KLP Skadeforsikring AS

annual report 2011

CONTENT

Customer dialogue Winning photograph by Kari Jakobsen

In 2011 KLP invited entries in a photographic competition in which KLP staff were to visualise the themes «Customer dialogue» and «For the days to come». The Chair of the jury was photographer Olav Storm.

For the days to come Winning photograph by Anne Westad

Growth in KLP Skadeforsikring AS

Competition is still strong in the public sector market and once again during 2011 we have seen a great deal of tendering activity. KLP has experienced a satisfying increase in acceptances and is strengthening its position in the local government market. The company has a stable customer base and is experiencing a positive inflow within selected corporate segments.

Total premiums increased by a good 10 per cent to NOK 644 million during 2011. The personal market, which is an area of investment for KLP Skadeforsikring AS, has provided a good contribution to the positive development in premiums. The trend in this market is for the larger companies to lose market share.

Claims year 2011

In 2011 local government administrations were spared the major school fires that marked the claims statistics in 2010. On the other hand, weak financial returns and a lot of less serious claims, both property and motor, weakened the Company's results. The bomb attack in Oslo on 22 July caused the year's largest property claim since the incident exposed three of our insured buildings.

2011 also had many frost and water claims as a result of a winter with an extraordinarily intense and long period of cold weather. This also had a negative impact on traffic accident claims.

KLP also felt the effect of hurricanes Berit and Dagmar towards the end of the year, as did the industry as a whole. The claims following these hurricanes produced a total claims payment of about NOK 45 million for KLP's share.

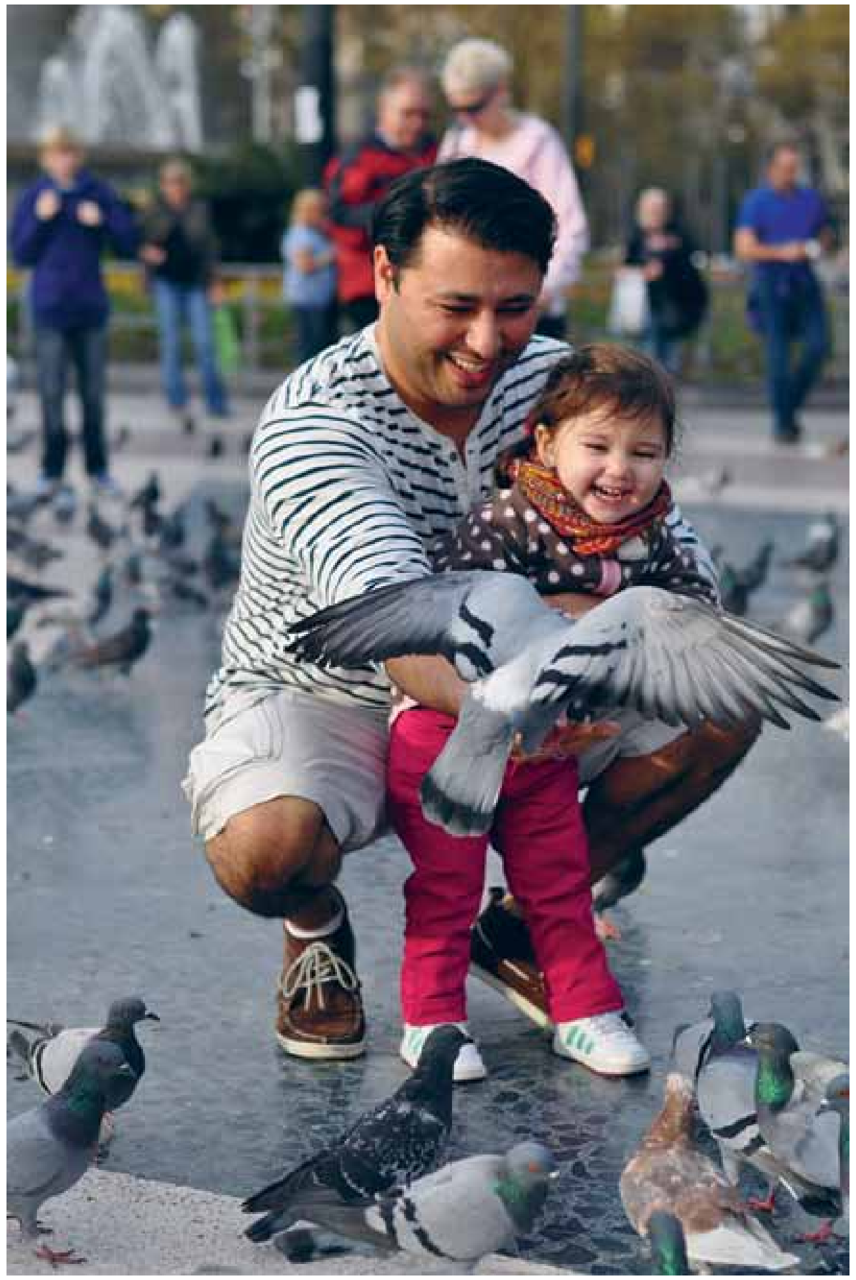
HES works

KLP Skadeforsikring AS is a major player in occupational injury insurance and for two decades we have been able to monitor the statistical development of the claims costs in this field. At KLP we are now seeing a clear fall in these figures. The reduction is confirmed by general industry figures.

This is a positive trend that must be seen in connection with the good work carried out in the local government sector to prevent and reduce the scope of occupational injuries. It is particularly within typically risk-exposed work that the HES effort has been strengthened and the reduction has appeared. Waste disposal, the water and sewage sector and nursing and care have been important investment areas.

As a company we contribute resources and competency over a broad spectrum of HES projects. This work benefits all concerned. We are improving our results and can offer our customers a lower insurance cost, whilst employers are spared the inconvenience and costs associated with absence. This is social responsibility in practice.

Hans Martin Hovden
Managing Director



For the days to come Photographed by Razvana Ali

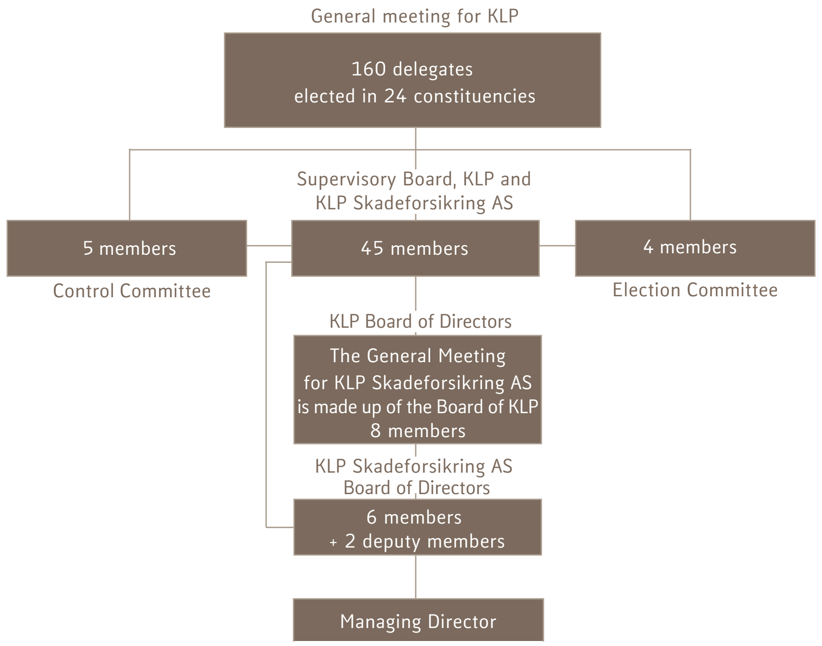
Corporate governance

KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). KLP Skadeforsikring AS offers non-life insurance services to the local government sector. The Company also offers insurance solutions in the personal market with special advantages for members of KLP.

Since the start in 1993 the Company has built up a substantial insurance portfolio and is a significant operator within these segments vis-a-vis 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 governing bodies of the non-life company



General Meeting

The Board of Directors of Kommunal Landspensjonskasse comprises the general meeting of KLP Skadeforsikring AS.

The General Meeting is the Company's highest authority and approves the annual financial statements, the annual Directors' report and allocation of profit or provision for loss, as well as other matters that by law or in accordance with the Articles of Association are subject to its authority.

The Supervisory Board

The Supervisory Board elects KLP Skadeforsikring AS's Board of Directors. The Company's Supervisory Board is identical to that of the parent company.

The Supervisory Board is to supervise the Board of Directors' and the Managing Director's administration of the Company, provide a statement to the General Meeting on the Board of Directors' proposed financial statements and allocation of profits or provision for loss.

Board of Directors

The Board is to supervise the Company's executive management and the Company's business generally. The Board of Directors of KLP Skadeforsikring AS has six members and two deputy members. Three members, as well as a deputy member, are elected from the employees of the holding company. In addition one member of the Board of Directors with a deputy are elected by the employees of the non-life company. Two Board members are elected from individuals not employed by or holding elected office in the Company or in another financial institution. The KLP Group Chief Executive Officer is normally nominated Chair of the Board of Directors.

Control Committee

The Company's Control Committee comprises the same individuals as 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 for being appointed a judge (the Courts of Justice Act Section 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 organs

All insurance companies are subject to control by the Financial Supervisory Authority of Norway which checks that the company is run in a satisfactory manner and in accordance with the legislation and regulations as well circulars distributed by the Financial Supervisory Authority itself.

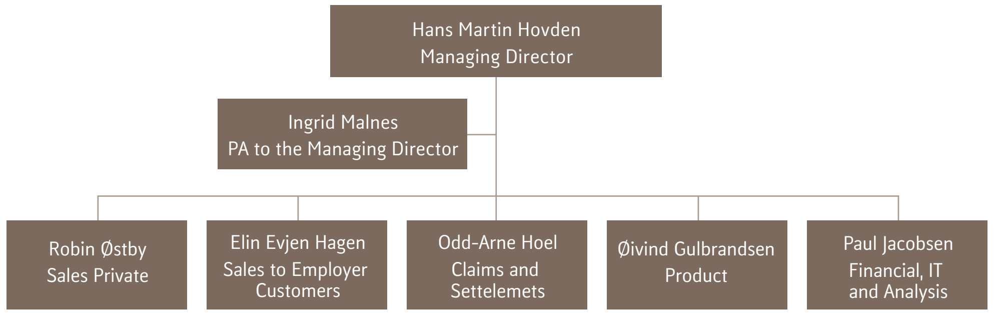
The Company has the same external auditors as the holding company. Currently PricewaterhouseCoopers AS audits the company's accounts and procedures.

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 as well as providing an annual confirmation of the company's internal controls process. The Group Financial Controller also has certain control functions in regard to the Company.

KLP uses the «balanced scorecard» as an important part of its strategic management.

Organisation of the non-life company

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



The senior management of KLP Skadeforsikring AS.
Paul Jacobsen, Odd-Arne Hoel, Hans Martin Hovden, Robin Østby,
Elin Evjen Hagen, Øivind Gulbrandsen and Espen F. Olsen (Chief Actuary)

For the days to come Photographed by Anne-Therese Sande

Annual report 2011

- In 2011 the Company achieved a pre-tax income of NOK 25.2 million.
- Net new subscription during the year of NOK 90.3 million, of which NOK 47.5 million within the public and corporate sectors and NOK 42.8 million in the retail customer market.
- Winter 2011 has brought a range of water and freezing claims.
- The bomb attack in Oslo on 22 July became the year's largest claim and represents a charge on the accounts of about NOK 13 million.
- The financial result for the year is characterised by falling equity markets and is weaker than expected.

Income and allocation

Income before tax for 2011 was NOK 25.2 million (69.5).

	2011	2010
Gross premiums written (MNOK)	650,3	630,8
Income after tax (MNOK)	-3,7	72,4
Owners' equity (MNOK)	719,0	753,4
Total assets (MNOK)	3.440,0	3.501,8
Financial return (%)	4,5	7,2
Capital adequacy (%)	31,8	32,0
Claims ratio (%)	91,6	97,4
Costs ratio (%)	26,5	26,1

Key figures from the financial statements

The total claims ratio for own account for all sectors was 91.6 per cent (97.4) and combined ratio was 118.1 per cent (123.5).

Sales in the public sector during 2011 showed good development and provide a solid contribution to the Company's income. The retail market records increasing business volume according to plan, but the results weigh on the accounts during the build-up phase.

Key figures from the financial statements

(In NOK million)	2011	2010
Accrued premium for own account	598,8	538,5
Other income	2,6	2,1
Financial income	138,9	217,3
Claims incurred, net of reinsurance	-548,4	-524,4
Contingency reserves etc.	-7,9	-23,5
Operating expenses	-158,9	-140,4
Operating income before tax	**25,2**	**69,5**
Tax	-28,8	2,9
Income after tax	**-3,7**	**72,4**
Provisions to funds included in owners' equity	34,4	-21,8
Net Group contribution made	-30,7	0
Income after tax and allocations to funds reclassified as owners' equity	**0**	**50,6**

Several of the provisions of the Norwegian Insurance Activity Act (NIAA) were amended during 2011. In particular there are two factors that entails changes in the financial statements for KLP Skadeforsikring AS.

The provisions on claim reserves have been changed so that this now also embraces expected future indirect claims handling costs for claims incurred not settled. On the other hand technical provisions no longer include requirements for administration reserves.

Financial statements and key figures for 2010 have been restated to provide comparable figures. This means that retained earnings have been reduced by about NOK 87 million.

The Board of Directors of KLP Skadeforsikring AS considers the income statement, the statement of financial position and the statement of cash flows as well as the notes provide comprehensive information on operations during the year and the financial position at the end of the year. The Board confirms that the financial statements have been prepared in accordance with the going concern assumption under the Accounting Act. The Board considers the Company's owners' equity and buffers satisfactory.

Allocation of income for the year

(In NOK million)	2011
Income for the year	-3,7
is allocated as follows:	
- from natural perils pool fund	35,7
- to the guarantee scheme	-1,3
- transferred as Group contribution	-30,7
Total allocation and transfer	**3,7**

Solvency and owners' equity

The Company's owners' equity after allocation of the surplus is NOK 719 million. In addition to the share capital of NOK 220 million, the Company has unrestricted owners' equity amounting to NOK 261 million. The Company has set aside NOK 464 million in security provision with a minimum requirement of NOK 224 million.

As a result of the insurance portfolio having developed towards a more balanced structure between short and long-tail business the Company is experiencing a flattening out in balance sheet growth. Thus total investments increased during the year by NOK 54 million to NOK 3091 million. Similarly, net claim reserves increased by only NOK 25 million to NOK 1746 million.

The Company's liquidity situation has been satisfactory throughout the fiscal year. About half of the premium payments occur during the first quarter. The cash flow from operational activities during 2011 was negative. In an insurance company the cash flow will vary from year to year depending on the pace of payments on claims incurred. During 2010 a few large claims proved a burden on income. To a great extent, these reached payment during 2011.

At the end of the year the Company had capital adequacy of 31.8 per cent compared to the 8.0 per cent required by the regulations. KLP Skadeforsikring AS also satisfies the requirements for solvency capital by a good margin.

Risk matters

Insurance business is built on the ability and willingness to accept risk. Good analyses of underlying risk are fundamental to a balanced risk portfolio. Professional analysis of portfolios - and the interplay between them - is therefore key to the Company's risk management. The analyses help to monitor and control the Company's risk, but the nature of the business dictates that there will be uncertainty associated with estimates on which the Company's reserves are built and with future development.

The risk strategy is based on comprehensive modelling which takes account of insurance risk, financial risk and the interaction between them. The Company has defined its risk-bearing capability through this work.

Regular reports, analyses and assessments supplement the Company's overall risk management.

Insurance risk

In calculating the Company's risk premiums, large claim risk and reinsurance costs are taken into account. The reinsurance programme limits the Company's excess per claim event. If there are many major claims the Company's excess is reduced.

Since the Company now has a stable high volume of business and good solvency, it is highly capable of bearing risk for own account. The Company's reinsurance programme is optimised on the basis of the Company's financial position and risk factors in the insurance portfolio. Premiums ceded to reinsurance represent 7 per cent of gross premiums written. The Company has a large proportion of business with lengthy run-off, a factor which, together with a large proportion of business exposed to large claims, contributes to KLP Skadeforsikring AS having a higher insurance risk than the market generally. The Company's growing business within the retail customer segment will help to stabilise the Company's total risk result.

Financial risk

KLP Skadeforsikring AS has a large proportion of its business in sectors with personal injury claims where it takes many years before the compensation is finally set and paid. Therefore substantial technical reserves are built up. The financial revenues thus represent a major proportion of the Company's value creation.

At the end of the year KLP Skadeforsikring AS was managing NOK 3091 million (3037). The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group. In addition the Company owns holdings in centrally located property general partnerships.

The Company's finance division continuously monitors the investment activities and the Board receives regular reports of status and analyses of the investment portfolio's fluctuation risk. The Board also regularly receives an independent status report in regard to current investment parameters.

Foreign exchange forwards and interest rate derivatives are used only for hedging purposes.

The Company continuously monitors its risk exposure in the investment portfolio. The risk parameters are related directly to the Company's buffer capital. These parameters are reviewed at least monthly but are monitored more closely in periods of major financial unrest. At no measurement point has the Company's risk exposure exceeded the limits set.

The interaction between insurance and financial risk

The interaction between insurance risk and financial risk is analysed thoroughly. In this work the company uses simulation tools, among other things, to find the optimal financial allocation.

As a part of this optimisation the Company has built up a substantial portfolio of hold-to-maturity bonds where the maturity structure is matched to the pay-out profile for the claims reserves.

A large proportion of the Company's future claims payments is linked to inflation and the development of the National Insurance basic sum, «G». To reduce the consequence of any increased inflation and high G-growth the Company has built up property investments and a portfolio of bonds on which the return is linked directly to the consumer price index.

Counterparty risk

The largest single non-government exposure in the investment portfolio amounts to NOK 134 million (134), corresponding to 4.3 % (4.4) of total investment assets.

The Company has one investment in an institution in the PIIGS countries, nominally NOK 33.2 million. The investment is guaranteed by the Spanish state and is not considered to be doubtful.

In its choice of reinsurers the Company endeavours to spread ceded liability over a wide selection of reinsurers. No reinsurer has a credit rating below A-.

Liquidity risk

KLP Skadeforsikring AS is to have adequate liquidity to cover short-term debt. This is achieved through a large part of the Company's assets being liquid.

Furthermore, in its insurance agreements, the Company has reserved the right to ask for advance payments when the Company itself has to pay out large claim settlements linked to individual claims.

The liquidity risk for the Company is therefore primarily associated with the costs of releasing assets to meet maturity liabilities.

Operational risk

The company focuses on those risks that lie at the administrative level. The purpose of this is to ensure consistent and correct handling, a stable operating environment and good customer service procedures. The Company is ISO 9001 quality accredited through Veritas. As part of the accreditation scheme the Company's procedures and quality assurance of these are audited both by the company itself and by Veritas on an annual basis.

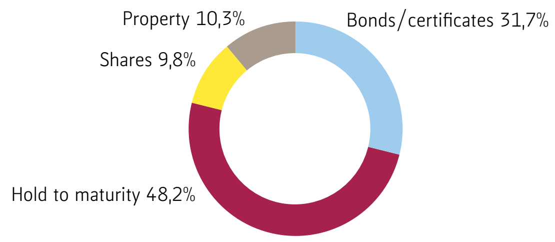
The Company's operations are conducted largely by means of electronic tools. Great attention is therefore paid to securing against, and if necessary dealing with, interruption of operations in connection with the IT systems.

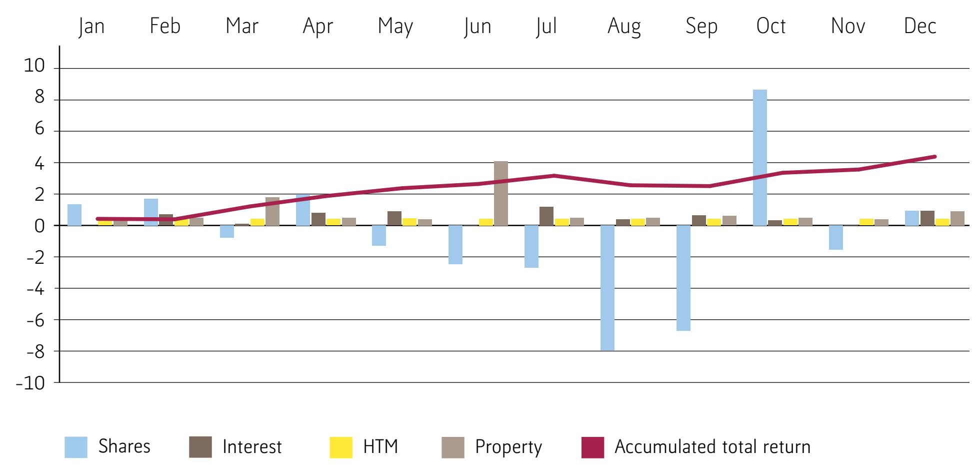
Emphasis is placed on good internal audit procedures to ensure the Company at all times meets the requirements and expectations the outside world has of the Company as an operator in the Norwegian financial services market. Importance is attached to appearing as a safe business partner and to the representatives of the Company satisfying strict ethical requirements. The Company has joined the industry's approval scheme for vendors and advisers. Both theory and practical tests have been approved by Finance Norway (FNO). All vendors and customer relations representatives with the Company have carried out and passed the test.

Total risk

The Company continuously measures its total risk exposure and relates this to the Company's buffer capital. There are defined concrete limits to how large this risk can be. At no point has the Company's risk exposure been measured to exceed the limits set.

ASSET COMPOSITION AS AT 31.12.2011





Return on capital

The return on financial assets was weaker than expected during 2011 and substantially weaker than in 2010. As a result of the volatile financial services markets the Company's equities portfolios developed negatively and produced a return of -9.4 per cent in 2011.

Total return on assets managed was 4.5 per cent (7.2). Interest-bearing investments in current assets and hold-to-maturity produced 5.9 and 5.2 per cent returns respectively. The Company's property investments had a return of 11.6 per cent, largely as a result of positive value development.

Operating expenses

Measured against premiums accrued for own account, the costs ratio was 26.5 (26.1) per cent. The Company's planned development of insurance solutions means that again this year substantial development costs have been charged to the accounts. In total during 2011 NOK 32.9 million has been taken to expenses in regard to maintenance and depreciation of the Company's IT solutions.

The ground is being laid, through IT development and other efficiency measures, for increased premium growth without corresponding growth in costs. The Board and the management are focusing on this relative pace of growth to ensure lower cost ratios in the years to come.

Solvency II
The Company is in a preparatory process for meeting new requirements in regard to Solvency II. Analyses show that the Company's solvency remains good even after the quantitative solvency requirements to be introduced during 2013.

Solvency II also places qualitative requirements on the way the Company is managed and controlled. The Company's current procedures form a good basis for meeting these requirements when they are introduced in 2013.

The Company's database and reporting procedures further create a good basis for meeting Solvency II requirements regarding transparency and publication of information.

Ethics in the investment process
For many years the KLP Group has been a leading player in ethical and socially responsible investment activity. These guidelines also form the basis for KLP Skadeforsikring AS's investment strategy. The UN conventions and norms for ethical evaluation criteria are fundamental to investment decisions. As a result of this, companies that can be linked to systematic or gross breach of generally accepted environmental and human rights principles will be excluded from the investment portfolio.

Corporate governance
The Company's Articles of Association and applicable legislation provide the framework for corporate governance and a clear division of roles between the governing bodies and executive management. The KLP Group's corporate governance is in accordance with the Norwegian recommendations for good corporate governance as far as this is appropriate in regard to the mutual corporate form. KLP Skadeforsikring AS follows the same rules.

The customers
KLP Skadeforsikring AS offers non-life insurance solutions for the public sector, enterprises related to this sector and their employees.

The customer satisfaction survey for the year was aimed at the retail customer market and shows that the customers are very satisfied. A combined index produced a result of 74.6. The personal service was what the customers liked best of all. Here the score was almost at 79.0.

A recent customer survey carried out by EPSI shows that customer satisfaction in the insurance industry has gone up and is at its highest level since scores started being set in 2005. It is pleasing that the main conclusions in the corporate market show that KLP Skadeforsikring AS is achieving the best customer satisfaction and generally has high scores in all the measurement parameters.

Loss prevention initiatives
During 2011, KLP Skadeforsikring AS has carried out more than 140 activities in which 1800 individuals have participated in one or more activities. The work has a positive effect on the Company's claim results, its customers' finances, through claim reduction, and the working environment. From the point of view of the Company, major emphasis is also placed on the social responsibility perspective.

The Company has participated in several countrywide projects such as:

- Safe school routes
- Safer working environment in the water and sewage sector
- Improvement in safety in rented municipal housing
- Systematic safety administration in local administration buildings

Competency and information from the projects are disseminated throughout the country through newsletters to customers, in direct dialogue with customers/collaborative partners and through presentations at conferences.

The Company's systematic efforts on this type of activity are considered to produce results, manifested through fewer customer claim events.

The initiative on visits by schools for guidance and information concerning fire safety and fire prevention activities was continued during 2011, although on a somewhat smaller scale than in 2010. Much awareness about this is to be found in the local administrations and that by using simple measures the fire risk can be reduced further.

Environment
The public sector wants suppliers who take the environment seriously. Since 2008 KLP Skadeforsikring AS has been accredited as a Miljøfyrtårnbedrift® (Eco-Beacon Company). Accreditation was confirmed in 2011.

A strong environmental focus is in line with the Company's values and social responsibility. The Company endeavours to implement measures to improve the environment in those areas the Company can influence. The Group's new head office is based on the objective to minimise the use of paper. There are collection systems and return schemes associated with the Company's use of office materials. Returned office material and consumables are reconstituted and recycled to the extent possible.

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

In its procurement policy the Company has adopted a range of criteria, several of which are concerned with the supplier's attitude to the environment, social responsibility and ethics.

Organisation
There were 98 members of staff in permanent positions who were associated with the non-life company's business at the end of 2011. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

Staff turnover in 2011 was 5.2 per cent (5 individuals). During that period 10 new employees were appointed. Total sickness absence was 6.0 (4.4) per cent, divided between 2.2 per cent who were absent on a short-term basis, and 3.8 per cent who were absent long term. In total this represents 1316 days of absence. Long-term absence rose by 1.3 percentage points compared to 2010. The increase was caused by a few non-job-related absences. Short-term absence during the period was also rising slightly.

In efforts to reduce sickness absence, emphasis is placed on active monitoring and adapting the workplace for staff who have had lengthy sickness absence. If possible gradual reintroduction to work is attempted.

Quarterly cooperation committee meetings are held between management and elected employee representatives in the Company. Health and safety is also discussed at these meetings.

During 2011 no work-related injuries or accidents were reported among the staff.

A good workplace
Employee satisfaction surveys are conducted annually in order to obtain feedback from employees on the working environment. The survey for the year confirms that the environment is perceived positively. Nevertheless concrete measures have been prepared both to maintain the current level, and in certain areas to improve it. High satisfaction is an essential prerequisite to attracting, developing and retaining highly qualified employees. Changed external requirements demand adjustment of employees' job descriptions and competencies in line with what the Company should be delivering at all times to our customers. Staff and pay policy must therefore be balanced between cost-effectiveness, adjustment to the market and flexibility.

Diversity

KLP Skadeforsikring AS is committed to creating equal opportunities for personal and professional development in regard to recruitment, pay, training and promotion. The Group has developed guidelines for equal opportunities and diversity at KLP in which targets, tools and activities take account of the discriminatory factors legislation describes.

At the end of the year, 2 of 6 Board members were women. Amongst the staff the gender distribution is about half of each, with a slight preponderance of women. In senior management there is one female executive and there are four female heads of department out of a total of 15 senior managers.

Salary differences are analysed to ensure that salary differences are not established in connection with gender. No such salary differences have been discovered during 2011.

Future prospects

The Chief Executive Officer has notified the Board that he wishes to step down in order to be able to concentrate on more specialised tasks. The position has been advertised and the appointment of a new CEO is expected to be made during the first quarter of 2012.

The Board assumes that fierce competition will continue in the market.

As a result of changed customer behaviour many of the largest operators will invest heavily in digital channels with the aim of strengthening customer loyalty. The Company is conscious of this challenge and has based its prioritisation of technological development on it.

It is essential to maintain focus on improvements so that the Company develops to meet tomorrow's challenges, both for new and existing customers. There is tough competition for customers, indicating that again in 2012 many tender competitions will be conducted in the public sector.

Oslo, 17 February 2012

Sverre Thornes
Chair of the Board of Directors

Lene Bjerkan

Reidar Mæland

Reidun W. Ravem

Hans Martin Hovden
Managing Director

Kjell Arvid Svendsen

Bengt Kr. Hansen
Staff-elected representative

The Board of Directors of KLP Skadeforsikring AS. Bengt K. Hansen, Lene Bjerkan, Reidar Mæland, Sverre Thornes, Kjell Arvid Svendsen and Reidun W. Ravem.

For the days to come Photographed by Christin Oldebråten

KLP Skadeforsikring AS Income statement

Notes	NOK thousands	2011	2010
	TECHNICAL ACCOUNT		
4	Gross premiums written	650 287	630 845
4	Reinsurance premiums ceded	-43 560	-50 458
	Change in provision for unearned gross premium	-6 384	-45 530
	Change in reinsurance share of unearned gross premiun	-1 512	3 672
	Premium income for own account	598 831	538 529
	Allocated return on investments transferred from non-technical account	53 947	56 651
	Other insurance-related income	2 629	2 110
	Gross claims paid	-585 796	-530 355
	Reinsurance share of gross claims paid	61 916	37 889
	Changes in gross claims provision	79 402	-229 796
	Change in reinsurance share of gross claims provisions	-103 878	197 817
4	Claims incurred, net of reinsurance	-548 356	-524 445
19	Sales costs	-39 864	-36 203
	Insurance-related administration costs	-119 030	-104 213
20	Insurance-related operating expenses	-158 893	-140 416
	Technical profit/loss before contingency reserve provisions	-51 844	-67 570
	Change in contingency reserve etc.	-7 902	-23 548
	Technical result	-59 746	-91 118
	NON-TECHNICAL ACCOUNT		
	Income from interest and dividends etc on financial assets	139 427	109 896
	Value changes on investments	-2 246	102 080
	Gains and losses realised on investments	5 243	8 466
	Administration costs related to investments, including interest costs	-3 546	-3 144
6	Net income from investments	138 877	217 299
	Allocated return on investments transferred to technical account	-53 947	-56 651
	Non-technical profit/loss	84 931	160 648
	Income before tax	25 185	69 530
22	Cost of taxes	-28 848	2 915
	Income before other profit/loss components	-3 663	72 445
	Other profit/loss components	0	0
	COMPREHENSIVE INCOME	-3 663	72 445
	Of which:		
	Change in natural perils pool fund provision	*35 667*	*-21 332*
	Change in guarantee scheme	*-1 264*	*-464*
	Net Group contribution made	*-30 740*	*0*
	Annual profit/loss allocations to(-) / from(+) other owners' equity	*0*	*-50 649*
	Total	3 663	-72 445

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	2011	2010
	ASSETS		
	Capitalised IT systems	19 206	23 747
15	**Intangible assets**	**19 206**	**23 747**
9	Investments held to maturity	853 858	853 620
9	Lending and receivables	634 845	662 130
7	**Financial assets valued at amortised cost**	**1 488 703**	**1 515 750**
	Shares and units equity funds	303 856	334 742
	Property company holdings	319 312	316 458
8,12	**Shares and holdings**	**623 168**	**651 200**
9	Bonds and other fixed-return securities	594 136	471 234
9,12	Holdings fixed income funds	325 342	265 805
	Other financial assets	59 577	133 381
7,9	**Financial assets valued at fair value**	**1 602 222**	**1 521 620**
	Total investments	**3 090 926**	**3 037 370**
	Reinsurance share of unearned gross premium	11 103	12 615
	Reinsurance share of gross claims reserve	217 555	321 433
4	**Reinsurance share of gross insurance liabilities**	**228 657**	**334 048**
	Receivables from policyholders	57 984	38 657
	Receivables related to reinsurance agreements	21 828	7 369
	Other receivables	211	884
	Receivables	**80 022**	**46 910**
	Bank deposits	20 882	47 913
	Deferred tax assets	0	11 860
	Other assets	**20 882**	**59 773**
	Prepaid expenses	333	0
	Prepayments and accrued interest not yet received	**333**	**0**
	TOTAL ASSETS	**3 440 027**	**3 501 848**

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	2011	2010
	OWNERS' EQUITY AND LIABILITIES		
	Owners' equity contributed		
	Share capital	220 000	220 000
	Other owners' equity contributed	140 866	140 866
13,14	**Owners' equity contributed**	**360 866**	**360 866**
	Retained earnings		
	Natural perils pool fund provision	210 642	246 309
	Guarantee scheme provision	27 520	26 256
14	**Funds etc.**	**238 162**	**272 565**
	Other retained earnings	109 212	106 080
	Reinsurance reserve in other owners' equity	10 758	13 890
	Other retained earnings	**119 970**	**119 970**
14	**Retained earnings**	**358 131**	**392 535**
	Provision for unearned gross premium	140 221	133 837
	Gross provision for claims	1 963 213	2 042 615
	Security reserves	463 609	455 706
4	**Gross insurance liabilities**	**2 567 043**	**2 632 158**
21	Pension liabilities etc	37 503	31 967
22	Other deferred tax	2 764	0
	Provision for liabilities	**40 267**	**31 967**
	Liabilities related to direct insurance	38 538	57 565
	Liabilities related to reinsurance	1 248	838
	Group contribution	48 369	0
	Liabilities within the Group	9 302	12 532
	Other liabilities	5 934	4 084
	Liabilities	**103 390**	**75 020**
	Other accrued costs and prepaid income	10 329	9 302
	Accrued costs and prepaid income	**10 329**	**9 302**
	TOTAL EQUITY AND LIABILITIES	**3 440 027**	**3 501 848**

Oslo, 17 February 2012

Sverre Thornes
Chair of the Board of Directors

Lene Bjerkan

Reidar Mæland

Reidun W. Ravem

Hans Martin Hovden
Managing Director

Kjell Arvid Svendsen

Bengt Kr. Hansen
Staff-elected representative

KLP Skadeforsikring AS Statement of changes in owners' equity 31 December 2011

2011

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2011	360 866	392 534	753 400
Income	0	-3 663	-3 663
Other comprehensive income	0	0	0
Total comprehensive income	0	-3 663	-3 663
Transactions with owners			
Owners' equity contribution paid in	0	0	0
Owners' equity contribution repaid	0	0	0
Group contribution net after tax (paid)	0	-30 740	-30 740
Total transactions with the owners	0	-30 740	-30 740
Owners' equity 31 December 2011	**360 866**	**358 131**	**718 997**

2010

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2010	360 866	398 785	759 651
ULAE (unallocated loss adjustment expenses) provision to claims reserve 1 January 2010	0	-78 696	-78 696
Income	0	72 445	72 445
Other comprehensive income	0	0	0
Total comprehensive income	0	72 445	72 445
Transactions with owners			
Owners' equity contribution paid in	0	0	0
Owners' equity contribution repaid	0	0	0
Group contribution net after tax (paid)	0	0	0
Total transactions with the owners	0	0	0
Owners' equity 31 December 2010	**360 866**	**392 534**	**753 400**

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2011	2010
CASH FLOWS FROM OPERATIONS		
Direct insurance premiums received	632 665	662 191
Reinsurance premiums paid	-43 560	-50 458
Direct insurance claims and benefits paid	-580 542	-498 490
Reinsurance settlement for claims and insurance benefits, received	50 219	31 059
Payments to other suppliers for products and services	-100 416	-87 034
Payments to staff, pension schemes, employer's social security contribution etc.	-71 833	-68 281
Interest received	104 653	104 837
Tax and public charges paid	601	-1 248
Receipts regarding securities	671 941	667 371
Disbursements regarding securities	-799 681	-393 641
Net cash flow from purchase/sale of other short-term securities	75 149	-72 259
Net receipts/payments from property business	38 121	28 304
NET CASH FLOWS FROM OPERATIONS	**-22 684**	**322 350**
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**-1 917**	**-155 178**
NET CASH FLOW FROM FINANCING ACTIVITIES	**-2 430**	**-140 000**
NET CHANGE IN BANK DEPOSITS	**-27 031**	**27 172**
HOLDINGS OF CASH AND BANK DEPOSITS AT START OF PERIOD	**47 913**	**20 741**
HOLDINGS OF CASH AND BANK DEPOSITS AT END OF PERIOD	**20 882**	**47 913**

Note 1 General information

KLP Skadeforsikring AS provides non-life insurance to municipalities, county administrations, health enterprises and businesses both in the public and private sector. The Company also supplies insurance products for the retail insurance (personal) market, primarily directed at KLP's pension members.

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 Dronning Eufemias gate 10, 0191 Oslo.

The Company's annual financial statements for 2011 were adopted by the Company's Board of Directors on 17 February 2012.

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 financial statements for KLP Skadeforsikring AS have been prepared in accordance with Regulations No. 1241 of 16 December 1998: «Regulations for annual accounts etc. for insurance companies» (the Annual Accounts Regulations) as well as the Regulations of 20 December 2011 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 Section 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 Section 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 date of the statement of financial position.

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

- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or 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 shown 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 CHANGES

Several of the provisions of the Norwegian Insurance Activity Act (NIAA) have been changed during 2011. Two factors involve changes in the financial statements for KLP Skadeforsikring AS.

1. The claims reserve now also includes expected future handling expenses for claims incurred not settled.
2. The administration reserve is no longer included in the technical reserves under owners' equity.

The changes have been introduced for the 2011 accounting year. This also means a new opening balance for the accounting year.

The opening balance 2010 has been changed so that total owners' equity is reduced by MNOK 78.7 after tax. As a result of the dissolving of administrative reserves, MNOK 85.3 is a reduction in funds classified as restricted owners' equity

The claims reserve has been increased by MNOK 87.8 corresponding to the opening balance for provisions for indirect claim handling expenses for claims incurred not settled.

2.3 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 the retail (personal) market.

2.4 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 statement of financial position items

Transactions in foreign currency have been translated 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 translation of money items (assets and liabilities) on the date of the statement of financial position.

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

2.5 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 capitalised, as well as external consultancy support and internally accrued costs of having the system installed and readied for use.

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

When an IT system is operational the capitalised costs are depreciated by straight line over the expected life (3 – 12 years). In the event of subsequent capitalisation 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 capitalised 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.

2.6 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, and (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 income 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 the fixed income and equity market.

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, 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 in the financial position statement at fair value. Subsequent measurement is at amortised cost using the effective interest rate method with write-down for losses if appropriate.

The effective interest on loans and receivables in the investment business is taken to profit/ loss and included in the line «Interest income and dividend 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:

a) Those the business on first recognition earmarks at fair value through income
b) Those that meet the definition of loans and receivables.

Financial assets held to maturity are recognised 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 for losses, and this change in value is included in the line «Income from 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 buying or selling 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 through income. 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 prices including purchase costs will form the basis for change in value to final price on the trading date. 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.

2.7 ALLOCATED INVESTMENT RETURN

The return on investments is recorded in the non-technical accounts. In order to show a more correct technical result, 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 financial position statement items in regard to opening and closing balances is used together with information from the quarterly financial position statements.

The accounting year's average interest rate on government bonds with three years remaining to maturity is used as the technical interest rate. For practical reasons the average for 2010 and 2011 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 2011 has been calculated by the Financial Supervisory Authority of Norway at 2.29 per cent. For 2010 it was calculated to be 2.46 per cent.

2.8 NETTING

Financial assets and financial liabilities are set off only 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 for payment.

2.9 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 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 the insurance contracts recognised 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.

2.10 PRODUCTS

The following non-life insurance products are offered:

Workers' compensation and PA

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 taken out covering the employees for accidents during their outside-working-hours time.

Accident

Insurance contracts to cover the customer for accidents in leisure time. Insurance contracts are also taken out covering school pupils during school time.

Property

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. The product also includes an obligatory natural perils cover.

Motor Vehicle

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

Third-party liability

Insurance contracts that cover damage incurred on third parties as a 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 of insurance mentioned above.

2.11 INSURANCE TECHNICAL 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 reserves are in any event at all times to 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 provision and risk statistics in non-life insurance" of 18 November 1992, No. 1242 with updates.

The following funds are included in the technical provisions:

Provision for unearned premiums

The premium reserve comprises premiums due but not earned as at the end of the accounting year.

Claims reserve

This reserve comprises provision related to claims notified but not settled. It also applies to claim events that have occurred but had not been reported by the accounting year end.

Contingency reserve/security reserve

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

The insurance legislation's requirement for technical reserves in non-life insurance is not exclusively linked to existing contracts with customers. Three types of provision therefore fall outside the debt definition in accordance with IFRS, which has now been implemented in the amended Regulations on Annual Accounts.

a) 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 liabilities. The provision equates to 1.5 per cent of the gross premiums accrued over the last three years. Provisions for the guarantee scheme are considered a conditional liability and must thus be classified as owners' equity.

b) Natural perils pool fund

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

c) Reinsurance provision

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 reinsurance reserve is classified as owners' equity and presented as part of the other retained earnings.

2.12 PENSION LIABILITIES OWN EMPLOYEES

The Company's pension liabilities are partially insurance-covered through KLP public sector occupational pensions by way of membership of the joint pension scheme for municipalities and enterprises («Fellesordningen»). Pension liability in excess of the joint pension scheme is covered through operations. 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 liabilities. 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 liability in the financial position statement. 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 liability and expected returns on the pension assets. In addition there are estimate deviations taken to income. 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 liabilities and gross pension assets at the beginning of the year (the corridor) are taken to profit/loss by straight line over the remaining accumulation time.

The joint pension scheme (Fellesordningen) 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 liabilities are thus based on assumptions that are representative of the whole group.

Social security costs are calculated on net liability. Gross pension liability as the basis for determining the amortisation basis for the corridor does not include social security costs.

2.13 THE COMPANY'S OWNERS' EQUITY

The Company's owners' equity comprises share capital and other owners' equity. The share capital was founded 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 marketplaces.

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

Attention is also drawn to the description in subparagraph 2.11 where it states that the provision to the guarantee scheme and provision to the natural perils pool are included in the Company's owners' equity as restricted funds. Changes in owners' equity: restricted funds and retained earnings are described in subparagraph 2.2.

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

2.14 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 dealt with by offsetting it 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/costs

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.

2.15 TAXES

The tax expense in the income statement comprises both the period's tax payable and the change in deferred tax. Deferred tax is calculated at 28 per cent on the basis of the temporary differences between accounting and tax 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 financial position statement to the extent it is likely they may be utilised.

Tax on Group contributions made is recorded against tax payable in the financial position statement.

2.16 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 statement of cash flows 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 concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

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

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 handled. 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 and adjustments are also made of 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 date of pay-out is not taken into account. This represents a safety margin in relation to future claim payments.

The claims reserve is also supplemented with a provision for future indirect claim handling expenses (also referred to as unallocated loss adjustment expenses - ULAE). This is estimated based on the magnitude of RBNS and IBNR.

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 (Forskrift om forsikringstekniske avsetninger og risikostatistikk i skadeforsikring) laid down by the Financial Supervisory Authority of Norway. The actual provisions exceed the minimum requirement.

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.

As at 31 December 2011 buildings and real estate were valued using KLP Eiendom's value assessment model. The model is based on discounting of estimated 20-year cash flows and, as at 31 December 2011, used a discounting factor corresponding to the market's return requirement for similar properties.

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and estimated market rent
- Vacant areas with estimated market rent
- Parking income, parking area and number of places
- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual municipal costs per square meter
- Upgrading costs per square meter on new lease
- Any further upgrading costs (year and amount)
- Number of months vacancy on each contract expiry
- Estimated final value Year 20
- Nominal return requirement

As part of the valuation, yield assessments are also carried out for the individual property and for the total portfolio. In addition to valuation using KLP Eiendom AS's value assessment model, external valuations are obtained for a selection of the properties. These are used to determine own calculation parameters and to quality-assure the internal valuations.

Minor changes in the return requirement will have a relatively large impact on property values and it is assumed that substantial changes, particularly in «Applicable terms, contract expiry and assumed market rent» as well as «General vacancy», are the factors that will affect the accounts figures most.

Pension liabilities - own employees

The present value of the net pension liabilities 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 liabilities and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension liabilities 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 liabilities and gross pension assets.

The Company has followed «Guidance for determining pension assumptions» published by the Norwegian Accounting Standards Board (NASB), 6 January 2009. Updated guidance published on 5 January 2012 has been used as the basis for updated measurement of best-estimate accrued liabilities and assets as at 31 December 2011.

Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities 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 discount rate is set on the basis of government bonds interest and was assessed as at 31 December 2011 at 2.6 per cent and as at 31 December 2010 at 4.0 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 3.5 per cent (salary growth) and 3.25 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.

a) Fair value on 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 high degree of certainty. For listed securities with little turnover, assessment is made of whether the observable price can be assumed to be realistic.

If it is concluded 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 at the end of the reporting period. Unlisted fixed income 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.

b) Losses on financial assets

Financial assets not measured at market value are assessed for loss of value at the end of the reporting period.

KLP Skadeforsikring AS's portfolio of bonds valued at amortised cost, including bonds held to maturity, is 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.

Note 4 Premiums, claims and provisions

	BUSINESS (B2B)						PERSONAL (B2C)								Total 2011	Total 2010	Total 2009
NOK thousands	Occupat. injury insurance	Contingency insurance	Combined insurance	Motor insurance	Third-party insurance	Total B2B insurance	Accident insurance	Combined insurance	Motor insurance	Leisure craft insurance	Travel insurance	Total B2B insurance	Natural Perils insurance	Other pool schemes etc.			
Premiums due																	
Gross premiums	98 688	43 799	216 011	81 904	43 584	483 986	9 045	35 360	72 335	2 834	7 115	126 689	39 472	140	650 287	630 845	608 941
Premiums ceded	2 303	1 023	33 860	2 184	1 862	41 232	204	247	1 590	166	120	2 327	0	0	43 560	50 458	35 770
Premiums for own account	96 385	42 776	182 151	79 720	41 722	442 754	8 841	35 113	70 745	2 668	6 995	124 362	39 472	140	606 727	580 387	573 171
Gross business																	
Gross premiums earned	101 989	45 976	220 060	82 498	45 783	496 307	9 215	27 962	60 567	2 492	6 167	106 403	41 053	140	643 903	585 315	604 662
Gross claims incurred	40 047	20 773	153 477	89 544	29 175	333 016	3 628	39 033	45 357	1 661	4 075	93 754	76 721	2 906	506 397	760 151	466 952
Gross insurance-related operating expenses	22 511	9 034	44 147	16 335	10 369	102 396	2 379	12 454	27 432	1 146	2 431	45 841	10 714	-59	158 893	140 416	147 252
Gross technical profit/loss	39 431	16 169	22 436	-23 381	6 239	60 895	3 208	-23 525	-12 222	-315	-339	-33 192	-46 382	-2 707	-21 387	-315 252	-9 542
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.																	
Ceded business																	
Premiums earned	2 294	1 056	35 620	2 180	1 775	42 925	212	223	1 440	153	119	2 147	0	0	45 072	46 786	35 378
Reinsurance share of claims incurred	-8 010	-649	-33 732	3 946	-2 246	-40 691	0	0	0	0	0	0	0	-1 271	-41 962	232 861	69 323
Technical profit/loss	10 304	1 705	69 352	-1 766	4 021	83 616	212	223	1 440	153	119	2 147	0	1 271	87 034	-186 075	-33 945
Own account																	
Technical profit/loss	29 127	14 464	-46 916	-21 615	2 218	-22 721	2 996	-23 748	-13 662	-468	-458	-35 339	-46 382	-3 978	-108 421	-120 775	25 369
Financial income	49 448	16 254	21 355	4 773	5 769	97 599	1 307	1 736	2 640	132	230	6 045	11 691	478	115 812	179 962	197 973
Income	78 575	30 718	-25 561	-16 842	7 987	74 877	4 303	-22 012	-11 022	-335	-228	-29 295	-34 691	-3 500	7 392	59 187	223 342
Financial income is calculated at «financial income achieved» on 4.50 % multiplied by average provisions in the relevant sector																	
Claims incurred gross																	
Claims for the year	92 408	36 977	187 076	81 515	26 901	424 877	5 438	35 685	43 029	1 555	4 080	89 787	59 269	1 779	575 712	795 626	553 098
Run-off losses for previous years	-53 901	-17 380	-39 502	3 361	365	-107 057	-2 016	1 667	-37	34	-180	-532	17 452	985	-89 152	-66 912	-105 323
Indirect claims handling costs	1 540	1 176	5 903	4 668	1 909	15 195	206	1 681	2 365	72	175	4 498	0	142	19 835	23 035	18 211
Claims incurred gross	40 047	20 773	153 477	89 544	29 175	333 015	3 628	39 033	45 357	1 661	4 075	93 753	76 721	2 906	506 395	751 749	465 986
Claims incurred, for own account																	
Claims for the year	92 408	36 977	187 076	81 515	26 901	424 877	5 438	35 685	43 029	1 555	4 080	89 787	59 269	1 779	575 712	546 250	483 899
Run-off losses for previous years	-45 891	-16 731	-5 770	-585	2 611	-66 366	-2 016	1 667	-37	34	-180	-532	17 452	2 256	-47 190	-53 243	-105 449
Indirect claims handling costs	1 540	1 176	5 903	4 668	1 909	15 195	206	1 681	2 365	72	175	4 498	0	142	19 835	23 035	18 211
Claims incurred, for own account	48 057	21 422	187 209	85 598	31 421	373 706	3 628	39 033	45 357	1 661	4 075	93 753	76 721	4 177	548 357	516 042	396 661

In 2011 accounting was changed with indirect claims handling costs being moved from operating costs to claims costs. The claims provision was also increased with a provision for future indirect claims handling costs at the same time as the administration provision in owners' equity ceased.

Note 4 Premiums, claims and provisions

NOK thousands		BUSINESS (B2B) Occupat. injury insurance	Contingency insurance	Combined insurance	Motor insurance	Third-party insurance	Total B2B insurance	PERSONAL (B2C) Accident insurance	Combined insurance	Motor insurance	Leisure craft insurance	Travel insurance	Total B2B insurance	Natural Perils insurance	Other pool schemes etc.	Total 2011
Technical provisions																
Premium reserve, unearned gross	31-12-10	**17 164**	**7 060**	**33 904**	**15 382**	**7 916**	**81 426**	**1 459**	**12 111**	**27 252**	**1 113**	**2 155**	**44 090**	**8 322**	**0**	**133 837**
FSA of N min requirements gross		17 164	7 060	33 904	15 382	7 916	81 426	1 459	12 111	27 252	1 113	2 155	44 090	8 322	0	133 837
Premium reserves, reinsurance share		623	256	10 436	541	379	12 235	35	39	247	29	30	380	0	0	12 615
Premium reserve, unearned f.o.a.		**16 541**	**6 804**	**23 468**	**14 841**	**7 537**	**69 191**	**1 424**	**12 072**	**27 005**	**1 084**	**2 125**	**43 710**	**8 322**	**0**	**121 222**
FSA of N min requirements f.o.a.		16 541	6 804	23 468	14 841	7 537	69 191	1 424	12 072	27 005	1 084	2 125	43 710	8 322	0	121 222
Premium reserve, unearned gross	31-12-11	**13 863**	**4 883**	**29 854**	**14 788**	**5 716**	**69 104**	**1 289**	**19 509**	**39 020**	**1 455**	**3 103**	**64 376**	**6 740**	**0**	**140 221**
FSA of N min requirements gross		13 863	4 883	29 854	14 788	5 716	69 104	1 289	19 509	39 020	1 455	3 103	64 376	6 740	0	140 220
Premium reserves, reinsurance share		632	222	8 676	547	465	10 542	27	64	397	42	30	560	0	0	11 102
Premium reserve, unearned f.o.a.		**13 231**	**4 661**	**21 178**	**14 241**	**5 251**	**58 562**	**1 262**	**19 445**	**38 623**	**1 413**	**3 073**	**63 816**	**6 740**	**0**	**129 118**
FSA of N min requirements f.o.a.		13 231	4 661	21 178	14 241	5 251	58 562	1 262	19 445	38 623	1 413	3 073	63 816	6 740	0	129 118
Claims reserve, gross	31-12-10	**941 517**	**311 110**	**594 473**	**69 037**	**73 824**	**1 989 962**	**21 487**	**8 662**	**11 650**	**652**	**962**	**43 414**	**0**	**9 239**	**2 042 615**
FSA of N min requirements gross		824 817	267 560	488 413	62 194	67 614	1 710 599	21 487	5 362	10 650	352	962	38 814	0	9 239	1 758 652
Claims reserve, reinsurance share		16 866	649	291 833	9 515	2 570	321 433	0	0	0	0	0	0	0	0	321 433
Claims reserve, f.o.a.		**924 651**	**310 461**	**302 640**	**59 522**	**71 254**	**1 668 529**	**21 487**	**8 662**	**11 650**	**652**	**962**	**43 414**	**0**	**9 239**	**1 721 182**
FSA of N min requirements f.o.a.		792 451	266 911	207 785	59 522	63 529	1 390 199	21 483	5 356	10 265	346	951	38 402	0	9 239	1 437 840
Claims reserve, gross	31-12-11	**908 899**	**289 936**	**476 099**	**79 262**	**87 847**	**1 842 044**	**21 083**	**22 763**	**21 127**	**912**	**2 025**	**67 910**	**43 937**	**9 322**	**1 963 213**
FSA of N min requirements gross		773 175	258 453	393 228	68 799	64 847	1 558 502	21 084	10 563	20 127	412	1 525	53 711	43 937	9 322	1 665 472
Claims reserve, reinsurance share		879	0	203 713	12 640	323	217 555	0	0	0	0	0	0	0	0	217 555
Claims reserve, f.o.a.		**908 020**	**289 936**	**272 386**	**66 622**	**87 524**	**1 624 489**	**21 083**	**22 763**	**21 127**	**912**	**2 025**	**67 910**	**43 937**	**9 322**	**1 745 658**
FSA of N min requirements f.o.a.		740 651	257 262	197 942	66 622	60 879	1 323 357	21 058	10 544	19 498	395	1 508	53 004	43 937	9 318	1 429 616
Security reserve	31-12-10	**167 295**	**53 638**	**148 709**	**25 164**	**40 253**	**435 059**	**5 808**	**5 532**	**6 484**	**763**	**734**	**19 321**	**0**	**1 326**	**455 706**
FSA of N min requirements		87 295	28 638	63 709	15 164	20 253	215 059	5 808	5 532	6 484	763	734	19 321	0	1 326	235 706
Security reserve	31-12-11	**156 985**	**52 308**	**162 054**	**24 781**	**40 619**	**436 748**	**6 034**	**7 576**	**9 982**	**950**	**980**	**25 523**	**0**	**1 338**	**463 609**
FSA of N min requirements		76 985	27 308	57 054	14 781	20 619	196 748	6 034	7 576	9 982	950	980	25 523	0	1 338	223 609
Provisions for pooling schemes and other special schemes																
Natural Perils Pool	31-12-10						0						0	246 309	0	246 309
Guarantee Scheme		5 743	2 383	9 212	3 330	1 981	22 648	516	347	782	35	122	1 802	1 807	0	26 256
Natural Perils Pool	31-12-11						0						0	210 642	0	210 642
Guarantee Scheme		5 217	2 208	9 463	3 632	2 000	22 520	463	756	1 670	71	194	3 154	1 846	0	27 520

Note 5 Fair value hierarchy

NOK thousands	31.12.11	31.12.10
Certificates, bonds, as well as lending and receivables		
Level 1: Value based on prices in an active market	453 707	458 980
Level 2: Value based on observable market data	515 339	402 215
Level 3: Value based on other than observable market data	0	0
Accrued interest	10 009	9 225
Certificates, bonds, as well as lending and receivables	979 055	870 420
Shares and holdings		
Level 1: Value based on prices in an active market	303 856	334 742
Level 2: Value based on observable market data	0	0
Level 3: Value based on other than observable market data	319 312	316 458
Shares and holdings	623 168	651 200
Total financial assets valued at fair value	1 602 222	1 521 620

Changes in Level 3 shares, unlisted	2011	2010
Opening balance 2010	316 458	206 312
Sold	0	-74 197
Bought	0	150 299
Unrealised changes	61 904	60 094
Other	-59 050	-26 050
Closing balance 2011	319 312	316 458

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as noted in an active market if noted prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length distance.

Level 1: Instruments in this level obtain fair value from listed prices in an active market for identical assets or liabilities that the entity has access to at the reporting date. Examples of instruments at Level 1 are stock market listed securities.

Level 2: Instruments in this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed interest securities priced on the basis of interest rate paths.

Level 3: Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded. The instruments covered by Level 3 within KLP Skadeforsikring AS are general partnerships (ANS) holdings in property companies.

Note 6 Net income from investments

NOK thousands	2011	2010
Interest bank	3 844	1 582
Interest derivatives	0	0
Interest bonds fair value	60 695	27 530
Total interest income financial instruments at fair value	64 539	29 111
Interest bonds amortised cost	74 888	80 785
Interest lending	0	0
Total interest income financial instruments at amortised cost	74 888	80 785
Dividend/interest shares and units	0	0
Total income from interest and dividend etc on financial assets	139 427	109 896
Value changes shares and units	-6 935	100 637
Value change bonds	4 689	1 443
Value change derivatives	0	0
Total value change financial instruments at fair value	-2 246	102 080
Value change bonds	0	0
Value change lending	0	0
Total value change financial instruments at amortised cost	0	0
Value change other	0	0
Total value changes on investments	-2 246	102 080
Realised shares and units	5 369	8 478
Realised bonds	-465	-114
Realised derivatives	0	-44
Realised other	112	137
Total realised financial instruments at fair value	5 015	8 457
Realised bonds at amortised cost	240	132
Total realised financial instruments at amortised cost	240	132
Other financial costs and income	-12	-123
Total realised gains and losses on investments	5 243	8 466
Transaction related costs	-217	-212
Management fees	-3 062	-2 181
Interest costs	-268	-750
Total management costs related to investments, including interest costs	-3 546	-3 144
Total net income from investments	138 877	217 299

The note provides a specified overview of the lines in the statement of financial position making up «Net income from investments».

Note 7 Fair value of financial assets and liabilities

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 curves and spread curves. The yield 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.

Fair value in the categories "Lending and receivables" and "Financial assets held to maturity" is determined on the basis of internal valuation models.

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 Børs (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, the 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 Stock Exchange'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 fixed income securities

Foreign fixed income 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 fixed income 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. From 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 that 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 date of the statement of financial position 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 value reduction, emphasis is placed on whether the issuer/debtor has significant financial difficulties, on whether there is a breach of contract, including default; an assessment is made whether it is probable the debtor will be bankrupted, whether there is no longer an active market for the asset because of financial difficulties, or whether measurable reduction is being seen in 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, write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). 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.

	2011		2010	
NOK thousands	Capitalised value	Fair value	Capitalised value	Fair value
Assets at amortised cost				
Investments held to maturity - at amortised cost				
Norwegian hold to maturity bonds	555 116	584 888	555 079	584 419
Accrued not due interest	11 867	11 867	11 867	11 867
Foreign hold to maturity bonds	281 662	295 662	281 455	291 190
Accrued not due interest	5 213	5 213	5 220	5 220
Total investments held to maturity	**853 858**	**897 630**	853 620	892 696
Bonds classified as lending and receivables – at amortised cost				
Norwegian secured bonds	439 517	449 403	435 239	437 642
Accrued not due interest	5 998	5 998	7 482	7 482
Foreign secured bonds	185 133	196 491	215 172	221 024
Accrued not due interest	4 197	4 197	4 238	4 238
Total bonds classified as lending and receivables	**634 845**	**656 089**	662 130	670 386
Total financial assets at amortised cost	**1 488 703**	**1 553 719**	1 515 750	1 563 082
Assets measured at fair value				
Property company holdings	319 312	319 312	316 458	316 458
Norwegian equity funds	303 856	303 856	334 742	334 742
Total shares and units	**623 168**	**623 168**	651 200	651 200
Norwegian bonds	452 836	452 836	353 906	353 906
Accrued not due interest	8 183	8 183	7 540	7 540
Foreign bonds	12 195	12 195	15 095	15 095
Accrued not due interest	209	209	248	248
Norwegian certificates	99 082	99 082	88 031	88 031
Accrued not due interest	1 461	1 461	1 360	1 360
Foreign certificates	20 172	20 172	5 054	5 054
Total bonds and other fixed-return securities	**594 136**	**594 136**	471 234	471 234
Norwegian bond funds	325 342	325 342	265 805	265 805
Total interest income funds	**325 342**	**325 342**	265 805	265 805
Total other financial assets	**59 577**	**59 577**	133 381	133 381
Total financial assets at fair value	**1 602 222**	**1 602 222**	1 521 620	1 521 620
Total investments	**3 090 926**	**3 155 941**	3 037 370	3 084 702

Note 8 Risk management

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

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

8.1 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	
1% change in costs	MNOK 1.6
1% change in premium level	MNOK 6.5
1% change in claim payments	MNOK 5.5
1 % change in claims reserve	MNOK 19.6

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 own account 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.

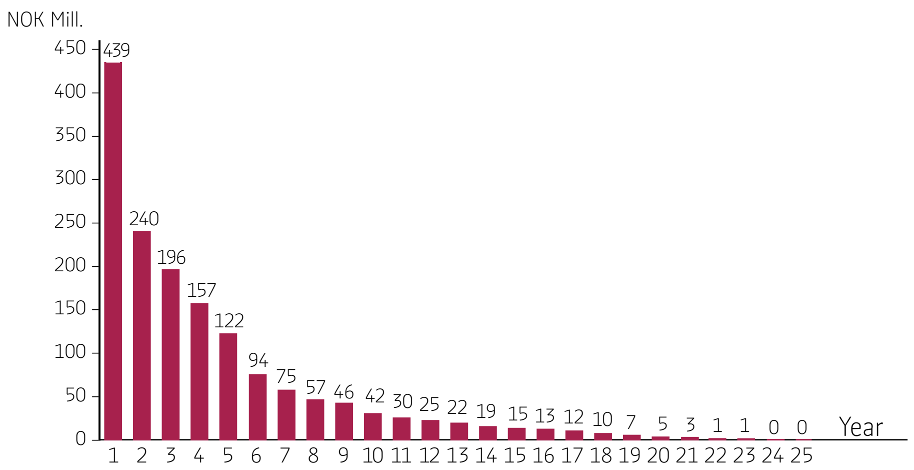
8.2 Financial risk
The Company's financial risk comprises liquidity risk, market risk and credit risk.

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 2011 is expected to have the following decay profile:

Claims reserve as at 31 December 2011



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.

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 have been established for the size of the liquidity holding. The Company's Finance Department monitors developments in the liquidity holding continuously. In December 2011 the Company's Board adopted an asset management strategy for 2012. 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. With the current formulation of the rules, technical provisions are not directly affected 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 longtail 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. In principle all of the Company's interest-bearing investments in foreign currency are hedged back to NOK. In the same way investments in KLP Aksje Global Indeks II are hedged back to NOK, whereas investments in KLP AksjeNorden run un-hedged in their original currencies.

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 stress tests and statistical analysis tools. The Company provides calculations in accordance with stress tests developed by the Financial Supervisory Authority of Norway.

Sensitivity analysis - market risk
Market risk in an insurance company can be measured in different ways. The Company uses the general stress test from the Financial Supervisory Authority of Norway for measurement of market risk. This is calibrated at a 1 in 200 years level (99.5 %)

At the end of 2011 equity exposure was over 10 per cent, of which about 2 per cent was exposed to Norwegian shares. Holdings in property companies represented about 10 per cent.

The table below shows total market risk for KLP Skadeforsikring AS calculated in accordance with the FSA of N's stress test.

	31.12.11	31.12.10	31.12.09
Market risk KLP Skadeforsikring AS	284 mill	341 mill	205 mill.

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 AS.

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

The company has good balance between Norwegian and international bonds and has a portfolio exclusively of good credits with high credit quality, cf. the ratings bureaus' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.5 billion, 37 per cent are rated AAA. The Company has about NOK 325 million in an international credit bond fund. The credit exposure in this fund closely follows the exposure to the Barclays Capital Aggregate Corporate Index. The fund is rated at A- by S&P. Unrated / non-investment-grade (NIG) means almost without exception the securities do not have a rating. This applies in the main to individual Norwegian financial institution, municipalities / county administrations and other investments in Norwegian finance.

At the end of 2011 the Company had one investment in the PIIGS countries. The investment of NOK 33.2 million is guaranteed by the Spanish state and is not considered to be doubtful.

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 9 Credit risk

2011 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortised cost						
Finance and credit enterprises	0	0	97 055	0	29 133	126 188
Public sector guarantee	10 879	0	0	0	0	10 879
Savings banks	0	0	0	0	141 275	141 275
Government and government guarantee within OECD	218 676	33 338	0	0	0	252 014
Public sector enterprises and covered bonds	50 679	0	0	0	138 520	189 199
Other	0	31 251	83 838	0	19 214	134 303
Total	**280 234**	**64 589**	**180 893**	**0**	**328 142**	**853 858**
Bonds at amortised cost						
Finance and credit enterprises	0	0	0	0	130 398	130 398
Public sector guarantee	111 315	0	0	0	11 290	122 605
Savings banks	0	0	0	0	32 180	32 180
Government and government guarantee within OECD	137 083	0	0	0	0	137 083
Public sector enterprises and covered bonds	25 675	0	0	0	0	25 675
Other	0	0	84 735	0	102 169	186 904
Total	**274 073**	**0**	**84 735**	**0**	**276 037**	**634 845**
Bonds and other fixed-return securities						
Finance and credit enterprises	10 790	15 102	12 111	0	40 313	78 316
Public sector guarantee	7 416	0	0	0	12 024	19 440
Savings banks	0	0	15 257	0	244 434	259 691
Government and government guarantee within OECD	70 430	0	0	0	0	70 430
Public sector enterprises and covered bonds	10 687	0	0	0	40 165	50 852
Other	0	0	0	0	115 407	115 407
Total	**99 323**	**15 102**	**27 368**	**0**	**452 343**	**594 136**
Fixed income funds						
Other	0	0	325 342	0	0	325 342
Total	0	0	325 342	0	0	325 342
Lending and receivables						
Norway	0	0	240	0	0	240
UK	0	0	30 012	0	0	30 012
Sweden	0	29 325	0	0	0	29 325
USA	0	0	0	0	0	0
Total	**0**	**29 325**	**30 252**	**0**	**0**	**59 577**
Total	**653 630**	**109 016**	**648 590**	**0**	**1 056 522**	**2 467 758**

2010 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortised cost						
Finance and credit enterprises	0	0	97 198	0	29 138	126 337
Public sector guarantee	10 727	0	0	0	0	10 727
Savings banks	0	0	0	0	140 218	140 218
Government and government guarantee within OECD	220 044	33 321	0	0	0	253 365
Public sector enterprises and covered bonds	50 690	0	0	0	138 547	189 237
Other	0	31 242	83 519	0	18 976	133 737
Total	281 461	64 563	180 717	0	326 880	853 620
Bonds at amortised cost						
Finance and credit enterprises	0	0	0	0	30 548	30 548
Public sector guarantee	111 307	30 039	0	0	11 199	152 545
Savings banks	0	0	6 281	0	61 952	68 233
Government and government guarantee within OECD	137 119	0	0	0	0	137 119
Public sector enterprises and covered bonds	25 680	0	61 401	0	0	87 081
Other	0	0	85 114	0	101 490	186 604
Total	274 106	30 039	152 796	0	205 190	662 130

Note 9 Credit risk (continued)

2010 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Bonds and other fixed-return securities						
Finance and credit enterprises	0	0	10 099	0	30 688	40 787
Public sector guarantee	7 016	0	0	0	11 941	18 957
Savings banks	0	0	0	0	218 441	218 441
Government and government guarantee within OECD	102 539	0	0	0	0	102 539
Public sector enterprises and covered bonds	5 244	0	0	0	11 291	16 535
Other	0	0	0	0	73 975	73 975
Total	114 798	0	10 099	0	346 336	471 234
Fixed income funds						
Other	0	0	265 805	0	0	265 805
Total	0	0	265 805	0	0	265 805
Lending and receivables						
France	0	40 039	0	0	0	40 039
Norway	0	0	235	0	0	235
UK	0	9 593	0	0	0	9 593
Sweden	0	81 588	0	0	0	81 588
USA	0	0	1 926	0	0	1 926
Total	0	131 220	2 161	0	0	133 381
Total	670 365	225 821	611 578	0	878 405	2 386 170

Only ratings from Standard and Poor's have been used in the note grouping. KLP Skadeforsikring AS also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed income securities. The table shows exposure against the rating categories that S & P uses, where AAA is linked to securities with the highest creditworthiness. Unrated / non-investment-grade applies in the main to fixed intome securities issued by the Norwegian public sector, Norwegian financial institutions and other investments within Norwegian finance. KLP Skadeforsikring AS has strict guidelines for investments in fixed income securities, which also apply to investments falling into this category.
Amounts shown in each category are reconcilable against lines in the financial position statement.

Note 10 Interest rate risk

31.12.2011 NOK thousands	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Equity fund units [1]	17	0	0	0	0	167	184
Bonds and other fixed-return securities	-302	-557	-4 811	-4 046	0	1 233	-8 483
Fixed income fund units	-17 093	0	0	0	0	226	-16 867
Lending and receivables	0	0	0	0	0	813	813
Total	**-17 379**	**-557**	**-4 811**	**-4 046**	**0**	**2 439**	**-24 353**

31.12.2010 NOK thousands	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Equity fund units [1]	51	0	0	0	0	212	263
Alternative investments	0	0	0	0	0	290	290
Bonds and other fixed-return securities	-167	-684	-3 636	-5 260	0	614	-9 133
Fixed income fund units	-13 094	0	0	0	0	92	-13 002
Lending and receivables	-11	0	0	0	0	645	634
Total	-13 221	-684	-3 636	-5 260	0	1 853	-20 949

In the longer term interest rate risk may be expected to be substantial in the light of the high proportion of investments in interest-bearing securities and fluctuation in the level of interest rates. The note shows the effect on income on the change in market interest rate of 1 per cent, for fair value risk and variable interest rate risk. Fair value risk is calculated on the change in fair value of related instruments if the interest rate had been 1 per cent higher at the end of the period. Variable interest rate risk indicates the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the combined effect on profit/loss that the scenario with a 1 per cent higher interest rate would have meant for KLP Skadeforsikring AS.

This note cannot be compared directly with notes from previous years since its formulation is different and covers more than previously.

[1] Equity fund units cover that part of the fund that is not shares, but comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.

Note 11 Currency risk

2011 NOK thousand	Fin. pos. statem. items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 317	0	32	-1 332	6,118	1 348	-1 332	98
CAD	1 838	0	0	-1 807	5,861	1 838	-1 807	178
CHF	1 372	0	0	-1 355	6,382	1 372	-1 355	108
DKK	7 401	0	0	-905	1,042	7 401	-905	6 771
EUR	18 059	0	221	-17 530	7,747	18 280	-17 530	5 809
GBP	4 496	0	16	-4 508	9,275	4 512	-4 508	39
HKD	3 462	0	22	-3 458	0,768	3 484	-3 458	20
ILS	363	0	0	-361	1,561	363	-361	3
ISK	6 635	0	0	0	0,049	6 635	0	324
JPY	281 176	0	1 440	-279 004	0,078	282 616	-279 004	280
NZD	8	0	0	-8	4,656	8	-8	1
SEK	28 628	0	0	-3 070	0,871	28 628	-3 070	22 250
SGD	387	0	0	-388	4,603	387	-388	-5
USD	49 690	0	10	-49 706	5,968	49 700	-49 706	-37
Total currency positions								**35 840**

2010 NOK thousand	Fin. pos. statem. items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 484	0	0	-1 456	5,958	1 484	-1 456	166
CAD	1 909	0	0	-1 875	5,850	1 909	-1 875	198
CHF	1 373	0	0	-1 350	6,236	1 373	-1 350	144
DKK	7 023	0	0	-1 009	1,046	7 023	-1 009	6 292
EUR	15 899	0	333	-15 236	7,798	16 233	-15 236	7 767
GBP	3 876	-1 643	0	-2 221	9,100	3 876	-3 864	106
HKD	3 982	0	0	-3 932	0,748	3 982	-3 932	38
ILS	408	0	0	-402	1,641	408	-402	10
ISK	6 696	0	0	0	0,051	6 696	0	339
JPY	357 051	-46 538	0	-304 584	0,072	357 051	-351 122	425
NZD	19	0	2	-20	4,541	20	-20	2
SEK	38 158	0	0	-3 627	0,865	38 158	-3 627	29 855
SGD	397	0	0	-393	4,537	397	-393	19
USD	42 479	0	645	-42 772	5,813	43 123	-42 772	2 043
Total currency positions								47 404

The note shows gross exposure to currency on the asset and liability sides, distributed by the underlying investment and hedge. The note has been changed from last year's, when it showed the net positions. The note covers foreign exchange positions the Company has indirectly through funds, as well as direct foreign exchange positions.

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 hedge accounting.
In principle , all of the Company's fixed-income investments in foreign currency are hedged back to NOK. In the same way investments in KLP Aksje Global Indeks II are hedged back to NOK, whereas investments in KLP AksjeNorden run unhedged in their original currencies.

Note 12 Holdings securities funds and general partnerships (ANS)

NOK thousands			**2011**
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	201 533	217 388	218 903
KLP AksjeNorden	24 425	40 474	42 629
KLP AksjeNorge	14 008	32 473	42 325
Total equity funds		**290 334**	**303 856**
FIXED INCOME FUNDS			
KLP Obligasjon Global I	325 459	328 592	325 342
Total fixed income funds		**328 592**	**325 342**
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			184 412
Holdings in Frydenlund Eiendom ANS			134 900
Total property company holdings			**319 312**

NOK thousands			2010
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	199 199	213 422	228 175
KLP AksjeNorden	24 675	38 517	52 566
KLP AksjeNorge	14 333	33 736	54 001
Total equity funds		285 676	334 742
FIXED INCOME FUNDS			
KLP Obligasjon Global I			
Total fixed income funds	253 074	256 690	265 805
		256 690	265 805
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			181 150
Holdings in Frydenlund Eiendom ANS			135 308
Total property company holdings			316 458

Note 13 Share capital

NOK thousands	**2011**	2010
Share capital		
Number of shares 01.01.	68 750	68 750
Number of shares 31.12.	**68 750**	68 750
Share capital 01.01.	220 000	220 000
Share capital 31.12.	220 000	220 000
Profit/loss after tax per share in NOK	**-53**	1 176

The Company has one share class divided into 68,750 shares @ NOK 3200.00. There are no provisions in the Articles of Association about restrictions in voting rights.

KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP) and is consolidated into the KLP Group financial statements. The address of KLP's registered office is Dronning Eufemias gate 10, Oslo. The Group accounts may be obtained from there on request. They are also available at www.klp.no.

Note 14 Capital adequacy, solvency margin requirement and solvency margin capital

NOK thousands	2011	2010
Owners' equity contributed	220 000	220 000
Retained earnings	260 836	262 585
Less intangible assets	-19 206	-23 747
Deferred tax assets	0	-11 860
Minimum requirement reinsurance reserve	-10 758	-13 890
Net Tier 1 and 2 capital	**450 872**	433 089
Assets and off-balance sheet items by risk category		
Risk weight 0 %	688 184	827 071
Risk weight 10 %	265 727	292 853
Risk weight 20 %	1 090 667	1 059 613
Risk weight 35 %	0	0
Risk weight 50 %	410 077	350 919
Risk weight 100 %	966 167	935 786
Risk weight 150 %	0	0
Off-balance sheet items (currency related contracts)	0	0
Weighted sum assets in the financial position statement	1 415 911	1 352 454
Weighted sum off-balance sheet items	0	0
Risk-weighted calculation basis	**1 415 911**	1 352 454
Capital adequacy ratio	**31,84 %**	32,02 %
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	648 %	620 %
Solvency margin requirement	127 061	127 061
Solvency capital	823 161	787 683
- Of which Tier 1 and 2 capital	450 872	433 089
- Of which security res. exceeding 55 % of the min. req.	340 624	326 068
- Of which share of Natural Perils Fund	52 661	61 577
- Of which deduction from solvency capital i.a.w. Section 8a	-20 996	-33 051

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.

Owners' equity		
Share capital	220 000	220 000
Other owners' equity contributed	140 866	140 866
Owners' equity contributed	360 866	360 866
Funds, restricted owners' equity	238 162	272 565
Other retained earnings	109 212	106 080
Minimum requirement reinsurance reserve	10 758	13 890
Other retained earnings, total	119 970	119 970
Equity contributions and retained earnings	**718 997**	753 400

Note 15 Intangible assets

NOK thousands	2011	2010
Book value 01.01	23 747	28 565
Acquisition cost 01.01	40 300	35 421
Additions during the year	1 917	4 879
of which internally developed	0	0
of which bought	1 917	4 879
Disposals	0	0
Acquisition cost 31.12.	42 217	40 300
Accumulated depreciation previous years	-16 553	-6 856
Ord. depreciation for the year, straight line	-4 957	-4 697
Annual depreciation	-1 500	-5 000
Book value 31.12.	**19 206**	23 747

Depreciation period 3 to 12 yrs

Note 16 Remuneration/benefits to senior management/governing bodies

2011 NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumul.	Loan with the Group	Interest rate as at 31 Dec 11	Payments plan [4]
Senior staff						
Hans Martin Hovden, Managing Director [1]	1 527	122	416	7 422	2,95-3,60	A2041
Board of Directors						
Sverre Thornes, Chair [2,3]				7 507	2,70-3,60	A2041
Reidar Mæland		36		1 792	2,7	A2036
Kjell Arvid Svendsen		36				
Bengt Kristian Hansen, elected by the employees		36				
Ida Espolin Johnson [3]				8 400	3,15-4,60	A2039
Reidun W. Ravem [3]				2 844	3,40	Housing credit

2010 NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumul.	Loan with the Group	Interest rate as at 31 Dec 10	Payments plan [4]
Senior staff						
Hans Martin Hovden, Managing Director [1]	1 405	114	33	445	3,15	A2026
Board of Directors						
Sverre Thornes, Chair [2,3]				6 907	3,15-3,40	A2040
Reidar Mæland		68		1 537	3,15-3,90	A2034
Kjell Arvid Svendsen		68				
Linda Brodin, elected by the employees		11				
Bengt Kristian Hansen, elected by the employees		51				
Ida Espolin Johnson [3]				8 400	3,15-3,35	A2040
Reidun W. Ravem [3]				2 850	3,15	Housing credit/ framework loan

[1] The Managing Director has no deferred salary agreement or bonus agreement. The Managing Director is pensionable aged 65.
[2] The Company has no obligations to the Chair of the Board of Directors on termination or change of appointment.
[3] Internal Board Members (except for employee representatives) do not receive Board Directors' fees.
[4] A=Annuity loan, S=Serial loan, last repayment.

KLP Skadeforsikring AS has not provided loans, but the Company's staff are able to take up loans from other companies in the Group at standard terms applicable for loans to staff.
Externally elected members of governing bodies and their immediate family can take up loans from KLP on ordinary market terms.
The Company shares a joint control committee and supervisory board with the Group and these do not receive fees from KLP Skadeforsikring AS.
All benefits are shown without the addition of social security costs.

Note 17 Audit fee

NOK thousands	2011	2010
Statutory financial audit	279	323
Other certification services	0	0
Tax consultancy	0	0
Other services excluding audit	0	0

The sums above include VAT.

Note 18 Number of employees

	2011	2010
Number of employees 31.12	98	94
Average number of employees	96,0	94,5

Note 19 Sales costs

NOK thousands	2011	2010
Employees' salaries	23 426	21 511
Other personnel costs	6 841	6 622
Agent commission	1 297	2 576
Other costs	8 299	5 495
Total	**39 864**	36 203

Note 20 Operating costs

NOK thousands	2011	2010
By class:		
Personnel costs	78 043	69 717
Depreciation	6 458	9 697
Other operating expenses	74 393	61 002
Total operating expenses	**158 893**	140 416

Note 21 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises («Fellesordningen»)
The Company also offers a pension scheme in addition to Fellesordningen. This liability is covered through operations.
Fellesordningen is a benefits-based pension scheme satisfying the requirements for mandatory occupational pensions ('obligatorisk tjenestepension' - OTP).
The company has a contract pension (AFP) scheme.
The accounting treatment of pension liabilities is described in more detail in Note 2.

NOK thousands	Joint scheme	Via operations	2011	2010
Pension costs				
Present value of accumulation for the year	9 521	537	10 058	10 377
Cost of interest	2 997	227	3 225	3 008
Gross pension cost	12 518	764	13 282	13 384
Expected return	-2 381	0	-2 381	-2 065
Administration costs/Interest guarantee	348	0	348	345
Net pension cost including administration costs	**10 485**	**764**	**11 249**	11 664
Social security costs net pension cost including administration costs	1 478	108	1 586	1 645
Actuarial gain/loss taken to profit/loss	0	164	164	120
Plan change taken to profit/loss	0	0	0	-5 059
Proportion of actuarial gain/loss taken to profit/loss on curtailment	0	0	0	0
Proportion of net liability taken to income on curtailment	0	0	0	0
Extraordinary costs	0	0	0	0
Pension costs including social security costs through profit/loss	**11 963**	**1 037**	**13 000**	8 369
Of which SSC on actuarial gain/loss taken to profit/loss	0	23	23	17
Pension liabilities				
Gross accrued liability	93 011	6 436	99 447	71 164
Pension assets	50 495	0	50 495	41 606
Net pension liabilities/assets before social security costs	42 516	6 436	48 952	29 558
Social security costs	5 995	907	6 902	4 168
Net liability incl. social security costs	**48 511**	**7 343**	**55 854**	33 725
Actuarial gain/loss excl. social security costs not taken to profit/loss	-13 072	-3 011	-16 083	-1 541
Actuarial gain/loss social security costs not taken to profit/loss	-1 843	-425	-2 268	-217
Plan changes not taken to profit/loss	0	0	0	0
Capitalised net liabilities/assets including social security costs	**33 596**	**3 907**	**37 503**	31 968

Number	2011	2010
Member status ("Fellesordningen")		
Number active	99	98
Number deferred	21	20
Number of pensioners	6	6

NOK thousands	Joint scheme	Via operations	2011	2010
Development of actuarial gains/losses not taken to profit/loss				
Actuarial gains/losses not taken to profit/loss OB	1 226	-2 984	-1 758	-562
Actuarial gain/loss funds	1 526	0	1 526	820
Actuarial gain/loss liability	-15 672	-541	-16 213	-1 972
Actuarial gain/loss taken to profit/loss	0	164	164	120
SSC on deviation	-1 995	-76	-2 071	-163
Proportion of actuarial gain/loss taken to profit/loss on curtailment	0	0	0	0
Taken to owners' equity	0	0	0	0
Taken to owners' equity SSC	0	0	0	0
Actuarial gains/losses not taken to profit/loss CB	**-14 915**	**-3 436**	**-18 351**	-1 758
Change in pension assets				
Gross pension assets book value 01.01.	41 606	0	41 606	33 745
Expected return	2 381	0	2 381	2 065
Actuarial gains/losses	1 526	0	1 526	820
Administration costs/Interest guarantee	-348	0	-348	-345
Takeovers/acquisitions	0	0	0	0
Premiums paid in/contribution (including administration costs)	6 510	32	6 542	6 621
Curtailment/settlement	0	0	0	0
Payments	-1 180	-32	-1 212	-1 300
Gross pension assets book value 31.12.	**50 495**	**0**	**50 495**	41 606
Change in pension liabilities				
Gross pension liabilities book value 01.01.	66 001	5 162	71 164	61 541
Plan change	0	0	0	-4 434
Gross pension liabilities OB after plan change	66 001	5 162	71 164	57 107
Present value of accumulation for the year	9 521	537	10 058	10 377
Cost of interest	2 997	227	3 225	3 008
Curtailment/settlement	0	0	0	0
Actuarial gains/losses	15 672	541	16 213	1 972
Takeovers/acquisitions	0	0	0	0
Payments	-1 180	-32	-1 212	-1 300
Gross pension liabilities book value 31.12.	**93 011**	**6 436**	**99 447**	71 164

Note 21 Pensions obligations, own employees (continued)

NOK thousands	Joint scheme	Via operations	2011	2010
Pension scheme's over-/under-financing				
Present value of the defined benefits pension liability	93 011	6 436	99 447	71 164
Fair value of pension assets	50 495	0	50 495	41 606
Net pension liability	42 516	6 436	48 952	29 558

NOK thousands	2010	2009	2008	2007
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension liability	71 164	61 541	52 897	39 987
Fair value of pension assets	41 606	33 745	26 733	22 418
Net pension liability	29 558	27 796	26 164	17 570

NOK thousands	Joint scheme	Via operations	2011	2010
Return on pension assets				
Expected returns on pension assets	2 381	0	2 381	2 065
Actuarial gain/loss on pension funds	1 526	0	1 526	820
Actual return on pension funds	3 907	0	3 907	2 885
Plan changes during the period				
Plan changes during the period	0	0	0	-4 434
SSC on plan changes	0	0	0	-625
Plan changes during the period taken to profit/loss	0	0	0	5 059
Plan change not taken to profit/loss CB	0	0	0	0

	2011	2010
Financial assumptions for the result (common to all pension schemes)		
Discount rate	4,00 %	4,50 %
Salary growth	4,00 %	4,50 %
National Insurance basic sum (G)	3,75 %	4,25 %
Pension increases	2,97 %	4,25 %
Expected returns	5,40 %	5,70 %
Social security contribution rates	14,10 %	14,10 %
Amortisation time	15	15
Corridor magnitude	10,00 %	10,00 %
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	2,60 %	4,00 %
Salary growth	3,50 %	4,00 %
National Insurance basic sum (G)	3,25 %	3,75 %
Pension increases	2,48 %	2,97 %
Expected returns	4,10 %	5,40 %
Social security contribution rates	14,10 %	14,10 %
Amortisation time	15	15
Corridor magnitude	10,00 %	10,00 %

Note 21 Pensions obligations, own employees (continued)

Actuarial assumptions
KLP's joint pension scheme for municipalities and enterprises («Fellesordningen»):
An important part of the basis of pension costs and pension liabilities is how mortality and disability develop amongst the members of the pension scheme. The 2011 calculation is based on a strengthened K2005 mortality tariff and a disability frequency corresponding with that observed in KLP's total membership.

Take-up of AFP for 2011 (per cent in relation to remaining employees):
On reaching 62 years there are 45 per cent who retire with an AFP pension. The remainder retire on reaching pensionable age.

Voluntary termination for Fellesordning during 2011 (in %)

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

Longevity:
K2005 without a safety margin has been used for mortality assumptions in 2011.

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

	2011	2010
Composition of the pension assets:		
Property	11,7 %	11,3 %
Lending	10,4 %	13,1 %
Shares	14,3 %	18,5 %
Long-term/HTM bonds	33,1 %	32,9 %
Short-term bonds	22,0 %	22,5 %
Liquidity/money market	8,6 %	1,6 %
Total	100,0 %	100,0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds managed at the end of the year by KLP. Value-adjusted return on the assets was 3.3 per cent in 2011 and 7.5 per cent in 2010.

Expected payment into benefits plans after cessation of employment for the period 1 January 2012 – 31 December 2012 is NOK 9,343,219.

Note 22 Tax

NOK thousands	2011	2010
Accounting income before taxes	**25 184 801**	77 932 651
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	51 726 127	5 340 465
Reversal of value increase financial assets	-48 051 774	-106 691 847
Accounting loss on realisation of shares and other securities		
Accounting gain on realisation of shares and other securities	-5 368 613	-8 477 691
Tax gain on realisation of shares and other securities	5 968 420	
Tax loss on realisation of shares and other securities		-644 700
Refunding of 3% tax-free income i.a.w. the exemption method	161 058	254 331
Share of taxable income in partnerships	26 737 090	16 483 605
Share of accounting income in partnerships		
Other permanent differences	143 577	136 890
Dissolving of admin. reserve 1 January 2011	-85 349 380	
Change in differences affecting relationship between accounting and tax income	128 420 045	-35 536 399
Taxable income	**99 571 352**	-51 202 696
Group contribution received with tax effect	0	0
Group contribution made	-48 368 657	0
Application of previous years' deficit	-51 202 696	
Deficit for the year is transferred to carryforward deficit	0	51 202 696
Base for tax payable	0	0
Deficit carryforward allowable from previous years	51 202 696	0
Change for the year in carryforward deficit	-51 202 696	51 202 696
Total carryforward deficit and allowance as at 31 December 2011	0	51 202 696
Basis tax payable after carryforward deficit and Group contributions made	0	0
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Other differences	271 058 066	393 942 997
Securities	7 128 063	14 804 107
Income differences in holdings in partnership companies	40 247 237	26 009 228
Total tax-increasing temporary differences	318 433 366	434 756 332
Tax-reducing temporary differences:		
Profit and loss account	0	0
Pension obligations	-37 502 612	-31 967 499
Unused allowance share dividend	0	0
Total tax-reducing temporary differences	-37 502 612	-31 967 499
Net temporary differences	280 930 754	402 788 833
Differences not included in the calculation of deferred tax/tax assets	-271 058 066	-393 942 997
Carryforward deficit	0	-51 202 696
Basis for deferred tax / deferred tax assets	9 872 688	-42 356 860
Deferred tax 28 %	2 764 353	-11 859 921
Devaluation of deferred tax assets	0	0
Capitalised deferred tax/deferred taxes assets	**2 764 353**	-11 859 921
Change in deferred tax taken to profit/loss	**14 624 273**	-2 915 425
Summary of tax expense for the year		
Group contribution made	-48 368 657	
Tax payable on Group contribution taken to profit/loss	-13 543 224	
Change in deferred tax taken to profit/loss	-14 624 273	2 915 425
Accrued tax from net change dissolution of admin. reserve and setting up ULAE reserve	-680 371	
Sum Total taxes	**-28 847 868**	2 915 425

Note 23 Transactions with related parties

NOK thousands	2011	2010
Income		
KLP Kapitalforvaltning AS, management fee	2 290	2 181
KLP Eiendom AS, management fee	772	
KLP Liv, rent	12 476	11 455
KLP Liv, pension premiums	6 510	6 432
KLP Liv, staff services (at cost)	53 433	44 948
KLP Banken AS, interest-subsidised employee loans	55	0
TOTAL	**75 536**	65 016
Financial position statement		
KLP Liv, net internal receivables	-12 862	-12 208
KLP Kapitalforvaltning AS, net internal receivables	-471	-324
KLP Banken AS, net internal receivables	-55	0
TOTAL	**-13 387**	-12 532

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 internal receivables are settled as they arise.

Note 24 Claims for own account

Claims estimates excluding pool schemes and indirect claims handling costs: Year: NOK thousands	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
- at year-end	351 309	411 030	375 461	416 252	390 521	428 760	441 592	465 393	525 859	514 663
- one year after	353 422	410 041	359 790	415 210	390 032	410 918	427 127	488 873	546 184	
- two years after	338 535	393 331	335 610	399 588	367 282	383 794	406 535	463 095		
- three years after	319 191	386 062	325 060	388 240	344 928	363 403	393 013			
- four years after	315 641	376 051	300 759	367 492	332 575	340 499				
- five years after	313 634	367 586	291 330	350 006	311 561					
- six years after	303 036	360 628	279 603	344 852						
- seven years after	294 616	354 375	268 009							
- eight years after	284 891	345 864								
- nine years after	289 905									
Present claims estimate	289 905	345 864	268 009	344 852	311 561	340 499	393 013	463 095	546 184	514 663
Claims paid	241 317	282 540	198 329	252 206	212 252	202 709	225 547	258 283	319 479	167 655
Remaining reserves	48 588	63 324	69 680	92 646	99 309	137 790	167 466	204 812	226 705	347 008

	As at 31.12.2011	As at 31.12.2010
Claims reserves excluding pool schemes and indirect claims handling costs:	1 609 438	1 624 561
Claims reserves for pool schemes excluding indirect claim handling costs:	52 857	8 841
Reserves for indirect claims handling costs:	83 363	87 779
Total claims reserves:	1 745 658	1 721 181

Reserves for indirect claims handling costs were introduced in 2011.
Reserves for indirect claims handling costs as at 31 December 2010 are not included in the financial statements presented for 2010.

[Translation from the original Norwegian]

To the Supervisory Board and General Meeting of KLP Skadeforsikring AS

Auditors' report

Statement on the annual financial statements

We have audited the annual accounts for KLP Skadeforsikring AS, which show a loss of NOK 3,663,000. The annual financial statements comprise the statement of financial position as at 31 December 2011, the income statement, the statement of changes in owners' equity and the statement of cash flows for the accounting year that ended on this date, and a description of the significant accounting principles applied and other information notes.

The responsibilities of the Board of Directors and the CEO for the annual financial statements

The Board of Directors and the Managing Director are responsible for preparing the annual financial statements and for these providing a true and fair picture in accordance with the provisions of the [Norwegian] Accounting Act and generally accepted accounting practice in Norway, and for such internal controls as the Board and Managing Director consider necessary to enable the preparation of annual financial statements that do not contain material misstatement, either as a result of irregularity or error.

Tasks and duties of the auditors

Our responsibility is to express an opinion on these annual accounts on the basis of our audit. We have conducted the audit in accordance with statutes, regulations and good accounting practice generally accepted in Norway, including International Standards on Auditing. These auditing standards require that we comply with ethical requirements and plan and perform the audit to obtain satisfactory assurance that the financial statements do not contain material misstatement.

An audit involves carrying out measures to collect audit evidence of the sums and information in the annual financial statements. The chosen measures depend on the auditor's judgement, including the assessment of the risk of the annual financial statements containing material misinformation, whether as a result of irregularity or error. In making such an assessment of risk the auditor takes account of the internal controls that are relevant for the company's preparation of annual financial statements that provide a true and fair picture. The objective is to design audit measures that are appropriate to the circumstances, but not in order to express an opinion on the effectiveness of the company's internal control. An audit also involves an assessment of whether the accounting principles applied are appropriate and whether the accounting estimates prepared by the management are reasonable, as well as an assessment of the overall presentation of the annual accounts.

In our opinion the audit evidence collected is sufficient and appropriate as a basis for our conclusion.

Conclusion

In our opinion the annual financial statements have been presented in accordance with statutes and regulations and provide a true and fair picture of the financial position of KLP Skadeforsikring AS as at 31 December 2011, and of income and cash flows for the accounting year that ended on this date in accordance with the rules of the Accounting Act and generally accepted accounting practices in Norway.

PricewaterhouseCoopers AS Postboks 748 Sentrum NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Member of the Norwegian Institute of Public Accountants

Opinion on other matters

Conclusion on the directors' report

Based on our audit of the annual financial statements as described above, we consider the information in the Directors' Report on the annual financial statements, the going concern assumption, and the proposal for meeting losses are consistent with the annual accounts and comply with the law and regulations.

Conclusion on registration and documentation

Based on our audit of the annual financial statements as described above, and check measures we have found necessary in accordance with international standards for ISAE 3000 certification assignments, «Certification assignments that are not audit or limited audit of historic financial information», we consider that the management has fulfilled its duty to ensure orderly and clear registration and documentation of the company's accounting information in accordance with the law and good bookkeeping practice in Norway.

Oslo, 17 February 2012
PricewaterhouseCoopers AS

[signed]
Magne Sem
State Authorized Public Accountant

PricewaterhouseCoopers AS Postboks 748 Sentrum NO-0106 Oslo
T: 02316, www.pwc.no
Org.no.: 987 009 713 MVA, Member of the Norwegian Institute of Public Accountants

KLP Skadeforsikring AS

ACTUARY'S STATEMENT

The technical provisions as at 31 December 2011 satisfy the applicable requirements for provisions. The actuary considers the level of reserves to be satisfactory in relation to the purpose of the provisions and the risk assumed.

Oslo 17 February 2012

Espen F. Olsen
Chief Actuary

To the Supervisory Board and General Meeting of
KLP Skadeforsikring AS

THE CONTROL COMMITTEE'S STATEMENT ON THE FINANCIAL STATEMENTS FOR 2011

In accordance with Section 9 of its instructions, the Control Committe has reviewed the annual financial statements and the report of the Board of Directors, the income statement and statement of financial position as well as the auditors' report for KLP Skadeforsikring AS.

The Control Committee recommends that the KLP Skadeforsikring AS Supervisory Board and the General Meeting adopt the annual financial statements and the report of the Board of Directors and, in accordance with the recommendation of the Board of Directors, resolve to attribute the loss for the year of NOK 3 663 068 as follows:

Change in natural perils fund provision	*35 667 364*
Change in guarantee scheme	*-1 264 005*
Net Group contribution made, after tax	*-34 825 433*
Transferred from other owners' equity contributed	*4 085 142*
Total transfers and allocations	*3 663 068*

Oslo, 23 March 2012

[signed]
Ole Hetland

[Signed]
Bengt P. Johansen

[signed]
Line Alfarrustad

[Signed]
Thorvald Hillestad

[signed]
Jan Rune Fagermoen

To the General Meeting of
KLP Skadeforsikring AS

The KLP Skadeforsikring AS Supervisory Board has examined the annual financial statements presented by the Board of Directors comprising the income statement, financial position statement, statement of cash flows, statement of changes in owners' equity and notes, the Directors' report as well as the actuary's certificate, audit report and the Control Committee's statement.

The Supervisory Board recommends the KLP Skadeforsikring AS General Meeting adopts the annual financial statements and the report of the Board of Directors for 2011 and, in accordance with the recommendation of the Board of Directors, resolves to meet the loss for the year of NOK 3,663,068 as follows:

Change in natural perils fund provision	*35 667 364*
Change in guarantee scheme	*-1 264 005*
Net Group contribution made, after tax	*-34 825 433*
Transferred from other owners' equity contributed	*4 085 142*
Total transfers and allocations	*3 663 068*

Oslo, 11 April 2012

[Signed]

Ingunn Foss
Chair of the Supervisory Board

For the days to come Photographed by Ingrid Eriksen

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