419	90 906	1 664 637	19 110	4 150	566	63	356	24 245			1 688 882				
FSA of N min requirements gross		*671 276*	*212 134*	*160 019*	*50 380*	*57 811*	*1 151 620*	*19 110*	*200*	*316*	*12*	*326*	*19 964*			*1 171 584*				
Claims reserve, reinsurance share		-19 460	-236	-36 126	-7 853	-7 466	-71 141	-1	-1	-14	0	-4	-20			-71 161				
Claims reserve, f.o.a.		936 816	325 898	200 776	46 566	83 440	1 593 496	19 109	4 149	552	63	352	24 225			1 617 721				
FSA of N min requirements f.o.a.		*651 816*	*211 898*	*123 914*	*46 566*	*53 440*	*1 087 634*	*19 109*	*199*	*302*	*11*	*322*	*19 943*			*1 107 577*				
Contingency reserve	01.01.08	181 256	43 163	115 213	22 621	23 992	386 245	8 848	0	0	0	673	9 521			395 766				
FSA of N min requirements		*101 256*	*18 163*	*50 213*	*12 621*	*13 993*	*196 246*	*8 848*	*0*	*0*	*0*	*673*	*9 521*			*205 767*				
Administration reserve		55 311	12 969	12 194	2 894	5 157	88 525	1 307	0	0	0	51	1 358			89 883				
FSA of N min requirements		*44 011*	*6 994*	*9 485*	*2 894*	*3 002*	*66 386*	*1 307*	*0*	*0*	*0*	*51*	*1 358*			*67 745*				
Security reserve	31.12.08	160 188	49 591	114 347	23 001	25 450	372 577	5 930	2 328	1 530	405	482	10 675			383 252				
FSA of N min requirements		*80 188*	*24 591*	*49 347*	*13 001*	*15 450*	*182 577*	*5 930*	*2 328*	*1 530*	*405*	*482*	*10 675*			*193 252*				
Administration reserve		37 248	12 069	9 963	3 439	3 753	66 472	1 302	254	354	32	70	2 013	330		68 815				
FSA of N min requirements		*37 248*	*12 069*	*9 963*	*3 439*	*3 753*	*66 472*	*1 302*	*254*	*354*	*32*	*70*	*2 013*	*330*		*68 815*				
Provisions for pooling schemes and other special schemes																				
The Natural Perils Pool	01.01.08						0						0	186 331		186 331				
The Guarantee Scheme		7 044	2 904	9 622	2 545	1 682	23 797	494	0	0	0	32	526	0		24 323				
The N. Indust. Injury Ins. Assoc. (YFF)		5 736					5 736						0			5 736				
N. Motor Insurers' Bureau (TFF)					207		207						0			207				
Natural Perils Pool	31.12.08						0						0	202 896		202 896				
Guarantee Scheme		6 662	2 784	9 346	2 592	1 808	23 192	543	11	21	1	43	620	1 689		25 501				
N. Indust. Injury Ins. Assoc. (YFF)		5 326					5 326						0			5 326				
N. Motor Insurers' Bureau (TFF)					91		91			0			0			91				

Pharmaceutical Insurance Pool 1 Jan 2008	3 333
Pharmaceutical Insurance Pool 31 Dec 2008	1 649

Note 7 Financial risk

Interest rate risk

31 Dec 08		Interest rate sensitivity			
NOK thousands	Less than 1 year	1-5 years	5-10 years	Over 10 years	Total
Bonds and other fixed returns securities	-13 427	-6 565	-9 082	0	-29 075
Investments in credit institutions	-10	0	0	0	-10
Total	-13 438	-6 565	-9 082	0	-29 085

31 Dec 07		Interest rate sensitivity			
NOK thousands	Less than 1 year	1-5 years	5-10 years	Over 10 years	Total
Bonds and other fixed-return securities	-14 300	-6 746	-6 292	0	-27 339
Investments in credit institutions	-3	0	0	0	-3
Total	-14 304	-6 746	-6 292	0	-27 342

Interest rate sensitivity expresses change in market value on interest-bearing investments – expressed here at 1% rate increase.

Duration for interest-bearing investments short-term assets 31 Dec 08: 3.14
Duration for interest-bearing investments short-term assets 31 Dec 07: 2.26

Interest rate risks are managed using modified duration where the risk target is set on the basis of parallel change in the interest curve.
Additionally the interest rate risk is managed by diversification between countries and duration.

Exchange rate risk

NOK thousands	Currency code	Net position 31 Dec 08	Net position 31 Dec 07
Euro	EUR	2 562	95
Total exchange rate risk 31 Dec 08		2 562	95

The foreign exchange rate risk at year-end is representative of the accounting period.
The Company's interest-bearing investments in foreign currencies are almost 100% financially hedged.

Credit risk

NOK thousands	2008		2007	
Rating				
AAA	850 951	35.5 %	703 230	31.4 %
AA	341 707	14.3 %	314 919	14.0 %
A	466 198	19.5 %	363 683	16.2 %
BBB	182 393	7.6 %	195 620	8.7 %
Unrated/NIG securities issued by:				
Norwegian financial institutions	392 491	16.4 %	617 047	27.5 %
Local government authorities	48 167	2.0 %	35 653	1.6 %
Other	112 843	4.7 %	11 277	0.5 %
Total	2 394 750	100.0 %	2 241 430	100.0 %

The table shows exposure against the rating categories Standard and Poor's uses for issuers of the Company's holdings of interest-bearing securities.
In calculating exposure against rating classes the lower credit rating of Moody's and Standard&Poor's is used.
Where securities are not rated, but the issuer is rated, the rating of the issuer is used.

Note 8 Shares and unit trust holdings

NOK thousands	2008	2007
Unit trusts		
KLP AksjeGlobal Indeks II	118 475	180 812
KLP AksjeNorden	22 778	35 747
KLP AksjeNorge	20 476	41 106
KLP alternative investments	20 471	60 082
KLP alternative investments - relative value	19 000	0
Total Unit trusts	201 200	317 747
Property holdings		
Holdings in Byporten ANS	67 368	0
Holdings in i Frydenlund Eiendom ANS	73 519	0
Total Property holdings	140 887	0
Interest-bearing funds		
KLP Obligasjon Global 1	253 610	248 636
KLP alternative investments-Fixed income	18 794	0
Total Interest-bearing funds	272 404	248 636

Note 9 Income for different classes of financial instruments

NOK thousands	Current return on financial investments	Net realised gain on financial investments	Net unrealised gain on financial investments at fair value through profit/loss	Total net gain from financial assets
2008				
Net income financial instruments held to maturity				
Listed bonds	17 085	0	0	0
Unlisted bonds	5 027	0	0	0
Debt instruments at fair value through profit and loss (fair value option)				
Bonds	28 313	-581	18 503	17 923
Certificates	17 861	-773	2 527	1 754
Interest-bearing funds	-686		-4 542	-4 542
Equity instruments at fair value through profit and loss (fair value option)				
Shares and unit trusts	0	-488	-116 458	-116 946
Financial derivatives				
Foreign exchange forwards, interest rate swaps, futures, options		1 402	498	1 899
Loans and receivables linked to investment business at amortised cost				
Bonds	42 883			0
Lending				
Other loans and receivables incl. receivables from policyholders				
Premium receivables	20 639			0
Other receivables	8 494			0
Cash and bank deposits	7 122	240	0	240
Total	146 738	-201	-99 471	-99 672
2007				
Net income financial instruments held to maturity				
Listed bonds	9 919			0
Unlisted bonds	3 121	0		0
Debt instruments at fair value through profit and loss (fair value option)				
Bonds	28 197	-12 312	4 485	-7 827
Certificates	17 468	326	-16	310
Interest-bearing funds	25 565		-21 318	
Equity instruments at fair value through profit and loss (fair value option)				
Shares and unit trusts	0	639	3 931	4 570
Financial derivatives				
Foreign exchange forwards, interest rate swaps, futures, options	0	-6 840	-683	-7 523
Loans and receivables linked to investment business at amortised cost				
Bonds	33 517			0
Lending				0
Other loans and receivables incl. receivables from policyholders				
Premium receivables	10 193			0
Other receivables	18 149			0
Cash and bank deposits	4 641	-1 674	62	-1 612
Total	150 770	-19 862	-13 538	-12 082

Note 10 Fair value of financial assets and liabilities

Financial assets

NOK thousands	2008		2007	
	Capitalised value	Fair value	Capitalised value	Fair value
Debt instruments held-to-maturity - at amortised cost				
Norwegian HTM bonds	564 525	583 866	233 005	228 313
Earned not due interest	10 938	10 938	5 486	5 486
Foreign HTM bonds	196 245	200 801	91 208	89 864
Earned not due interest	3 528	3 528	860	860
Total debt instruments held-to-maturity	775 236	799 133	330 559	324 523
Debt instruments at fair value through profit/loss				
Norwegian bonds	479 656	479 656	522 837	522 837
Earned not due interest	11 930	11 930	11 993	11 993
Norwegian certificates	140 548	140 548	364 924	364 924
Earned not due interest	4 587	4 587	7 436	7 436
Investments with credit institutions	50 658	50 658	41 418	41 418
Total debt instruments at fair value through profit/loss	687 378	687 378	948 608	948 608
Equity capital instruments, property holdings and interest-bearing funds at fair value through profit/loss				
Property holdings	140 887	140 887	0	0
Norwegian equity funds	201 200	201 200	317 747	317 747
Holdings bond/money market funds	272 404	272 404	248 636	248 636
Total equity capital instruments at fair value through profit/loss	614 491	614 491	566 383	566 383
Loans and receivables linked to investment business at amortised cost				
Norwegian lien notes	485 696	490 824	621 470	607 130
Earned not due interest	6 955	6 955	3 581	3 581
Foreign lien notes	215 192	216 837	157 752	151 448
Earned not due interest	948	948	1 772	1 772
Total loans and receivables linked to investment business	708 791	715 565	784 575	763 931
Other loans and receivables including receivables from policyholders - at amortised cost				
Receivables related to direct business	24 884	24 884	16 599	16 599
Receivables related to reinsurance agreements	3 933	3 933	11 227	11 227
Reinsurers' share of unearned gross premium	8 550	8 550	8 604	8 604
Reinsurers' share of gross claims reserve	71 161	71 161	41 891	41 891
Other receivables	315	315	515	515
Total other loans and receivables incl. receivables from policyholders	108 844	108 844	78 837	78 837

Note 11 Shareholders' funds

NOK thousands	2008	2007	2006
Share capital			
Number of shares 1 Jan	47 500	47 500	47 500
Number of shares 31 Dec	47 500	47 500	47 500
Total shares in capital expansion paid-up not registered	21 250	0	0
Share capital as at 1 Jan	152 000	152 000	152 000
Share capital as at 31 Dec	152 000	152 000	152 000
Capital expansion paid-up not registered	68 000	0	0
Profit/loss after tax per share in NOK	-143	1 078	1 172

The Company has one share class divided into 68,750 shares at NOK 3200.00. There are no clauses in the Articles of Association regarding any limitations in voting rights.

KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP) and is consolidated into the KLP Group accounts. The address of KLP's registered office is Karl Johansgt. 41B, Oslo. The Group accounts may be obtained from there on request. They are also available on www.klp.no.

Technical provisions classified as shareholders' equity

Provision has been made for deferred tax for technical provisions classified as shareholders' equity. The provision for reinsurance reserve, administration reserve, the guarantee scheme and the natural perils pool fund in shareholders' equity provides tax deductions but is not an accounting expense.
The difference between accounting and tax amortisation creates temporary profit/loss differences and a basis for deferred tax. In accordance with IAS 12, nominal measures should be used when calculating deferred tax. The gross amount of provision is therefore split with 72 per cent under owners' equity and 28 per cent under deferred tax.

NOK thousands	2008	2007	2006
Provision before tax			
Administration reserve	68 815	67 744	64 604
Natural perils pool fund provision	202 896	186 332	175 265
Guarantee scheme provision	25 500	24 324	24 689
Funds etc	297 212	278 399	264 558
Reinsurance reserve in other owners' equity	3 032	2 052	3 593
Administration reserve in excess of minimum requirement	22 139	22 139	32 729
Provision - deferred tax			
Administration reserve	19 268	18 968	18 089
Natural perils pool fund provision	56 811	52 173	49 074
Guarantee scheme provision	7 140	6 811	6 913
Funds etc	83 220	77 951	74 076
Reinsurance reserve in other owners' equity	849	574	1 006
Administration reserve in excess of minimum requirement	6 199	6 199	9 164
Net provisions			
Administration reserve	49 547	48 776	46 515
Natural perils pool fund provision	146 085	134 159	126 191
Guarantee scheme provision	18 360	17 513	17 776
Funds etc	213 993	200 447	190 482
Reinsurance reserve in other shareholders' equity	2 183	1 477	2 587
Administration reserve in excess of minimum requirement	15 940	15 940	23 565

Note 12 Capital adequacy, solvency margin requirement and solvency margin capital

NOK thousands	2008	2007	2006
Core capital	381 091	301 046	308 241
Less intangible assets	-32 720	-30 505	0
Minimum requirement reinsurance reserve	-2 183	-1 477	-2 587
Net equity and subordinated capital	346 186	269 064 [1]	305 655 [1]
Assets and off-balance sheet items by risk category			
Risk weighted 0 %	661 394	571 310	842 215
Risk weighted 10%	168 316	143 605	224 005
Risk weighted 20%	1 304 599	1 297 451	1 182 981
Risk weighted 35%	0	0	0
Risk weighted 50%	345 435	248 636	0
Risk weighted 100%	429 243	471 664	283 637
Off-balance sheet items (foreign exchange related contracts)	0	0	309 060
Weighted sum balance sheet assets	879 712	869 833	542 634
Weighted sum off-balance sheet items	0	0	895
Risk-weighted calculation basis	879 712	869 833	543 529
Capital adequacy	**39.35%**	**30.93%** [1]	**56.24%** [1]
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	526%	467% [1]	530% [1]
Solvency margin requirement	128 222	128 222	122 428
Solvency capital	673 873	598 241	649 364
- of which equity and subordinated capital	346 186	269 064 [1]	305 655 [1]
- of which contingency reserve exceeding 55 % of the min. req.	276 963	282 594	256 076
- of which share of Natural Perils Pool Fund	50 724	46 583	87 633

Capital adequacy requirement

The authorities' minimum requirement for capital adequacy is set at 8 per cent for insurance companies and other financial institutions, including non-life insurance companies.

[1] Comparison figures for 2007 and 2006 have been converted as a result of the change in principle that certain insurance funds have been reclassified as owners' equity.

Originally reported key figures for the two comparison years were as follows:	2007	2006
Capital adequacy	27%	53%
Solvency margin	460%	529%

Note 13 Intangible assets

NOK thousands	2008	2007	2006
Book value 1 Jan	30 505	0	0
Acquisition cost 1 Jan	30 505	0	0
Additions during the year	4 915	30 505	0
Disposals		0	0
Acquisition cost 31 Dec	35 420	30 505	0
Acc. depreciation previous years	0	0	0
Ordinary depreciation for the year, linear	-2 701	0	0
Annual depreciation	0	0	0
Book value 31 Dec	32 719	30 505	0

Depreciation period 3 to 12 years

Note 14 Salary and obligations for leading employees/governing bodies

2008

NOK thousands	Bd Dirs' fee	Ordinary salary	Other benefits	Annual pension cost	Loan from the Group	Interest rate as at 31.12.08	Payments plan [4]	Total remuneration
Senior staff								
Hans Martin Hovden, Managing Director [1]		1 275	122	423	490	4.70	A2026	1 820
Board of Directors								
Iver Lund, Chair until 2 Apr 2008 [2] [3]					1 019	4.70	S2021	0
Sverre Thornes, Chair from 2 Apr 2008 [2] [3]					7 113	4.25-5.70	A2038	0
Elisabeth Enger, Dep Chair until 2 Apr 2008	8							8
Reidar Mæland, Board Member from 2 Apr 2008	64				1 607	6.90-7.30	A2034	64
Kjell Arvid Svendsen	72							72
Linda Brodin, employee representative	72							72
Mari Thjømøe, Board Member until 12 Nov 2008 [3]					3 920	4.70-6.70	S2027	0
Ida Espolin Johnsson, Board member from 12 Nov 2008 [3]					6 380	4.70-6.70	A2039	0
Reidun W. Ravem [3]					1 008	4.95	A2017	0
Total	216	1 275	122	423	21 538			2 036

2007

NOK thousands	Bd Dirs' fee	Ordinary salary	Other benefits	Annual pension cost	Loan from the Group	Interest rate as at 31.12.07	Payments plan [4]	Total remuneration
Senior staff								
Hans Martin Hovden, Managing Director [1]		1 137	114	388	509	3.95	A2026	1 639
Board of Directors								
Bjørn Kristoffersen, Chair until 28 Feb 07								0
Iver Lund, Chair from 1 Mar 07 [2] [3]					1 212	3.95-5.65	S2021	0
Elisabeth Enger, Dep Chair	52							52
Kjell Arvid Svendsen	52							52
Linda Brodin, employee representative	52							52
Mari Thjømøe [3]					4 235	3.95-5.65	S2027	0
Reidun W. Ravem [3]					1 117	4.20	A2017	0
Total	156	1 137	114	388	7 073			1 795

[1] The Managing Director has no deferred salary agreement or bonus agreement.
[2] The Company has no obligations to the Board Chair on termination or change of appointment
[3] Internal Board Members (except for employee representatives) do not receive Board of Directors' fees
[4] A=Annuity loan, S=Serial loan, last repayment.

Note 15 Audit fees

NOK thousands	2008	2007	2006
Auditor's fee	295	317	291
Other certification services	0	0	0
Tax consultancy	0	0	0
Other services excluding audit	21	0	0

The sums above include VAT.

Note 16 Number of employees

	2008	2007	2006
Number of employees as at 31 Dec 08	91	88	77
Average number of employees	90	83	75

Note 17 Sales costs

NOK thousands	2008	2007	2006
Employers' salaries	19 087	12 701	12 146
Other personnel costs	6 302	4 124	3 694
Agent commission	2 493	2 346	2 316
Other costs	10 558	5 856	6 452
Total	38 440	25 027	24 609

Note 18 Operating expenses

NOK thousands	2008	2007	2006
By class:			
Staff costs	57 377	49 657	49 395
Depreciation	2 701	0	0
Other operating expenses	84 137	68 422	59 661
Total operating expenses	144 215	118 079	109 056

Note 19 Pensions

The scheme covered about 88 people in 2008. The Company also offers pension schemes in addition to "Fellesordningen". This obligation is covered through operation. Fellesordningen is a benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepension', or OTP).
The company has a contract pension (AFP) scheme.

The accounting treatment of pension liabilities is described in more detail in Note 1.

NOK thousands	2008 "Fellesordningen"	2008 Through operation	2008 Total	2007 Total	2006 Total
Pension costs					
Accumulation for the year	7 297	160	7 457	6 513	5 444
Interest cost	2 163	54	2 217	1 723	1 416
Gross pension cost	9 460	214	9 674	8 236	6 860
Expected return	-1 445	0	-1 445	-1 053	-877
Estimate deviation brought to profit/loss	0	-21	-21	234	1 467
Administration costs/Interest guarantee	244	0	244	200	180
Net cost of pension including administrative cost	8 258	193	8 452	7 617	7 631
Employer's NIC* net cost of pension incl admin cost	1 164	27	1 192	1 074	1 076
Net cost of pension incl employer's NIC & admin cost	9 423	221	9 643	8 690	8 707
Of which employer's NIC on est. devn. taken to p/l	0	-3	-3	33	207
Pension obligations					
Gross accrued obligations	49 375	3 522	52 897	39 987	33 826
Pension assets	26 733	0	26 733	22 418	18 736
Net pension obligations before Employer's Tax	22 642	3 522	26 164	17 570	15 090
Social security costs	3 193	497	3 689	2 477	2 128
Net obligations incl. employer's NIC	25 835	4 018	29 853	20 047	17 218
Estimate devn. not taken to p/l excl employer's NIC	-1 029	-1 981	-3 010	2 483	-10 812
Estimate devn. not taken to p/l employer's NIC	-145	-279	-424	350	-1 524
Net oblign./assets incl employer's NIC taken to p/l	24 660	1 758	26 419	22 880	4 882
Of which employer's NIC taken to profit/loss	3 047	217	3 265	2 827	603
Financial assumptions (common to KLP FP and Collective Annuity)					
Discount rate			3.80%	4.70%	4.35%
Salary growth			4.00%	4.50%	4.50%
G adjustment/P adjustment			3.75%	4.25%	4.25%
Expected return			5.80%	5.85%	5.40%
Rate of employer's NIC			14.10%	14.10%	14.10%
Amortisation time			15	15	15

Actuarial assumptions: KLP's joint pension scheme for municipalities and companies ("Fellesordningen"): The calculations are based on mortality and disability assumptions for the members of the pension scheme as well as frequencies of take-up of the contractural early retirement scheme/AFP.

The following has been assumed: Take-up of AFP for 2008 and 2009 (per cent in relation to remaining employees):
On reaching 62 years there are 45% who retire with an AFP pension. The remainder retire on reaching pensionable age.

Voluntary termination for Fellesordning during 2008 and 2009 (in %)

Age (this year)	< 20	20-23	24-29	30-39	40-50	51-55	>55
Turnover	20 %	15 %	10 %	7,5 %	5 %	2 %	0 %

Longevity: A variant of K2005 has been used for mortality assumptions.

Pensions through operation: Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2005 has been used as for Fellesordningen.

* NIC = National Insurance Contribution

Note 20 Taxes

NOK thousands	2008	2007	2006
Profit/loss before taxes	34 746	70 715	71 395
Permanent differences linked to:			
Realised gain/loss on equity funds	488	-639	-10 160
Unrealised losses equity funds	118 892	-2 547	-12 871
Other permanent differences	5 050	583	1 193
Reclassification reinsurance reserve to owners' equity			6 680
Corrected error from earlier years		1 541	
Tax base for the year	159 176	69 654	56 236
Cost of taxes for the year 28%	44 569	19 503	15 746
Change in temporary differences related to:			
Reserves funds	-18 812	-18 187	-9 111
Securities	-16 488	16 085	15 079
Pension obligations	3 587	5 617	3 446
Other differences	-983		
Utilised carry forward deficit and allowance deduction			-18 366
Reclassification reinsurance reserve to owners' equity			-6 680
Corrected error from earlier years		-1 541	
Base for tax payable in the profit and loss account	126 480	71 628	40 604
Group contribution paid with tax effect	-126 480	-71 628	-40 604
Taxable income (base for tax payable in the balance sheet)	0	0	0
Allocation of tax expense:			
Tax payable on profit/loss for the year	35 415	20 056	11 369
Change deferred tax against shareholders' equity re min req reinsurance	275	-574	
Corrected error from earlier years		431	
Effect on earlier years of change in principle reserve funds	5 267	5 092	4 422
Change in deferred tax	3 613	-9 685	-45
Tax expense on profits for the year	44 569	15 321	15 746
Change deferred tax against shareholders' equity re pension corridor		4 183	
Tax payable in the balance sheet:			
Tax payable on profit/loss for the year	35 415	20 056	11 369
Refunded tax on Group contribution	-35 415	-20 056	-11 369
Total tax payable	0	0	0

Calculation of deferred tax / deferred tax asset:	2008	2007	2006
Securities	14 988	31 476	15 392
Pension obligations	26 419	22 832	3 818
Zeroing of pension corridor (effect taken in IB 07)			14 938
Minimum requirement reinsurance	-3 032	-2 052	-3 592
Change basis deferred tax funds	-297 213	-278 399	-264 558
Administration reserve in excess of minimum requirement	-22 139	-22 139	-32 729
Carry forward deficit and allowance deduction			
Basis for deferred tax / deferred tax assets in the balance sheet	-280 976	-248 281	-266 732
Deferred tax (-) / deferred tax asset (+), tax rate 28 %	-78 675	-69 519	-74 685

Note 21 Transactions with related parties

NOK thousands	2008	2007	2006
KLP Kapitalforvaltning AS, management fee	2 142	2 200	2 500
KLP Eiendom AS, rent	5 471	5 000	5 000
KLP, pension premium	5 715	5 200	3 800
KLP, staff services (at cost)	28 630	21 000	21 800
KLP, interest-subsidised employee loans	938	415	0
TOTAL	42 896	33 815	33 100

Transactions with related parties are carried out on general market terms and conditions, with the exception of the Company's share of common functions (staff services), which are allocated at cost. Allocation is based on actual use.
All outsanding accounts between the parties are settled as they arise.

Note 22 Key figures

In NOK thousands	2008	2007	2006	2005	2004
Change in gross premiums due	3.4%	-4.9%	-6.0%	0.8%	5.4%
Premiums net of reinsurance	94.0%	92.1%	91.8%	93.2%	92.1%
Gross loss ratio	72.3%	74.8%	68.3%	72.9%	71.0%
Loss ratio, net of reinsurance	70.6%	82.2%	76.1%	70.7%	75.3%
Expense ratio, net of reinsurance	26.7%	23.1%	20.3%	15.5%	13.2%
Combined Ratio, net of reinsurance	97.3%	105.3%	96.4%	86.2%	88.5%
Combined Ratio, net of reinsurance, previous year	79.8%	110.1%	98.0%	96.6%	82.6%
Return on investments	0.4%	4.0%	4.1%	4.6%	4.6%
Return on adjusted equity	5.3%	11.4%	14.3%	27.5%	23.6%
The FSA of Norway's capital adequacy ratio	39.4%	30.9%	56.2%	55.2%	58.9%
Gross premiums due	573 783	554 751	583 091	620 456	615 269
Premium due, net of reinsurance	539 581	510 830	535 209	578 531	566 456
Gross premiums earned	560 065	556 571	584 970	592 675	608 853
Premium earned, net of reinsurance	525 810	521 253	537 088	550 750	560 040
Gross claims incurred	405 147	416 085	399 745	432 045	432 579
Claims incurred, net of reinsurance	371 332	428 232	408 637	389 378	421 887
of which claims incurred from previous years	*92 147*	*-25 043*	*-8 749*	*-57 178*	*33 004*
Insurance-related operating expenses	144 215	118 079	109 056	89 844	74 592
Other insurance-related income	1 401	1 089	1 448	937	865
Net financial income	9 116	98 494	96 468	103 721	87 675
Operating profit / loss	20 780	74 525	117 311	176 186	152 101
Change in contingency reserves etc.	10 604	-31 806	-45 916	-61 606	-65 632
Recorded profit/loss before tax	34 746	70 715	71 395	114 580	86 469
Change in contingency reserve	12 514	28 374	43 879	59 096	63 998
Profit/loss on adjusted equity	47 260	99 089	115 274	173 676	150 467
Shareholders' funds	595 083	501 494	498 723	484 447	368 086
of which:					
-Administration pool	49 547	48 776	46 515	44 414	39 955
-Natural perils pool fund reserve	146 085	134 158	126 191	117 750	112 164
-Guarantee scheme provision	18 360	17 513	17 776	17 559	16 524
Security reserve	383 252	395 766	367 392	323 513	264 417
Premium reserve, net of reinsurance	75 478	61 706	72 130	74 009	46 227
Claims reserves, net of reinsurance	1 617 721	1 535 065	1 378 458	1 272 141	1 131 458
Other technical provisions, net of reinsurance	7 066	9 276	8 123	8 367	7 111
Shares	201 200	317 747	176 405	136 289	73 681
Bonds including hold-to-maturity	2 391 892	1 906 530	1 934 231	1 563 062	1 416 915
Certificates	142 146	366 523	311 183	424 198	357 623
Bank deposits	14 248	23 705	7 545	20 552	19 548
Investment in finance institutions	50 658	39 325	30 161	91 063	34 637
Total assets	2 941 708	2 763 171	2 579 001	2 388 619	2 049 279

Premiums net of reinsurance	Premiums due, net of reinsurance / Premiums due gross
Gross claims ratio	Gross claims costs / Gross premium income
Claims ratio, net of reinsurance	Claims costs, net of reinsurance / Premium earned, net of reinsurance
Costs ratio, net of reinsurance	Insurance-related operating costs / Premiums due, net of reinsurance
Combined Ratio, net of reinsurance	Claims ratio, net of reinsurance + Costs ratio, net of reinsurance
Combined Ratio, net of reins. previous years	Claims ratio, n.o.r.. adjust'd f.claims cost fr prev yr + cost ratio, n.o.r.
Net financial income	Income from financial assets - loss on realisation of financial assets
Adjusted shareholders' equity	Owners' equity + contingency reserve
Return on adjusted shareholders' equity	Profit/loss on adjusted owners' equity/ Opening owners' equity + contingency reserve

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To the General Meeting of KLP Skadeforsikring AS

Audit report for 2008

We have audited the annual accounts for KLP Skadeforsikring AS for the 2008 accounting year, which showed a deficit of NOK 9,823,000. We have also audited the information in the annual report on the annual accounts, the going concern assumption and the proposed provision for the deficit. The annual accounts comprise the income statement, the balance sheet, the cash flow analysis and information notes. The provisions of the Norwegian Accounting Act and good accounting practice generally accepted in Norway have been applied in preparation of the accounts. The annual accounts and the annual report were presented by the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts and on other matters in accordance with the requirements of the Norwegian Act on Auditing and Auditors.

We have carried out our audit in accordance with statutes, regulations and good accounting practice generally accepted in Norway including standards on auditing adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain satisfactory assurance that the financial statements do not contain material misstatement. Audit includes examining selected elements of the material supporting the information in the annual accounts, assessing the accounting principles used and significant accounting estimates, as well as assessing the content and presentation of the annual accounts. To the extent required by good auditing practice, audit also comprises a review of the management of the Company's financial affairs and its accounting and internal audit systems. We consider that our audit provides an appropriate basis for our opinion.

In our opinion

- the annual accounts have been prepared in accordance with the law and regulations and give a true and fair picture of the financial position of the Company as at 31 December 2008 and of its results and cash flows during the accounting year in accordance with accounting practices generally accepted in Norway
- the management has fulfilled its duty to produce a proper and clearly set out record and documentation of accounting information in accordance with Norwegian law and good bookkeeping practice in Norway
- the information in the directors' report concerning the annual accounts, the going concern assumption, and the proposal for the provision for the deficit are consistent with the annual accounts and comply with the law and regulations.

Oslo, 20 February 2009

PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant

KLP Skadeforsikring AS

ACTUARY'S STATEMENT

The technical provisions as at 31 December 2008 satisfy the applicable provisions requirement. The actuary considers the level of provision to be satisfactory in relation to the purpose of the provisions and the assigned risk.

Oslo, 20 February 2009

Espen F. Olsen
Chief Actuary

To the General Meeting of
KLP Skadeforsikring AS

The KLP Skadeforsikring AS Supervisory Board has examined the annual accounts produced by the Board of Directors comprising the income statement, balance sheet, cash flow analysis and notes to the accounts, the annual report, as well as the actuary's statement, the auditor's report and the Control Committee's statement.

The Supervisory Board recommends that the Company's annual report, accounts and allocation of profit/loss for 2008 be approved in accordance with the recommendation of the Board of Directors.

It is recommended that profit/loss for the year of NOK - 9,823,366 be allocated as:

Change in natural perils pool fund provision	11,926,542
Change in administration provision	771,048
Change in guarantee scheme	847,787
Change in minimum required reinsurance reserves	909,972
Group contribution made	91,065,914
Transferred from Other Equity	-115,142,629
Total transfers and allocations	-9,823,366

Oslo, 1 April 2009

Ingunn Foss
Chair of the Supervisory Board

To the Supervisory Board and General Meeting of
KLP Skadeforsikring AS

THE CONTROL COMMITTEE'S COMMENTS ON THE ACCOUNTS FOR 2008

In accordance with § 9 of its instructions the Control Committee has reviewed the annual report and the report of the Board of Directors, the income statement and balance sheet as well as the auditors' report for KLP Skadeforsikring AS.

The Control Committee recommends the KLP Skadeforsikring AS Supervisory Board and the General Meeting adopt the annual accounts and the report of the Board of Directors and in accordance with the resolution of the

Board of Directors resolve to allocate profit/loss for the year of NOK - 9,823,366 as follows:

Change in natural perils pool fund provision	*11,926,542*
Change in administration provision	*771,048*
Change in guarantee scheme	*847,787*
Change in minimum required reinsurance reserves	*909,972*
Group contribution made	*91,065,914*
Transferred from Other Equity	*-115,142,629*
Total transfers and allocations	*-9,823,366*

Oslo, 26 February 2009

Ole Hetland

Tor Berge

Aud Mork

Anne-Marie Barane

Jan Rune Fagermoen

KLP BELIEVES

The owners must wake up

Many of the claims and accidents in local authority buildings could have been avoided. "It is often a matter of a failure to think risk, particularly by the owners and users," says Geir Grønsholt, Senior consultant at KLP Skadeforsikring AS.

He believes it should be an everyday task for a school head or local authority chief executive to carry out systematic safety work in their part of the business – in the same way as other management tasks.

"The aim of KLP's commitment is to create increased awareness of what causes claims in local authority buildings. Let me give an example: it costs nothing to remove wedges holding fire doors open at a school. But one must be aware of what the consequences of a fire may be," says Grønsholt.

KLP Skadeforsikring has led the steering group for systematic safety administration in local authority buildings. KLP has also financed the development of computer tools that can facilitate this work out in the local authorities.

"The administrators of local authority buildings say they have a communication problem with the owners and the users. This computer tool makes communication simpler. One has only to glance at the report to see what measures are a priority and who is responsible," says Grønsholt. Together with the Norwegian Fire Protection Association and the Directorate for Civil Protection and Emergency Planning (DSB), KLP has also developed guides and holds free courses in systematic safety administration.

"The courses are very well subscribed. Of course it is not ill will that underlies the lack of risk awareness. It is simply a lack of knowledge."

Local authority adrenaline sport

Every year accidents happen in local authority buildings, accidents that involve both personal injury and property damage. The key problem is that local authority politicians are not sufficiently conscious of the risk or the responsibility they have.

Therefore KLP Skadeforsikring AS, the Norwegian Fire Protection Association and the Directorate for Civil Protection and Emergency Planning have together developed a computer tool that, in an easily understood and visual way, should create increased risk awareness amongst responsible politicians. Colour codes show the level of risk of different events and indicate whether or not measures should be put in place immediately.

"The administrators of local authority buildings are very aware of their responsibility and their role in regard to safety. But local politicians, as the owners of the buildings, are more distant from this risk-thinking. Nor do they always feel like owners. This computer tool makes it simple to put our points to the politicians responsible. It is incredibly useful,» says Tor Espnes, Chief Executive of Tønsberg Municipal Property KF. Tønsberg Municipality has been the pilot municipality during the development of the computer tool, and for example used the computer tool to gain an overview of the safety status in municipal housing. «This is a simple, visual tool that ought to be a part of an administrative, operating and maintenance system in all local authorities. There is no doubt that we have been able to increased focus on risk, and that Tønsberg's municipal buildings are safer now,» says Espnes. He says it is often quite simple measures that are needed to reduce the risk of undesirable incidents significantly.

"It can be anything from locking or moving containers by a school building to replacing smoke alarms in municipal housing. Basically it is about making safety work systematic. KLP has therefore prepared guidance for systematic safety administration in local authority buildings. The computer tool supplements the guides, so the local authorities can start systematic mapping and risk analysis. Downloading and use of the tool is entirely free for local authorities.

«The aim must be that all those responsible gain a clear understanding that accidents can happen. We think about the risk when we drive a vehicle and we adapt accordingly. We ought to take the same thought process to work with us,» says Espnes.

CAN YOUR LOCAL AUTHORITY ANSWER THIS?

Which buildings do we own and how are they used?
What risk picture do these buildings have?
How are new construction and improvement of existing buildings planned? Are prevention and maintenance well enough provided for?
Does the authority have good enough rescue and emergency plans?

KLP OFFERS:

Free courses in systematic safety administration, including guides and a free, downloadable computer tool. Local authority chief executives, property administrators and other appropriate individuals are encouraged to participate. This is not a technical course, but a course about how safety work can make a positive contribution to the individual local authority.

THE FACTS:

The annual outgoings in administration, operation and maintenance of municipal and county buildings are estimated to be NOK 20 billion. The total maintenance backlog is estimated at between NOK 100 billion and NOK 150 billion. Just one per cent of this sum would probably have been enough to prevent decay and resultant damage.

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