KLP Skadeforsikring AS

annual report 2010

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During 2010 KLP had an internal photographic competition. The contributions from employees were to visualise KLP's core values, which are "open", "clear", "responsible" and "committed". Jury members included Morten Krogvold. We are presenting the four winning pictures in this annual report.


open
Photo: Grete Ingelsrud

An abnormal year for school fires

For a number of our customers the year 2010 was marked by dramatic events linked to fires at schools and sports facilities. Notwithstanding major challenges linked to these fires, KLP Skadeforsikring AS emerged with a satisfactory result this year seen as a whole.

Over several years the Company has built up solvency that provides the strength to cope with unexpected events. It means that we can fulfil our prime objective which is to bear risk and contribute to safeguarding important social undertakings.

The total costs of the fire damage for KLP Skadeforsikring amount to almost NOK 300 million. In comparison, the average for the last five years has been NOK 20 million! It is expected that these figures will vary substantially, but this is a dramatic deviation for one single accounting year.

Looking more closely at these claims, the number of claims is somewhat higher than expected, but this in itself does not explain the major impact on annual costs. On the contrary the explanation may be found in the fact that each individual fire has been significantly larger in scope than similar claims in previous years. This will also vary over time, but as stated, this time the impact was unusually substantial.

Some will remember some of these fires for the ensuing difficult and fundamental discussions that arose. These were associated with safety regulations and fire prevention measures in buildings. It is a sad fact that the majority of these school fires are deliberately set, by igniting garbage that is either lying against the wall of the building, or that can - all too easily - be moved against the wall. The insurance companies introduced rules on securing garbage containers about 10 years ago. In the event of breach of such rules (safety regulations) the compensation may be reduced or may even be ruled out entirely.

Through inspections of more than 360 schools in autumn 2010 we confirmed that many have introduced simple and effective measures that make impulsive fire-setting difficult, whereas others (almost half) had yet to introduce measures to secure their schools. In these cases guidance has been given on how measures can be implemented - and on the possible consequences for claim settlement if the school catches fire and the cause of the fire can be linked to the breach of the duties that apply in accordance with the insurance agreement.

Naturally there is a double objective to such a measure. The most important is to encourage the avoidance of claims. From that point of view it is an important social objective to contribute to this process. Additionally it is wrong that those who have already safeguarded themselves should contribute through their insurance premiums to pay for those who fail to follow simple procedures that have proved effective.

KLP Skadeforsikring AS places decisive weight on dialogue and an open and facts-based approach to the question of compensation, but most important is to seek to avoid the claims in the first place. That is in the interests of all parties.

Hans Martin Hovden
Managing Director


clear
Photo: Anne-Therese Sande

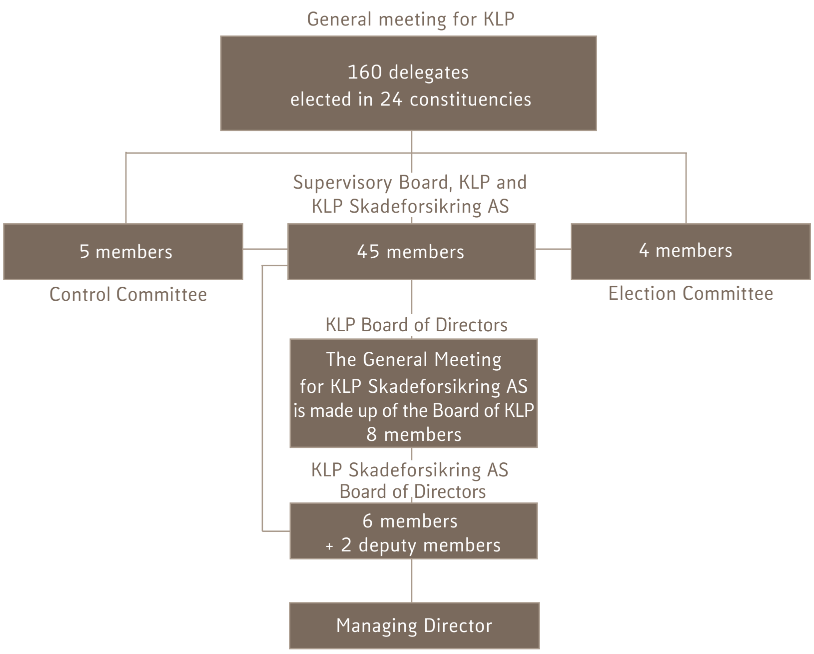
Corporate governance

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

The Supervisory Board

The Supervisory Board elects KLP Skadeforsikring AS's Board of Directors. The Company's Supervisory Board is by virtue of the company's Statutes 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 accounts 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 in general. 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 is elected by the employees of the non-life company. Two Board members are elected from individuals not employed 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 forming the Kommunal Landspensjonskasse's Control Committee.

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

Other governing and supervisory bodies

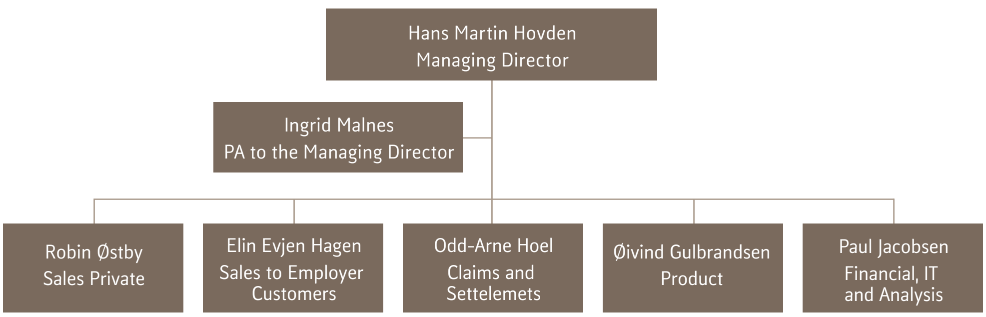
All insurance companies are subject to inspections by the Financial Supervisory Authority of Norway which check that the company is run in a satisfactory way and in accordance with legislation and regulations, and circulars issued by the Financial Supervisory Authority of Norway itself. The Company has the same external auditors as the holding company. Currently the PricewaterhouseCoopers AS accountancy company audits the company's accounts and procedures.

The Group has a central staff of internal auditors who also examine the company's activities at an operational level. Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board annually as well as providing an annual confirmation of the Company's internal control 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 personal customers, sales to the employer sector, claim settlement, product and staff functions respectively.



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

The Board of Directors of KLP Skadeforsikring AS. Bengt K. Hansen, Kjell Arvid Svendsen, Sverre Thornes, Reidar Mæland and Reidun W. Ravem. Ida Espolin Johnsen was not present for the picture.

Annual report 2010

- The Company's has a profit after tax of NOK 80.8 million.

- The Company's investment in developing the personal market has been well received and new subscriptions during 2010 amounted to NOK 40.5 million.

- The 2010 insurance year was marked by a number of large property claims, particularly school fires, as well as a historically large water-damage claim caused by frost.

- During 2010 KLP Skadeforsikring AS underwent a certification process in accordance with the ISO 9001 standard and was accredited from the start of the New Year.

Result and allocation

Income before tax for 2010 was NOK 77.9 million (216.9).

	2010	2009
Gross premiums written (MNOK)	630.8	608.9
Income after tax (MNOK)	80.8	191.8
Owners' equity (MNOK)	840.5	759.7
Total assets (MNOK)	3.501.8	3.262.9
Financial return (%)	7.2	8.3
Capital adequacy (%)	32.0	33.6
Claims ratio (%)	91.5	66.5
Costs ratio (%)	30.4	29.1

Key figures from the accounts

As a result of the abnormally high number of large property claims the technical result as a whole is weak. Compensation associated with claims over NOK 10 million is in excess of NOK 350 million. The total claims ratio for own account for all sectors is 91.5 per cent (66.5) and combined ratio is 121.9 per cent (95.5 per cent).

The Company's investment in the personal market continues to show good development, and the Company's own sales unit is achieving higher sales than expected. The long-term objective has been to establish the web-channel as the most important distribution channel. So far this has proved to be challenging, and the web share of sales in 2010 stood at 18 per cent.

Key figures from the accounts

(In NOK million)	2010	2009
Earned premium for own account	538.5	569.3
Other income	2.1	1.3
Financial income	217.3	241.7
Claims incurred, net of reinsurance	-493.0	-381.0
Contingency reserves etc.	-23.5	-48.9
Operating expenses	-163.5	-165.5
Operating income before tax	77.9	216.9
Tax	2.9	-25.2
Income after tax	80.8	191.8
Allocations to funds included in Owners' equity	-27.8	-32.9
Income after tax and allocations to funds reclassified as owners' equity	53.0	158.9

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

Allocation of income for the year

(In NOK million)	2010
Income for the year	80.8
is allocated as follows:	
- to the natural perils pool	21.3
- to administration reserves	6.0
- to the guarantee scheme	0.5
- allocated to other equity	53.0
Total allocation and transfer	80.8

Solvency and owners' equity

The Company's owners' equity after allocation of the surplus is NOK 840 million. Unrestricted owners' equity totals NOK 122 million. The Company has set aside NOK 456 million in security reserves against a minimum requirement of NOK 236 million.

Total assets increased during the year from NOK 3,263 million to NOK 3,502 million. As a result of the insurance portfolio having developed towards a more balanced structure between short and long-tail business, the growth in total assets has been lower than in previous years. Last year the growth was 7.3 per cent.

The Company's liquidity situation has been satisfactory throughout the accounting year.
More than half of the premium payments occur during the first quarter. The cash flow from operational activities has been positive during 2010. Cash flow may vary from year to year for an insurance company, depending on the pace of payment of claims occurring. During 2010 a few large claims have impacted on income even though these have not yet reached the payment stage.

At the end of the year the Company had capital adequacy of 32.0 per cent compared to the 8.0 per cent required by the regulations. KLP Skadeforsikring also satisfies the requirements for solvency capital by a good margin.

Risk considerations

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 essential to the Company's risk management.

The Company has defined its risk-bearing capability. The risk strategy is based on comprehensive modelling which takes account of insurance risk and financial risk.

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

Insurance risk

Municipal business has proved to have major variation in claims results to a greater extent than other non-life insurance. In this sense the abnormal large-claim situation is an example of this. This type of fluctuation is taken into account in calculating the Company's risk premiums.

Historically the Company has had a large proportion of business with long settlement periods. Combined with a significant proportion of property risk exposed to large claims, this has contributed to a higher insurance risk than for the market otherwise. The Company's growing business within the personal customer segment will help to stabilise the total risk result.

The reinsurance programme limits the Company's own account per claim event. If there is a large number of major claims the Company's own account is reduced.

Since the Company now has a stable high volume of business and good solvency, the Company has good capacity to bear risk for own account. The Company's reinsurance programme is optimised on the basis of the Company's financial position and risk circumstances in the insurance portfolio. Premium ceded to reinsurance is now 8 %.

Financial risk

At the end of the year KLP Skadeforsikring AS was managing NOK 3,037 million (3,000). The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group.

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

KLP Skadeforsikring AS has a large proportion of its business in sectors with personal injury claims for which compensation is finally set and paid after many years. Therefore substantial claim reserves are built up. The financial revenues thus represent a major proportion of the Company's added value.

The interaction between insurance risk and financial risk is analysed thoroughly. In this work the Company uses, inter alia, simulation tools to find the optimal financial allocation.

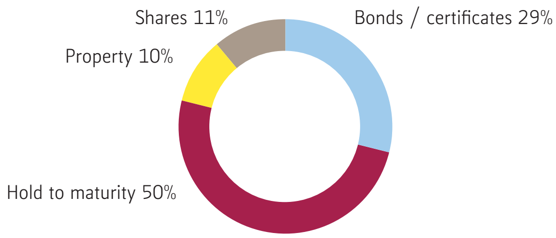
As a part of this optimisation the Company has built up a substantial portfolio of hold-to-maturity bonds where the maturity structure is matched to the expected payout profile for the claims reserves.

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 meet the risk of increased inflation and high G-growth, the Company has increased its property investments in the course of 2010 and established a portfolio of bonds where the return is linked to the consumer price index. In total 13.7 per cent of assets managed are invested within these two asset classes.

The Company sold its holdings in hedge funds in the course of 2010.

Foreign exchange forwards and interest rate derivatives are used only for hedging purposes and have been used to a very limited extent during 2010.

ASSET COMPOSITION AS AT 31.12.2010



The Company continuously measures 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.

Counterparty risk

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

In its choice of reinsurers the Company endeavours to spread ceded liability over a wide selection of reinsurers. No reinsurer has a weaker credit rating than A-. The largest theoretic single exposure to the reinsurers in the current reinsurance programme in the event of a fire is estimated at NOK 292.5 million. This reinsurer has an A+ rating.

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 reinsurance 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 Company has made use of this entitlement during 2010.

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

Operational risk

The Company closely monitors those risks that lie at the administrative level and has over the last year examined all internal work processes. The purpose of this is to ensure consistent and correct processing, a stable operational environment and good procedures for providing services to our customers. In the course of the year the Company's procedures and quality assurance of these has been examined by Veritas in line with an ISO 9001 certification and at the end of the year the Company was accredited.

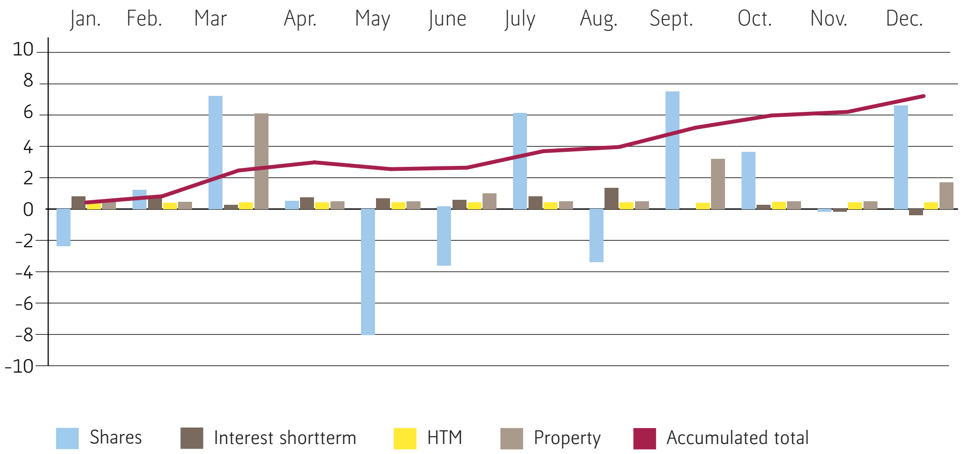
The Company's operations are largely conducted by using electronic aids. There is therefore close attention to securing against, and if necessary dealing with, interruption of operations in connection with the IT systems. As a part of this the Company upgraded its system platform during the year.

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 market. Weight is attached to appearing as a safe business partner and to the representatives of the Company satisfying strict ethical requirements. The Company has adopted the industry's certification scheme for insurance advisers and over the first half of 2011 all employees in sales will go through an approval scheme conducted by the Norwegian Financial Services Association.

Return on capital

The return on financial assets in 2010 was good. In particular the shares portfolio provided a good return over the year. NOK 102 million of the year's financial revenue is the result of unrealised value gains.

Return on assets managed was 7.2 per cent (8.3). Fixed interest investments in short-term and hold-to-maturity assets produced 5.9 and 5.2 per cent respectively, whereas shares produced 14.6 per cent. The Company's property investments had a return of 14.3 per cent.



Operating expenses

Measured against premium earned for own account the costs ratio was 30.4 per cent (29.1). During the year extraordinary write-down of capitalised software has been undertaken. Also during the year a comprehensive upgrade of the technical environment and upgrade of the insurance system to a new version have been undertaken and capitalised in part. In total during 2010 NOK 21.8 million has been taken to expenses in regard to maintenance and depreciation of the Company's IT solutions.

Regulatory framework

Amendments to the Norwegian Act on Insurance Activities were adopted in November. The changes came into effect on 1 January 2011. As far as the Company can see these changes will not be of major significance to the Company's activities. The chapter of the Act concerning pool schemes for essential insurance policies has in anticipation of more detailed regulatory provisions not been put into effect.

Ethics in the investment process

Customers often emphasise the social and ethical aspects of the providers' businesses in their invitation-to-tender statements of requirements. The Company has made the UN conventions and norms for ethical evaluation criteria fundamental to its investment decisions. These cover human rights, child labour, the environment, employee rights, weapons manufacture and corruption. 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 steering 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.

Loss prevention initiatives

During 2010 KLP Skadeforsikring AS has continued its partnership with the Directorate for Civil Protection and Emergency Planning (DSB) and the Norwegian Fire Protection Association on systematic safety management.

Six nationwide courses have been carried out, each of three days, for property managers, owners and business leaders. Those who have completed such courses have asked for a follow-up day in 2011, an indication that the arrangement has been well received.

The cooperation with Trygg Trafikk - The Norwegian Council for Road Safety - was continued during 2010. KLP Skadeforsikring AS and Trygg Trafikk have cooperated on a revision and new issue of an information booklet to parents of six-year-olds who are to start at school. The guide "Særlig Farlig Skolevei" (A Particularly Dangerous Way to School) is a good result of the cooperation between KLP Skadeforsikring AS and Trygg Trafikk. The cooperation with Trygg Trafikk will be continued in 2011.

KLP's traffic safety prize for 2010 went to Belset School in the Municipality of Bærum.

As a result of the large school fires during the first half of the year, a comprehensive inspection of school buildings was initiated all over the country. In total 360 schools were inspected with fire as the main focus. The inspections provided the basis for a dialogue with the customers about risk reduction measures. The campaign was well received by our customers. Based on the experience from the campaign the Company will initiate more activities in 2011 to improve the individual customer's risk picture.

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).

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 an objective to minimise the use of paper. There are collection systems and recycling 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 in claim settlement, procurement and other services.

Organisation

At the end of 2010, there were 94 members of staff in permanent positions associated with the non-life company's activity. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo. Staff turnover in 2010 was 4.3 per cent (4 individuals). During the same period 4 new employees were appointed.

Total sickness absence was 4.4 per cent, divided between 2.0 per cent short-term absence and 2.4 per cent long-term absence. In total this represents 963 days of absence. Long-term absence increased by 0.1 percentage point compared to 2009. Short-term absence was also rising slightly during the period. In work to reduce sickness absence emphasis is placed on active monitoring and adapting the workplace for staff who have had lengthy sickness absence. As far as 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 2010 no work-related injuries or accidents were reported among the staff.

A good workplace

Works surveys show that KLP Skadeforsikring AS is a good workplace. This is an essential prerequisite to attracting, developing and retaining highly qualified employees. Changed external requirements require adjustment of employees' job descriptions and competencies in line with what the Company should be delivering at all times to our customers. Staff and compensation policy must therefore be balanced between cost-effectiveness, adjusting to the market, and flexibility. The Company's focus on the environment also makes it an attractive employer.

In May 2010 the Company moved into its new head office at Bjørvika. The premises are adapted to new cooperative forms of working, and experience so far has shown that the premises work as planned.

Diversity

KLP Skadeforsikring AS is committed to creating equal opportunities for personal and professional development in regard to recruitment, pay, training

KLP in which targets, tools and activities take and promotion. The Group has developed guidelines for equal opportunities and diversity in 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 are one female director and four female heads of department in a total of 15 senior managers.

Salary differences are monitored to ensure that salary differences are not established in connection with gender. No such salary differences have been discovered during 2010.

The Group's new head office in Bjørvika provides good accessibility and meets all statutory requirements concerning universal design.

Future prospects

KLP Skadeforsikring AS is a solid company with sound finances. 2010 has shown that, even in a year with unusually large numbers of claims, the Company can present a result that is satisfactory.

After several years with unusually high tendering activity a more normal situation is anticipated with about 25% of the local authorities going out to tender in 2011. Competition is still buoyant and is expected to continue so. More providers offer insurance to the public sector than before. The Company has a stable customer base and is experiencing a positive inflow within chosen corporate segments.

The personal market for non-life insurance is described as highly competitive. The number of online customers is expected to grow steadily as a result of increased familiarity with KLP and general market development towards a higher proportion of self-service solutions. The customer survey continues to show a very high degree of customer satisfaction. Since the insurance results are also positive there are good conditions for further growth in 2011.

Oslo, 15 February 2011

Sverre Thornes
Chair of the Board of Directors

Reidar Mæland

Ida Espolin Johnson

Kjell Arvid Svendsen

Reidun W. Ravem

Bengt Kr. Hansen
Staff-elected representative

Hans Martin Hovden
Managing Director

Photo: Øyvind Arnegård

KLP Skadeforsikring AS Income statement

Notes	NOK thousands	2010	2009
	TECHNICAL ACCOUNTS		
4	Gross premiums written	630 845	608 941
4	Reinsurance premiums ceded	-50 458	-35 770
	Change in provision for unearned gross premium	-45 530	-4 279
	Change in reinsurance share of unearned gross premiun	3 672	392
	Premium income for own account	**538 529**	**569 284**
	Allocated return on investments transferred from non-technical account	**56 342**	**60 107**
	Other insurance-related income	**2 110**	**1 295**
	Gross claims paid	-507 320	-409 969
	Reinsurance share of gross claims paid	37 889	16 873
	Changes in gross claims provision	-221 394	-40 339
	Change in reinsurance share of gross claims provisions	197 817	52 455
4	**Claims incurred, net of reinsurance**	**-493 007**	**-380 980**
19	Sales costs	-36 203	-36 549
	Insurance-related administration costs	-127 248	-128 914
20	**Insurance-related operating expenses**	**-163 451**	**-165 463**
	Technical profit/loss before contingency reserve provisions	**-59 476**	**84 242**
	Change in security reserve etc.	**-23 548**	**-48 906**
	Technical profit/loss	**-83 024**	**35 336**
	NON-TECHNICAL ACCOUNT		
	Income from interest and dividends etc on financial assets	109 896	129 792
	Value changes on investments	102 080	103 520
	Gains and losses realised on investments	8 466	11 168
	Administration costs related to investments, including interest costs	-3 144	-2 762
6	**Net income from investments**	**217 299**	**241 719**
	Allocated return on investments transferred to technical account	**-56 342**	**-60 107**
	Non-technical profit/loss	**160 957**	**181 613**
	Profit/loss before taxes	**77 933**	**216 949**
22	Tax	2 915	-25 167
	Profit/loss before other profit/loss components	**80 848**	**191 781**
		80 848	**191 781**
	Other profit/loss components		
	Comprehensive income	**80 848**	**191 781**
	Of which:		
	Change in natural perils pool fund provision	*-21 332*	*-22 081*
	Change in administration reserves	*-5 999*	*-10 535*
	Change in guarantee scheme provision	*-464*	*-291*
	Net Group contribution made		
	Annual profit/loss allocations to(-) / from(+) other owners' equity	*-53 053*	*-117 483*
	Unallocated part-year profit/loss		*-41 391*
	Total	**-80 848**	**-191 781**

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	31.12.2010	31.12.2009
	ASSETS		
	Capitalised IT systems	23 747	28 565
15	**Intangible assets**	**23 747**	**28 565**
9	Investments held to maturity	853 620	853 347
9	Lending and receivables	662 130	669 472
7	**Financial assets valued at amortised cost**	**1 515 750**	**1 522 819**
	Shares and holdings (unit trust)	334 742	334 770
	Property company holdings	316 458	145 280
	Hedge funds	0	61 032
8,12	**Shares and holdings**	**651 200**	**541 082**
9	Bonds and other fixed-return securities	471 234	580 459
9,12	Holdings in fixed income funds	265 805	294 918
	Other financial assets	133 381	61 108
7,9	**Financial assets valued at fair value**	**1 521 620**	**1 477 567**
	Total investments	**3 037 370**	**3 000 385**
	Reinsurance share of unearned gross premium	12 615	8 942
	Reinsurance share of gross claims reserve	321 433	123 616
4	**Reinsurance share of gross insurance liabilities**	**334 048**	**132 558**
	Receivables from policyholders	38 657	68 678
	Receivables related to reinsurance agreements	7 369	2 185
	Other receivables	884	798
	Receivables	**46 910**	**71 661**
	Bank deposits	47 913	20 741
	Deferred tax	11 860	8 944
	Other assets	**59 773**	**29 686**
	TOTAL ASSETS	3 501 848	3 262 855

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	31.12.2010	31.12.2009
	OWNERS' EQUITY AND LIABILITIES		
	Owners' equity contributed		
	Paid in 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		
	Administration reserve	85 349	79 351
	Natural perils pool fund reserve	246 309	224 977
	Guarantee scheme reserve	26 256	25 792
14	**Funds etc.**	**357 914**	**330 119**
	Other retained earnings	121 719	68 666
14	**Retained earnings**	**479 634**	**398 785**
	Provision for unearned gross premium	133 837	88 307
	Gross provision for claims	1 954 836	1 733 575
	Security reserves	455 706	432 158
4	**Gross insurance liabilities**	**2 544 379**	**2 254 040**
21	Pension obligations etc	31 967	31 153
	Provision for liabilities	**31 967**	**31 153**
	Liabilities related to direct insurance	57 565	48 506
	Liabilities related to reinsurance	838	2 458
	Group contribution	0	140 000
	Liabilities within the Group	12 532	9 751
	Other liabilities	4 084	8 310
	Liabilities	**75 020**	**209 025**
	Other accrued costs and prepaid income	9 982	8 985
	Accrued costs and prepaid income	**9 982**	**8 985**
	TOTAL EQUITY AND LIABILITIES	3 501 848	3 262 855

Oslo, 15 February 2011

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Staff-elected representative

Hans Martin Hovden
Managing Director

KLP Skadeforsikring AS Schedule of changes in owners' equity 31.12.2010

2010

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2010	360 866	398 785	759 651
Comprehensive income	0	80 848	80 848
Total comprehensive income	0	80 848	80 848
Transactions with owners			
Owners' equity contribution received	0	0	0
Owners' equity contribution repaid	0	0	0
Group contribution	0	0	0
Total transactions with owners	0	0	0
Owners' equity 31.12.2010	360 866	479 633	840 499

2009

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2009	360 866	324 487	685 353
Comprehensive income	0	191 781	191 781
Total comprehensive income	0	191 781	191 781
Transactions with owners			
Owners' equity contribution received	0	0	0
Owners' equity contribution repaid	0	0	0
Group contribution paid net after tax	0	-117 483	-117 483
Total transactions with owners	0	-117 483	-117 483
Owners' equity 31.12.2009	360 866	398 785	759 651

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2010	2009
CASH FLOWS FROM OPERATIONS		
Insurance premiums received	662 191	566 371
Reinsurance premiums paid	-50 458	-35 770
Insurance claims and benefits paid	-498 490	-386 396
Reinsurance settlement for claims and insurance benefits received	31 059	94 243
Payments to other suppliers for products and services	-87 034	-90 383
Payments to staff, pension schemes, employer's social security contribution etc.	-68 281	-42 600
Interest received	104 837	109 613
Tax and public charges paid	-1 248	1 017
Net receipts/payments from property activities	28 304	0
NET CASH FLOW FROM OPERATIONS	120 879	216 095
CASH FLOW FROM INVESTMENT ACTIVITIES		
Receipts on the sale of shares	106 839	15 706
Payments on the purchase of shares and holdings (unit trust units)	0	-175 777
Receipts on the sale of bonds	433 530	441 757
Payments on the purchase of bonds	-280 632	-441 188
Receipts on the sale of certificates	127 002	190 080
Payments on the purchase of certificates	-113 009	-157 213
Net cash flow from purchase/sale of other short-term securities	-72 259	-37 778
Payments made for holdings in general partnerships (ANS)	-150 299	0
Payments on the purchase of tangible fixed assets etc.	-4 879	0
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	46 293	-164 414
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts on issuance of share capital/preference capital	0	0
Group contributions made	-140 000	-45 189
NET CASH FLOWS FROM FINANCING ACTIVITIES	-140 000	-45 189
NET CHANGE IN BANK DEPOSITS	27 172	6 493
HOLDINGS OF CASH AND BANK DEPOSITS AT START OF PERIOD	20 741	14 248
HOLDINGS OF CASH AND BANK DEPOSITS AT END OF PERIOD	47 913	20 741

Note 1 General information

KLP Skadeforsikring AS provides non-life insurance to municipalities, county authorities, health enterprises and businesses both in the public and private sector. Since spring 2008 the Company has also sold insurance products for the personal market, primarily directed at KLP's 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 in Dronning Eufemias gate 10, 0191 Oslo.

The Company's annual accounts for 2010 were approved by the Company's Board of Directors on 15 February 2011.

Note 2 Summary of the most important accounting principles

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

2.1 FUNDAMENTAL PRINCIPLES

The accounts for KLP Skadeforsikring AS have been prepared in accordance with Regulations No. 1241 of 16 December 1998: "Regulations for annual accounts etc for insurance companies" (Annual Accounts Regulations) as well as the Regulations of 18 December (2009) on amendment of the above mentioned Regulation No. 1241. The regulations have been changed as a result of harmonisation with international EU-approved accounting principles (IFRS/IAS) and changes in insurance legislation. The amendments lay down that company accounts are to be prepared in accordance with Regulations on International Accounting Standards made pursuant to the Norwegian Accounting Act § 3-9 second paragraph unless otherwise provided for in the Regulations. KLP Skadeforsikring AS is part of a Group that presents consolidated accounts in accordance with IFRS and thus presents company accounts complying with international accounting standards in accordance with the Accounting Act § 3-9 with the exception of those supplements resulting from the Annual Accounts Regulations.

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

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

2.3 CONVERSION OF TRANSACTIONS IN FOREIGN CURRENCY

a) Functional currency and presentational currency

The Company's accounts are presented in NOK, which is the functional currency of the Company.

b) Transactions and statement of financial position items

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

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

2.4 INTANGIBLE ASSETS

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

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

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

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

2.5 FINANCIAL ASSETS

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

a) Fair value through profit and loss

This category is divided into two subcategories: (1) held for trading, 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 profit and loss on acquisition comprise financial assets managed as a group and where their earnings are valued and reported to management on the basis of fair value. The size of the portfolio is decided on the basis of the Company's desired risk exposure to the interest 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, and that are not traded in an active market or that the Company intends to sell in the short-term or has earmarked at fair value through profit and loss.

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

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

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

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

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

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

c) Financial assets held to maturity

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

Financial assets held to maturity are recognized in the balance sheet for the first time at fair value. Subsequent measurement is at amortised cost using the effective interest rate method with deductions for write-downs 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 buy or sell that financial asset. Financial assets are recognized at fair value from the date the company takes over entitlements and liabilities associated with the asset. Direct costs of purchase are included in acquisition cost except for purchase costs associated with assets at fair value over profit/loss. For these assets purchase costs are taken to expenses directly. For financial assets where the purchase costs are included in the acquisition cost, the difference between the transaction prices including purchase costs will form the basis for change in value to final price on the trading day. Financial assets cease to be recognized when the Company is no longer entitled to receive the cash flow from the asset or the Company has transferred all risk and entitlements associated with its ownership.

2.6 ALLOCATED INVESTMENT RETURN

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

In the calculation of allocated investment return a calculation basis is used corresponding to "gross insurance funds" 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 2009 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 2010 has been calculated by the Financial Supervisory Authority of Norway at 2.45 per cent. For 2009 it was calculated to be 2.7 per cent.

2.7 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 payment.

2.8 INSURANCE CONTRACTS

The Company defines insurance contracts in line with IFRS 4. An essential condition for a contract being defined as an insurance contract is that it must contain significant insurance risk. The 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.

2.9 PRODUCTS

The following non-life insurance products are offered:

Occupational Injury and Safety/ Workers' compensation

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 own 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.

Motor Vehicle

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

Third-part liability

Insurance contracts that cover damage incurred by third parties as 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 mentioned above.

2.10 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 provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242 with updates.

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

a) Administration reserve

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

b) Guarantee scheme

Provisions to the guarantee scheme are meant to cover possible future payments resulting from another non-life insurance company not being able to meet its 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.

c) Natural perils pool fund

Provisions to the natural perils pool fund are meant to cover possible future payments for compensation associated with future natural 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.

d) Reinsurance reserve

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 is presented as a part of other retained earnings.

The following funds are included in the technical provisions:

a) Provision for unearned premiums
   The premium reserve comprises premiums due but not earned as at the end of the accounting year.

b) 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.

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

2.11 PENSION OBLIGATIONS OWN EMPLOYEES

The Company's pension obligations are partially insurance-covered through KLP public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability in excess of the joint pension scheme is covered through operation. Pension costs are treated in accordance with IAS 19.

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the current value of the calculated pension obligations. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local authority sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions. Net liability is classified as provision for liabilities in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension obligations, 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 obligations and expected returns on the pension assets. In addition there are estimate deviations brought to profit/loss. The estimate deviation comprises the difference between estimated and finally calculated pension obligations and assets. Estimate deviations in excess of 10 % of the higher of gross pension obligations and gross pension assets at the beginning of the year (the corridor) are presented as profit/loss by straight line over the remaining accumulation time.

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

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

2.12 THE COMPANY'S OWNERS' EQUITY

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

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

Attention is also drawn to the description in subparagraph 2.10 where it states that the administration reserve, provision to the guarantee scheme and provision to the Natural Perils Pool are included in the Company's owners' equity as restricted funds.

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

2.13 PRESENTATION OF INCOME IN THE ACCOUNTS

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

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

b) Interest income/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.

2.14 TAXES

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

2.15 CASH AND CASH EQUIVALENTS

Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. Bank deposits associated with the securities business are defined as financial assets. The 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 accounts.

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

Insurance contracts

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

In non-life insurance, measurements 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.

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 requirements.

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 AS is a substantial property operator in the Norwegian market.

As at 31.12.2010 buildings and real estate were valued using KLP Eiendom AS's value assessment model. The model is based on discounting of estimated 20-year cash flow, and as at 31.12.2010 used a discounting factor in the interval 7.40 – 9.35 per cent.

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 communal costs per square metre
- Upgrading costs per square metre 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 a 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 will be 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 relatively large impact in 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 obligations - own employees

The present value of the net pension obligations the Company has for its employees depends on a range of economic and demographic assumptions. Small changes in these variables can have a relatively large effect on gross accrued pension obligations and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension obligations by allocating and taking to profit/loss over the remaining duration only estimate deviations in excess of 10 per cent of the higher of gross pension obligations and gross pension assets. The Company has followed "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB), 6 January 2009. Updated guidance published on 6 January 2011 has been used as the basis for updated measurement of best-estimate accrued liability and assets as at 31.12.2010.

Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension obligations are the discounting interest rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, adjustments on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The discounting interest rate is set on the basis of government bonds interest and was assessed as at 31.12.2010 at 4.00 per cent and as at 31.12.2009 at 4.50 per cent (25 years weighted duration).

The assumptions on future salary growth, future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 4.00 per cent (salary growth) and 3.75 per cent (G and pensions adjustment). The pension adjustment for the local authority pension scheme should be the same as the G-adjustment.

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

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

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 great deal of certainty. For listed securities with little turnover, assessment is made whether the observable price can be taken as 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 interest-bearing securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. The yield curves are obtained daily from external sources but spread curves are obtained monthly. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

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

NOK thousands	Business (B2B) Occupational injury insurances	Safety insurances	Property insurances	Motor vehicle insurances	Third-party insurances	Total B2B insurances	Accident insurances	Property insurances
Premiums written								
Gross premiums	115 342	52 012	207 795	81 583	44 448	501 180	10 728	21 645
Premiums ceded	2 373	1 070	41 744	2 165	1 514	48 866	216	156
Premiums for own account	**112 969**	**50 942**	**166 051**	**79 418**	**42 934**	**452 314**	**10 512**	**21 489**
Gross business								
Gross premiums earned	110 049	49 100	201 106	75 740	42 412	478 407	10 194	15 852
Gross claims incurred	50 685	28 656	486 952	67 274	13 341	646 908	4 051	19 687
Gross insurance-related operating expenses	26 677	11 902	48 751	18 360	10 281	115 971	2 798	9 721
Gross technical profit/loss	**32 687**	**8 542**	**-334 597**	**-9 894**	**18 790**	**-284 472**	**3 345**	**-13 556**
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.								
Ceded business								
Premiums earned	2 553	1 094	37 037	2 504	1 969	45 157	221	292
Reinsurance share of claims incurred	5 478	-6 524	233 846	1 831	-1 582	233 049	0	0
Technical profit/loss	**-2 925**	**7 618**	**-196 809**	**673**	**3 551**	**-187 892**	**221**	**292**
Own account								
Technical profit/loss	**35 612**	**924**	**-137 788**	**-10 567**	**15 239**	**-96 580**	**3 124**	**-13 848**
Financial income	82 124	27 381	30 225	7 122	8 520	155 372	2 069	1 438
Result	**117 736**	**28 305**	**-107 563**	**-3 445**	**23 759**	**58 792**	**5 193**	**-12 410**
Financial income is calculated through "financial income achieved" of 7,17 % multiplied by average provisions in the relevant sector.								
Claims incurred gross								
Claims for the year	106 911	42 596	486 542	62 712	24 532	723 293	5 698	14 141
Run-off losses for previous years	-56 226	-13 940	410	4 562	-11 191	-76 385	-1 647	5 546
Claims incurred gross	**50 685**	**28 656**	**486 952**	**67 274**	**13 341**	**646 908**	**4 051**	**19 687**
Claims incurred, for own account								
Claims for the year	104 289	42 490	241 848	62 700	24 022	475 349	5 698	14 141
Run-off losses for previous years	-59 082	-7 310	11 258	2 743	-9 099	-61 490	-1 647	5 546
Claims incurred, for own account	**45 207**	**35 180**	**253 106**	**65 443**	**14 923**	**413 859**	**4 051**	**19 687**

Personal (B2C)												
Motor vehicle insurances	Leisure boat insurances	Travel insurances	Total B2C insurances	Natural Perils insurances	Other pool schemes etc.	**Total 2010**	Total 2009	Total 2008	Total 2007	Total 2006	Total 2005	Total 2004
48 359	2 052	5 175	87 959	42 994	-1 287	630 845	608 941	573 783	554 751	583 091	620 456	615 269
989	115	118	1 594	0	0	50 458	35 770	34 202	43 922	47 882	41 925	48 813
47 370	1 937	5 057	86 365	42 994	-1 287	580 387	573 171	539 581	510 829	535 209	578 531	566 456
35 009	1 559	4 162	66 776	41 420	-1 287	585 315	604 662	560 065	556 571	584 970	592 675	608 853
27 203	1 451	2 477	54 869	20 087	6 850	728 714	447 775	405 147	416 085	399 745	432 045	432 579
21 468	956	1 944	36 887	10 591	0	163 451	165 463	144 215	118 079	109 056	89 844	74 592
-13 662	-848	-259	-24 980	10 742	-8 137	-306 850	-8 576	10 703	22 407	76 169	70 786	101 682
908	101	109	1 631	0	0	46 786	35 378	34 255	35 318	47 882	41 925	48 813
-179	-2	-7	-188	0	0	232 861	69 323	33 815	-12 147	-8 892	42 667	10 693
1 087	103	116	1 819	0	0	-186 075	-33 945	440	47 465	56 774	-742	38 120
-14 749	-951	-375	-26 799	10 742	-8 137	-120 775	25 369	10 263	-25 058	19 395	71 528	63 562
2 487	143	235	6 371	17 589	629	179 962	197 973	7 251	88 110	86 559	93 067	78 839
-12 262	-808	-140	-20 428	28 331	-7 508	59 187	223 342	17 514	63 052	105 954	164 595	142 401
26 788	1 250	2 634	50 511	20 087	1 735	795 626	553 098	493 382	458 393	424 431	484 899	395 703
415	201	-157	4 358	0	5 115	-66 912	-105 323	-88 235	-42 308	-24 686	-52 854	36 876
27 203	1 451	2 477	54 869	20 087	6 850	728 714	447 775	405 147	416 085	399 745	432 045	432 579
26 788	1 250	2 634	50 511	20 087	303	546 250	483 899	463 478	453 276	417 386	446 556	395 589
594	203	-150	4 546	0	3 702	-53 243	-105 449	-92 146	-25 044	-8 749	-57 178	26 297
27 382	1 453	2 484	55 057	20 087	4 005	493 007	378 450	371 332	428 232	408 637	389 378	421 886

Note 4 continues on the next page

Note 4 Premiums, claims and provisions, contd.

NOK thousands		Business (B2B) Occupational injury insurances	Safety insurances	Property insurances	Motor vehicle insurances	Third-party insurances	Total B2B insurances
Technical provisions							
Premium reserve, unearned gross	01-01-10	**11 871**	**4 148**	**27 214**	**9 539**	**5 880**	**58 652**
FSA of N min requirements gross		11 871	4 148	27 214	9 539	5 880	58 652
Premium reserves, reinsurance share		803	280	5 729	880	833	8 525
Premium reserve, unearned f.o.a.		**11 068**	**3 868**	**21 485**	**8 659**	**5 047**	**50 127**
FSA of N min requirements f.o.a.		11 068	3 868	21 485	8 659	5 047	50 127
Premium reserve, unearned gross	31-12-10	**17 164**	**7 060**	**33 904**	**15 382**	**7 916**	**81 426**
FSA of N min requirements gross		17 164	7 060	33 904	15 382	7 916	81 426
Premium reserves, reinsurance share		623	256	10 436	541	379	12 235
Premium reserve, unearned f.o.a.		**16 541**	**6 804**	**23 468**	**14 841**	**7 537**	**69 191**
FSA of N min requirements f.o.a.		16 541	6 804	23 468	14 841	7 537	69 191
Claims reserve, gross	01-01-10	**957 463**	**317 839**	**287 714**	**62 824**	**74 342**	**1 700 183**
FSA of N min requirements gross		795 963	239 339	219 053	58 440	63 842	1 376 637
Claims reserve, reinsurance share		18 164	672	91 329	7 968	5 292	123 425
Claims reserve, f.o.a.		**939 299**	**317 167**	**196 385**	**54 856**	**69 050**	**1 576 756**
FSA of N min requirements f.o.a.		766 299	238 667	141 854	54 856	57 600	1 259 274
Claims reserve, gross	31-12-10	**905 305**	**293 500**	**571 609**	**65 438**	**68 995**	**1 904 847**
FSA of N min requirements gross		788 605	249 950	465 549	58 595	62 785	1 625 484
Claims reserve, reinsurance share		16 866	649	291 833	9 515	2 570	321 433
Claims reserve, f.o.a.		**888 439**	**292 851**	**279 776**	**55 923**	**66 425**	**1 583 414**
FSA of N min requirements f.o.a.		756 239	249 301	184 921	55 923	58 700	1 305 083
Security reserve	01-01-10	**169 684**	**56 541**	**130 338**	**24 647**	**37 097**	**418 307**
FSA of N min requirements		89 684	31 541	55 338	14 647	17 097	208 307
Administration reserve		**43 353**	**13 704**	**10 934**	**3 908**	**3 987**	**75 886**
FSA of N min requirements		43 353	13 704	10 934	3 908	3 987	75 886
Security reserve	31-12-10	**167 295**	**53 638**	**148 709**	**25 164**	**40 253**	**435 059**
FSA of N min requirements		87 295	28 638	63 709	15 164	20 253	215 059
Administration reserve		**43 004**	**14 237**	**13 605**	**4 296**	**4 325**	**79 467**
FSA of N min requirements		43 004	14 237	13 605	4 296	4 325	79 467
Provisions for pooling schemes and other special schemes							
Natural Perils Pool	01-01-10						0
Guarantee Scheme		6 339	2 577	9 186	3 024	1 952	23 078
Natural Perils Pool	31-12-10						0
Guarantee Scheme		5 743	2 383	9 212	3 330	1 981	22 648

		Personal (B2C)						
Accident insurances	Property insurances	Motor vehicle insurances	Leisure boat insurances	Travel insurances	Total B2C insurances	Natural Perils insurances	Other pool schemes etc.	Total 2010
925	**6 318**	**13 903**	**620**	**1 142**	**22 908**	**6 747**	**0**	**88 307**
925	6 318	13 903	620	1 142	22 908	6 747	0	88 307
39	175	166	15	21	416	0	0	8 941
886	**6 143**	**13 737**	**605**	**1 121**	**22 492**	**6 747**	**0**	**79 366**
886	6 143	13 737	605	1 121	22 492	6 747	0	79 366
1 459	**12 111**	**27 252**	**1 113**	**2 155**	**44 090**	**8 322**	**0**	**133 837**
1 459	12 111	27 252	1 113	2 155	44 090	8 322	0	133 837
35	39	247	29	30	380	0	0	12 615
1 424	**12 072**	**27 005**	**1 084**	**2 125**	**43 710**	**8 322**	**0**	**121 222**
1 424	12 072	27 005	1 084	2 125	43 710	8 322	0	121 222
20 034	**2 054**	**3 691**	**128**	**600**	**26 508**	**0**	**6 884**	**1 733 575**
20 034	1 954	3 691	128	600	26 408	0	6 884	1 409 929
0	0	178	3	7	188	0	0	123 613
20 034	**2 054**	**3 513**	**125**	**593**	**26 319**	**0**	**6 884**	**1 609 959**
20 031	1 952	3 513	125	593	26 214	0	6 884	1 292 372
20 271	**8 289**	**11 043**	**624**	**921**	**41 148**	**0**	**8 841**	**1 954 836**
20 271	4 989	10 043	324	921	36 548	0	8 841	1 670 873
0	0	0	0	0	0	0	0	321 433
20 271	**8 289**	**11 043**	**624**	**921**	**41 148**	**0**	**8 841**	**1 633 402**
20 267	4 983	9 658	318	910	36 136	0	8 841	1 350 059
5 517	**3 827**	**3 352**	**581**	**574**	**13 851**	**0**		**432 158**
5 517	3 827	3 352	581	574	13 851	0		222 158
1 322	**596**	**1 030**	**66**	**114**	**3 128**	**337**		**79 351**
1 322	596	1 030	66	114	3 128	337		79 351
5 808	**5 532**	**6 484**	**763**	**734**	**19 321**	**0**	**1 326**	**455 706**
5 808	5 532	6 484	763	734	19 321	0	1 326	235 706
1 375	**1 129**	**2 157**	**108**	**188**	**4 957**	**416**	**508**	**85 349**
1 375	1 129	2 157	108	188	4 957	416	508	85 349
					0	**224 977**		**224 977**
546	**109**	**257**	**11**	**72**	**995**	**1 719**		**25 792**
					0	**246 309**		**246 309**
516	**347**	**782**	**35**	**122**	**1 802**	**1 807**		**26 256**

Note 5 Fair value hierarchy

NOK thousands	31.12.2010	30.12.2009
Certificates, bonds, as well as lending and receivables		
Level 1: Value based on prices in an active market	458 980	495 485
Level 2: Value based on observable market data	402 215	429 929
Level 3: Value based on other than observable market data	-	-
Accrued interest	9 225	11 071
Certificates, bonds, as well as lending and receivables	870 420	936 485
Shares and holdings		
Level 1: Value based on prices in an active market	334 742	334 770
Level 2: Value based on observable market data	-	
Level 3: Value based on other than observable market data	316 458	206 312
Shares and holdings	651 200	541 082
Total financial assets valued at fair value	1 521 620	1 477 567

Changes in Level 3:	Book value
Opening balance 2010	206 312
Bought	150 299
Sold	-74 197
Other	-26 050
Unrealised changes	60 094
Closing balance 2010	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. The highest quality of fair value is based on listed prices in an active market. A financial instrument is considered to be listed in an active market if the listed price is 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.

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

Level 2: Instruments at this level obtain fair value from observable market data, but where the instrument is not considered to have an active market. This includes prices based on identical instruments, but where the instrument does not have a sufficiently high trading frequency, 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 interest-bearing securities priced on the basis of interest rate paths.

Level 3: Instruments at Level 3 contain no observable market data or where the market is 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 be traded. The instruments covered by Level 3 within KLP Skadeforsikring as at 31.12.2010 are general partnerships (ANS) holdings in property companies.

Note 6 Net income from investments

NOK thousands	2010	2009
Interest bank	1 582	3 016
Interest derivatives	0	0
Interest bonds fair value	27 530	48 637
Total interest income financial instruments at fair value	29 111	51 653
Interest bonds amortised cost	80 785	77 639
Interest lending	0	0
Total Interest income financial instruments at amortised cost	80 785	77 639
Dividend / interest shares and holdings	0	500
Total income from interest and dividend etc on financial assets	109 896	129 792
Value changes shares and holdings	100 637	110 645
Value change bonds	1 443	-6 627
Value change derivatives	0	-498
Total value change financial instruments at fair value	102 080	103 520
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	102 080	103 520
Realised shares and holdings	8 478	8 513
Realised bonds	-114	2 647
Realised derivatives	-44	429
Realised other	137	-19
Total realised financial instruments at fair value	8 457	11 570
Realised bonds at amortised cost	132	0
Total realised financial instruments at amortised cost	132	0
Other financial costs and income	-123	-402
Total realised gains and losses on investments	8 466	11 168
Transaction related costs	-212	-327
Management fees	-2 181	-2 222
Interest costs	-750	-213
Total management costs related to investments, including interest costs	-3 144	-2 762
Total net income from investments	217 299	241 719

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 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/offer spread in the market, price is adjusted accordingly. I.e. if the last traded price is below bid, price is adjusted up to bid. If it is above offer it is adjusted down to offer.
If the price picture is considered outdated the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as as a proxy for unlisted shares.
For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

c) Foreign interest-bearing securities

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

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

d) Norwegian interest-bearing securities - government

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

e) Norwegian interest-bearing securities - other

All Norwegian bonds except government bonds are priced theoretically. A zero coupon curve is used, as well as a spread for pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. 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 spreadcurves collected from five anonymous market operators that are reprocessed to an averagecurve. These are sent out about once a week.

f) Bonds measured at amortised cost, including bonds held to maturity

Market prices are obtained for these securities following the same principles as for Norwegian securities described above. The spread curves are provided by SE Banken and Swedbank.

g) Futures/FRA/IRF

All futures contracts are priced by Reuters. Prices are also obtained from Bloomberg to check the Reuters prices are correct.

h) Options

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

i) Interest rate swaps

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

For financial assets not measured at fair value, an assessment is made on the 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.

NOK thousands	2010 Capitalised value	2010 Fair value	2009 Capitalised value	2009 Fair value
Assets at amortised cost				
Investments held to maturity – at amortised cost				
Norwegian hold-to-maturity bonds	555 079	584 419	555 012	579 553
Accrued not due interest	11 867	11 867	11 867	11 867
Foreign hold-to-maturity bonds	281 455	291 190	281 249	288 881
Accrued not due interest	5 220	5 220	5 220	5 220
Total investments held to maturity	**853 620**	**892 696**	**853 347**	**885 521**
Bonds classified as lending and receivables – at amortised cost				
Norwegian bond loans	435 239	437 642	393 302	397 684
Accrued not due interest	7 482	7 482	6 423	6 423
Foreign bond loans	215 172	221 024	265 204	268 922
Accrued not due interest	4 238	4 238	4 542	4 542
Total bonds classified as lending and receivables	**662 130**	**670 386**	**669 472**	**677 571**
Total financial assets at amortised cost	**1 515 750**	**1 563 082**	**1 522 819**	**1 563 092**
Assets measured at fair value				
Property company holdings	316 458	316 458	145 280	145 280
Norwegian unit trusts	334 742	334 742	334 770	334 770
Alternative investments Norwegian	0	0	61 032	61 032
Total shares and holdings	**651 200**	**651 200**	**541 082**	**541 082**
Norwegian bonds	353 906	353 906	462 336	462 336
Accrued not due interest	7 540	7 540	10 337	10 337
Foreign bonds	15 095	15 095	0	0
Accrued not due interest	248	248	0	0
Norwegian certificates	88 031	88 031	87 052	87 052
Accrued not due interest	1 360	1 360	668	668
Foreign certificates	5 054	5 054	20 066	20 066
Total bonds and other fixed-return securities	**471 234**	**471 234**	**580 459**	**580 459**
Norwegian bond funds	265 805	265 805	294 918	294 918
Total interest-bearing funds	**265 805**	**265 805**	**294 918**	**294 918**
Total other financial assets	**133 381**	**133 381**	**61 108**	**61 108**
Total financial assets at fair value	**1 521 620**	**1 521 620**	**1 477 567**	**1 477 567**
Total investments	**3 037 370**	**3 084 702**	**3 000 385**	**3 040 659**

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	6.3
1% change in claim payments	MNOK	5.1
1 % change in claims reserve	MNOK	20.0

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

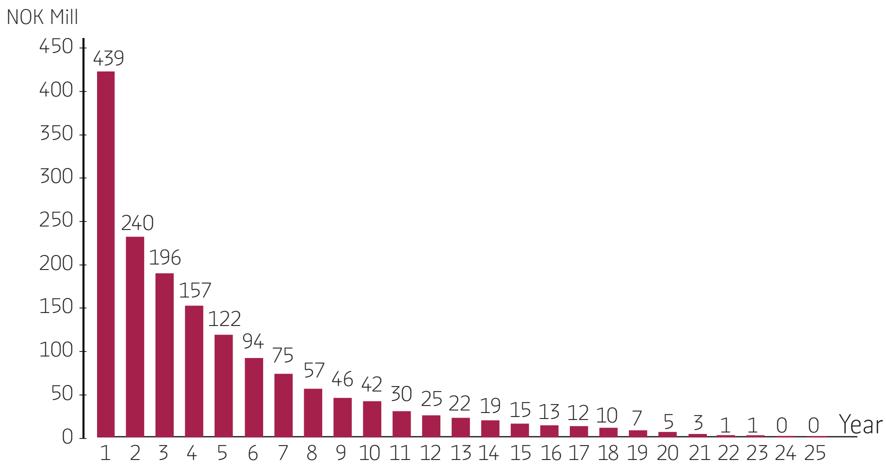
The Company's financial risk comprises liquidity risk, market risk and credit risk.

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 31.12.2010 is expected to have the following decay profile:

Claims reserve as at 31.12.2010



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 2010 the Company's Board adopted an asset management strategy for 2011. 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 long lead-time 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 2010 equity exposure was over 11 per cent, of which about 1.8 per cent was exposure to Norwegian shares. Holdings in property companies represented about 15.9 per cent.

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

Market risk	**31.12.2010**	31.12.2009	31.12.2008
KLP Skadeforsikring AS	341 mill.	205 mill.	166 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 of exclusively good credit notes with high credit quality, according to the ratings bureaus' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.5 billion, 37 per cent are rated AAA. The Company has about NOK 266 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. Non-rated / 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 authorities and other investments in Norwegian finance.

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

2010 NOK thousands	AAA	AA	A	BBB	Non-rated/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**
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**
Interest-bearing 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 2010	**670 365**	**225 821**	**611 578**	**0**	**878 405**	**2 386 170**

2009 NOK thousands	AAA	AA	A	BBB	Non-rated/NIG	Total
Investments held to maturity - at amortised cost						
Finance and credit enterprises	0	0	97 328	29 139	0	126 467
Public sector guarantee	10 582	0	0	0	0	10 582
Savings banks	0	0	0	0	139 210	139 210
Government and government guarantee within OECD	221 349	33 305	0	0	0	254 654
Public sector enterprises and covered bonds	0	0	25 236	0	138 552	163 789
Other	25 459	31 232	83 205	0	18 748	158 645
Total	**257 391**	**64 537**	**205 770**	**29 139**	**296 510**	**853 347**
Bonds at amortised cost						
Finance and credit enterprises	0	0	0	0	47 942	47 942
Public sector guarantee	151 315	30 039	0	0	11 112	192 466
Savings banks	0	0	6 318	0	61 953	68 270
Government and government guarantee within OECD	187 452	0	0	0	0	187 452
Public sector enterprises and covered bonds	25 684	0	62 187	0	0	87 871
Other	0	58 899	26 571	0	0	85 470
Total	**364 451**	**88 937**	**95 076**	**0**	**121 007**	**669 472**
Bonds and other fixed-return securities						
Finance and credit enterprises	0	20 066	0	0	67 001	87 067
Public sector guarantee	0	0	0	0	61 957	61 957
Savings banks	0	0	0	0	282 274	282 274
Government and government guarantee within OECD	143 717	0	0	0	0	143 717
Public sector enterprises and covered bonds	0	0	0	0	5 443	5 443
Total	143 717	20 066	0	0	416 675	580 459
Interest-bearing funds						
Other	0	0	294 918	0	0	294 918
Total	0	0	294 918	0	0	294 918
Lending and receivables						
Public sector, financial and credit enterprises	0	15 894	45 214	0	0	61 108
Total	0	15 894	45 214	0	0	61 108
Total 2009	765 559	189 435	640 978	29 139	834 192	2 459 304

There is a somewhat different grouping for 2010 than for 2009. The change for 2010 is that lending and receivables are grouped by country and not sector.

Note 10 Interest rate risk

31.12.2010	Interest rate sensitivity						
NOK thousands	Up to 3 mnth.	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 yrs	Change in cash flows	Total
Holdings equity funds [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 holdings	-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**

31.12.2009	Interest rate sensitivity						
NOK thousands	Up to 3 mnth.	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 yrs	Change in cash flows	Total
Holdings equity funds [1]	62	0	0	0	0	236	298
Alternative investments	238	0	0	0	0	319	557
Bonds and other fixed-return securities	-229	-704	-6 560	-3 887	0	666	-10 714
Fixed income fund holdings	-14 242	0	0	0	0	168	-14 074
Lending and receivables	0	0	0	0	0	873	873
Total	-14 171	-704	-6 560	-3 887	0	2 261	-23 060

In the longer term interest rate risk is 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 impact on income of the securities held as at 31.12.2010 can be expected to be moderate since the counterpart of the interest-bearing securities held by KLP Skadeforsikring AS is the fixed interest securities that are also measured at amortised cost.

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 if the interest rate had been one per cent higher over the year being reported on. The total of these reflects the total effect on income that the scenario of one per cent higher interest rates would have on 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 holdings covers that part of the fund that is not shares, but that 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

2010 NOK thousands		Financial position statement items excl. forex derivatives	Forex derivatives	Conversion rate	Net position
	AUD	1 484	-1 456	5,958	166
	CAD	1 909	-1 875	5,850	198
	CHF	1 373	-1 350	6,236	144
	DKK	7 023	-1 009	1,046	6 292
	EUR	15 899	-14 903	7,798	7 767
	GBP	2 233	-2 221	9,100	106
	HKD	3 982	-3 932	0,748	38
	ISK	6 696	0	0,051	339
	ILS	408	-402	1,641	10
	JPY	310 513	-304 584	0,072	425
	NZD	19	-18	4,541	2
	SEK	38 158	-3 627	0,865	29 855
	SGD	397	-393	4,537	19
	USD	42 479	-42 127	5,813	2 043
Total foreign exchange positions					47 404

2009 NOK thousands		Financial position statement items excl. forex derivatives	Forex derivatives	Conversion rate	Net position
	AUD	1 736	-1 716	5,195	103
	CAD	1 972	-1 955	5,510	93
	CHF	1 627	-1 624	5,588	13
	DKK	7 013	-932	1,114	6 774
	EUR	18 323	-17 072	8,288	10 366
	GBP	4 844	-4 824	9,329	184
	HKD	3 239	-3 207	0,745	24
	ISK	7 690	0	0,046	354
	JPY	435 734	-436 132	0,062	-25
	NZD	27	-27	4,204	1
	SEK	28 450	-3 334	0,809	20 320
	SGD	376	-374	4,115	10
	USD	45 714	-46 005	5,777	-1 683
Total foreign exchange positions					36 533

The note is not comparable with last year's note since this year's note is more comprehensive. Last year's note showed only direct foreign exchange positions the Company had, whereas this year's note includes all foreign exchange to which KLP Skadeforsikring AS is exposed. This applies to 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 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.

Note 12 Holdings securities funds and general partnerships (ANS)

NOK thousands	2010	2009
EQUITY FUNDS		
KLP Aksjeglobal Indeks II	228 175	243 267
KLP AksjeNorden	52 566	41 828
KLP AksjeNorge	54 001	49 676
Total equity funds	334 742	334 770
ALTERNATIVE INVESTMENTS		
KLP alternative investments	0	18 963
KLP alternative investments - relative value	0	22 412
KLP alternative investments - fixed income	0	19 656
Total alternative investments	0	61 032
PROPERTY COMPANY HOLDINGS		
Holdings in Byporten ANS	181 150	71 045
Holdings in Frydenlund Eiendom ANS	135 308	74 234
Total property company holdings	316 458	145 279
INTEREST-BEARING FUNDS		
KLP Obligasjon Global I	265 805	294 918
Total interest-bearing funds	265 805	294 918

Note 13 Share capital

NOK thousands	2010	2009
Share capital		
Number of shares 01.01.	68 750	47 500
Number of shares 31.12.	68 750	68 750
Share capital 01.01.	220 000	152 000
Share capital 31.12.	220 000	220 000
Profit/loss after tax per share in NOK	1 176	2 790

The Company has one share class divided into 68,750 shares @ NOK 3.200,00. 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 included in the KLP Group financial statement. 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 on www.klp.no.

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

NOK thousands	2010	2009
Owners' equity contributed	220 000	220 000
Retained earnings	262 585	209 532
Less intangible assets	-23 747	-28 565
Deferred tax	-11 860	-8 944
Minimum requirement reinsurance reserve	-13 890	-5 335
Net Tier 1 and 2 capital	**433 089**	**386 688**
Assets and off-balance sheet items by risk category		
Risk weighted 0%	827 071	718 381
Risk weighted 10%	292 853	194 917
Risk weighted 20%	1 059 613	1 223 454
Risk weighted 35%	0	0
Risk weighted 50%	350 919	463 594
Risk weighted 100%	935 786	563 968
Risk weighted 150%	0	61 032
Off-balance sheet items (foreign exchange related contracts)	0	0
Weighted sum assets in the financial position statement	1 352 454	1 151 496
Weighted sum off-balance sheet items	0	0
Risk-weighted calculation basis	**1 352 454**	**1 151 496**
Capital adequacy ratio	**32,02 %**	**33,58 %**
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	620 %	571 %
Solvency margin requirement	127 061	127 061
Solvency capital	787 683	726 050
- Of which equity and subordinated capital (Tier 1&2)	433 089	386 688
- Incl. security reserves exceeding 55 % of the min. req.	326 068	309 971
- Of which share of Natural Perils Fund	61 577	56 244
- Of which deduction from solvency capital i.a.w. Section 8a	-33 051	-26 853

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	357 914	330 119
Other retained earnings	107 829	63 332
Minimum requirement reinsurance reserve	13 890	5 335
Other retained earnings, total	121 719	68 666
Equity contributions and retained earnings	840 500	759 652

Note 15 Intangible assets

NOK thousands	2010	2009
Book value 01.01	28 565	32 719
Acquisition cost 01.01	35 421	35 421
Additions during the year	4 879	0
of which internally developed	0	0
of which bought	4 879	0
Disposals	0	0
Acquisition cost 31.12.	40 300	35 421
Accumulated depreciation previous years	-6 856	-2 701
Ordinary depreciation for the year, linear	-4 697	-4 155
Writedowns	-5 000	0
Book value 31.12.	**23 747**	**28 565**

Depreciation period 3 to 12 yrs

Note 16 Salary and obligations towards senior management/governing bodies

2010 NOK thousands	Salary, fees etc.	Other benefits	Annual pension costs	Loan with the Group	Interest rate as at 31.12.10	Payments plan [4]
Senior staff						
Hans Martin Hovden, Managing Director [1]	1 405	114	163	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

2009 NOK thousands	Salary, fees etc.	Other benefits	Annual pension costs	Loan with the Group	Interest rate as at 31.12.09	Payments plan [4]
Senior staff						
Hans Martin Hovden, Managing Director [1]	1 345	124	450	468	3,10	A2026
Board of Directors						
Sverre Thornes, Chair [2] [3]				6 907	3,10-3,35	A2038
Reidar Mæland	66			2 035	3,10-3,70	A2035
Kjell Arvid Svendsen	66					
Linda Brodin, elected by the employees	66					
Ida Espolin Johnson [3]				8 400	3,10	A2040
Reidun W. Ravem [3]				885	3,35	A2017

[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 and conditions applicable for loans to KLP Group staff. The interest discount given to staff is covered by the company by which the individual is employed.

Pension costs include accumulation for the year and interest costs less expected returns and plan change.

Externally elected members of governing bodies and their immediate family can take up loans from KLP on ordinary market terms.

The Company has a control committee and supervisory board jointly with the Group. Benefits are paid to members of these bodies totalling NOK 50,000 from KLP Skadeforsikring AS in 2010 (NOK 43,000 in 2009).

All benefits are shown without the addition of social security costs.

Note 17 Audit fee

NOK thousands	2010	2009
Statutory financial audit	323	575
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

	2010	2009
Number of employees 31.12	94	95
Average number of employees	94,5	91,5

Note 19 Sales costs

NOK thousands	2010	2009
Employees' salaries	21 511	21 109
Other personnel costs	6 622	4 630
Agent commission	2 576	2 568
Other costs	5 495	8 242
Total	36 203	36 549

Note 20 Operating costs

NOK thousands	2010	2009
By class:		
Personnel costs	69 717	70 387
Depreciation	9 697	4 155
Other operating costs	84 037	90 921
Total operating costs	163 451	165 463

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 obligation is covered through operations.
Fellesordningen is a benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepension', or OTP).
The company has a contract pension (AFP) scheme.

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

NOK thousands	"Fellesordningen"	Through operation	2010	2009
Pension costs				
Present value of accumulation for the year	9 909	468	10 377	9 322
Interest cost	2 816	192	3 008	2 345
Gross pension cost	12 725	660	13 384	11 667
Expected return	-2 065	0	-2 065	-1 693
Administration costs/Interest guarantee	345	0	345	293
Net pension cost including administration costs	**11 004**	**660**	**11 664**	**10 268**
Social security costs net pension cost including administration costs	1 552	93	1 645	1 448
Loss/gain taken to income	0	120	120	127
Plan change taken to income	-4 736	-324	-5 059	0
Proportion of actuarial loss/gain taken to income on curtailment	0	0	0	0
Proportion of net obligation taken to income on curtailment	0	0	0	0
Extraordinary costs	0	0	0	0
Pension costs including social security costs taken to income	**7 820**	**549**	**8 369**	**11 843**
Of which SSC on actuarial loss/gain taken to income	0	17	17	16
Pension obligations				
Gross accrued obligations	66 001	5 162	71 164	61 541
Pension assets	41 606	0	41 606	33 745
Net pension obligations/assets before social security costs	24 395	5 162	29 558	27 796
Social security costs	3 440	728	4 168	3 919
Net pension obligations incl. social security costs	**27 835**	**5 890**	**33 725**	**31 716**
Actuarial loss/gain excl social security costs not taken to income	1 074	-2 615	-1 541	-493
Actuarial loss/gain social security costs not taken to income	151	-369	-217	-69
Plan change not taken to income	0	0	0	0
Capitalised net liabilities/assets including social security costs	**29 061**	**2 906**	**31 968**	**31 153**

Number	2010	2009
Member status ("Fellesordningen")		
Number active	98	92
Number arranged	20	20
Number of pensioners	6	7

NOK thousands	"Fellesordningen"	Through operation	2010	2009
Development of actuarial gains/losses not taken to income				
Actuarial gains/losses not taken to income 01.01.	1 621	-2 183	-562	-3 434
Actuarial gain/loss funds	820	0	820	421
Actuarial gain/loss obligation	-1 166	-806	-1 972	1 985
Actuarial loss/gain taken to income	0	120	120	127
SSC on deviation	-49	-114	-163	339
Proportion of actuarial loss/gain taken to income 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 income 31.12.	1 226	-2 984	-1 758	-562
Change in pension assets				
Gross pension assets book value 01.01.	33 745	0	33 745	26 733
Expected return	2 065	0	2 065	1 693
Actuarial losses/gains	820	0	820	421
Administration costs/Interest guarantee	-345	0	-345	-293
Takeovers/acquisitions	0	0	0	0
Premiums paid in/contribution (including administration costs)	6 432	189	6 621	6 230
Deduction/settlement	0	0	0	0
Payments	-1 111	-189	-1 300	-1 037
Gross pension assets book value 31.12.	41 606	0	41 606	33 745
Change in pension obligations				
Gross pension obligations book value 01.01.	57 372	4 169	61 541	52 897
Plan change	-4 151	-284	-4 434	0
Gross pension obligations OB after plan change	53 221	3 886	57 107	52 897
Present value of accumulation for the year	9 909	468	10 377	9 322
Interest cost	2 816	192	3 008	2 345
Deduction/settlement	0	0	0	0
Actuarial losses/gains	1 166	806	1 972	-1 985
Takeovers/acquisitions	0	0	0	0
Payments	-1 111	-189	-1 300	-1 037
Gross pension obligations book value 31.12.	66 001	5 162	71 164	61 541

NOK thousands	"Fellesordningen"	Through operation	2010	2009
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	66 001	5 162	71 164	61 541
Fair value of the pension assets	41 606	0	41 606	33 745
Net pension obligations	24 395	5 162	29 558	27 796

NOK thousands	2009	2008	2007	2006
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	61 541	52 897	39 987	33 826
Fair value of the pension assets	33 745	26 733	22 418	18 736
Net pension obligations	27 796	26 164	17 570	15 090

NOK thousands	"Fellesordningen"	Through operation	2010	2009
Return on pension funds				
Expected returns on pension funds	2 065	0	2 065	1 693
Actuarial loss/gain on pension funds	820	0	820	421
Actual return on pension funds	2 885	0	2 885	2 113
Plan changes during the period				
Plan changes during the period	-4 151	-284	-4 434	0
SSC on plan changes	-585	-40	-625	0
Plan changes during the period taken to income	4 736	324	5 059	0
Plan change not taken to income 31.12.	0	0	0	0

	2010	2009
Financial assumptions for the income statement (common to all pension schemes)		
Discount rate	4,50 %	3,80 %
Salary growth	4,50 %	4,00 %
National Insurance basic sum (G)	4,25 %	3,75 %
Pension increases	4,25 %	3,75 %
Expected return	5,70 %	5,80 %
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	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 return	5,40 %	5,70 %
Social security contribution rates	14,10 %	14,10 %
Amortisation time	15	15
Corridor magnitude	10,00 %	10,00 %

Actuarial assumptions:
KLP's joint pension scheme for municipalities and enterprises ("Fellesordningen"):
The calculations are based on mortality and disability assumptions for the members of the pension scheme as well as frequencies of take-up of the contractual early retirement scheme (AFP)/early pension.
Take-up of AFP for 2009 and 2010 (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 2009 and 2010 (in %)

Age (in years)	< 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 2010.

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

	2010	2009
Composition of the pension assets:		
Property	11,3 %	10,9 %
Lending	13,1 %	13,8 %
Shares	18,5 %	12,3 %
Long-term/HTM bonds	32,9 %	34,6 %
Short-term bonds	22,5 %	21,7 %
Liquidity/money market	1,6 %	6,7 %
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 7.5 per cent in 2010 and 7.7 per cent in 2009.

Expected payment into benefits plans after cessation of employment for the period 1 January 2011 – 31 December 2011 is NOK 6,400,826.

Note 22 Tax

NOK thousands	2010	2009
Income before taxes	**77 933**	**216 949**
Permanent differences linked to:		
Realised gain/loss on equity funds	-8 478	-8 513
Unrealised gain/loss on equity funds	-36 572	-76 109
Realised long-term bonds	-645	-1 910
Other permanent differences	-6 300	-5 326
Total permanent differences	**-51 994**	**-91 860**
Change non-fin. posn. stmnt. differences	**-36 350**	**-35 209**
Basis for tax	**-10 412**	**89 880**
Cost of taxes for the year 28%	-2 915	25 167
Change in temporary differences related to:		
Securities	-15 595	-14 196
Income differences in holdings in partnership companies	-26 009	0
Pension obligations	814	4 735
Base for tax payable in the income statement	-51 203	80 419
Group contribution paid with tax effect	0	-80 419
Taxable income (base for tax payable in thefin. posn. stmnt.)	**-51 203**	**0**
Allocation of tax expense:		
Tax payable on income for the year	0	22 517
Change in deferred tax	-2 915	2 649
Tax expense on income for the year	**-2 915**	**25 167**
Tax payable in the statement of financial position:		
Tax payable on income for the year	0	22 517
Refunded tax on Group contribution	0	-22 517
Total tax payable	**0**	**0**
Calculation of deferred tax / deferred tax asset:		
Annual loss	51 203	
Securities	-14 804	791
Income differences in holdings in partnership companies	-26 009	0
Pension obligations	31 967	31 153
Change base deferred tax fund	-393 943	-357 593
Total temporary differences	**-351 586**	**-325 648**
Temporary differences not in the fin. posn. stmnt.	-393 943	-357 593
Basis for deferred tax / deferred tax assets in the statement of financial position	42 357	31 945
Deferred tax (-) / deferred tax asset (+), tax rate 28 %	**11 860**	**8 944**

Note 23 Transactions with related parties

NOK thousands	2010	2009
KLP Kapitalforvaltning, management fee	2 181	2 222
KLP Eiendom, rent	11 455	5 753
KLP, pension premium	6 432	5 786
KLP, staff services (at cost)	44 948	40 139
KLP, interest-subsidised employee loan	0	580
TOTAL	65 016	54 480

Transactions with related parties are carried out at 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 accounts are settled as they arise.

Note 24 Claims for own account excluding pool schemes.

Reporting year NOK thousands	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Claims estimate										
– at year-end	218 014	351 309	411 030	375 461	416 252	390 521	428 760	441 592	465 393	525 859
– one year after	211 998	353 422	410 041	359 790	415 210	390 032	410 918	427 127	488 873	
– two years after	202 327	338 535	393 331	335 610	399 588	367 282	383 794	406 535		
– three years after	193 370	319 191	386 062	325 060	388 240	344 928	363 403			
– four years after	190 833	315 641	376 051	300 759	367 492	332 575				
– five years after	193 152	313 634	367 586	291 330	350 006					
– six years after	191 104	303 036	360 628	279 603						
– seven years after	188 865	294 616	354 375							
– eight years after	192 001	284 891								
– nine years after	196 865									

Reporting year NOK thousands	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totalt
Present claims estimate	196 865	284 891	354 375	279 603	350 006	332 575	363 403	406 535	488 873	525 859	3 582 985
Claims paid	165 076	235 967	274 665	190 073	239 818	187 190	197 303	202 503	233 746	154 925	2 081 266
Claims reserves	31 789	48 924	79 710	89 530	110 188	145 385	166 100	204 032	255 127	370 934	1 501 719
Claims reserves for previous years											122 841
Claims reserves for pool schemes											8 841
Total claims reserves											1 633 402

[logo]

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[translation from the Norwegian]

PricewaterhouseCoopers AS
Postboks 748 Sentrum
NO-0106 Oslo
Telephone 0047 02316

To the Supervisory Board and General Meeting of KLP Skadeforsikring AS

Auditor's report

Statement on the annual accounts

We have audited the annual accounts for KLP Skadeforsikring AS, comprising the statement of financial position as at 31 December 2010, the income statement which shows a profit of NOK 80,848 thousand for the accounting year terminating on this date, the owners' equity statement and the statement of cash flows, a description of the significant accounting principles applied and other information notes.

The responsibility of the board of directors and managing director for the annual accounts.

The board of directors and managing director are responsible for preparing the annual accounts and for these representing 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 audit as the board and managing director consider necessary to enable the preparation of annual accounts that do not contain significantly erroneous information, either as a result of irregularity or error.

Tasks and duties of the auditor

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. The auditing standards require that we comply with ethical requirements and plan and perform the audit to obtain satisfactory assurance that the annual accounts do not contain material misstatement.

An audit involves carrying out measures to collect audit evidence of the sums and the information in the annual accounts. The chosen measures depend on the discretion of the auditor, including the assessment of the risk of the annual accounts containing material misinformation, whether as a result of irregularities or errors. In making such an assessment of risk the auditor takes into account the internal checks that are relevant to the company's preparation of annual accounts 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 audit. An audit also includes 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 accounts presented are in accordance with the statutes and regulations and give a true and fair picture of the financial position of KLP Skadeforsikring AS as at 31 December 2010, and of results for the accounting year that ended on this date in accordance with the rules of the Accounting Act and good accounting practices generally accepted in Norway.

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Opinion on other matters

Conclusion on the directors' report

Based on our audit of the annual accounts as described above, we consider the information in the Directors' Report concerning the annual accounts, the going concern assumption, and the proposal for the allocation of the surplus is consistent with the annual accounts and complies with the statutes and regulations.

Conclusion on registration and documentation

Based on our audit of the annual accounts as described above, and check measures we have considered necessary in accordance with international standards for ISAE 3000 assurance engagements, "Assurance engagements other than audits 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, 15 February 2011
PricewaterhouseCoopers

[signed]

Magne Sem
State Authorized Public Accountant

KLP Skadeforsikring AS

ACTUARY'S STATEMENT

The technical provisions as at 31.12.2010 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 15 Feb 2011

[signed]
Espen F. Olsen
Chief Actuary

To the Supervisory Board and General Meeting of KLP Skadeforsikring AS

THE CONTROL COMMITTEE'S STATEMENT ON THE FINANCIAL STATEMENT FOR 2010

In accordance with Section 9 of its instructions the Control Committee has reviewed the Directors' Report, the statements of income and financial position as well as the Auditors' Report for KLP Skadeforsikring AS.

The Control Committee recommends the Supervisory Board and the General Meeting of KLP Skadeforsikring AS approved the annual financial statement and the report of the Board of Directors and in accordance with the recommendation of the Board of Directors resolve to allocate income for the year of NOK 80,848,076 as follows:

Change in natural perils fund provision	21,332,293
Change in administration provision	5,998,827
Change in the guarantee scheme	463,975
Allocated to other owners' equity	53,052,981
Total transfers and allocations	80,848,076

Oslo, 24 March 2011

[Signed]

Ole Hetland

[Signed]

Bengt P Johansen

[Signed]

Aud Mork

[Signed]

Anne-Marie Barane

[Signed]

Jan Rune Fagermoen

To the General Meeting of
KLP Skadeforsikring AS

The KLP Skadeforsikring AS Supervisory Board has examined the annual accounts submitted by the Board of Directors, comprising the income statement, the statement of financial position, the statement of cash flows, the schedule of changes in owners' equity, notes, the report of the Board of Directors, the actuary's statement, the audit report and the control committee's statement.

The Supervisory Board recommends to the General Meeting of KLP Skadeforsikring AS that it adopts the annual accounts and the report of the Board of Directors and that in accordance with the recommendation of the Board of Directors, it determines to allocate the profit for the year of NOK 80,848,076 as follows:

Change to provision for the Natural perils pool fund	*21,332,293*
Change to allocation to administration	*5,998,827*
Change to the guarantee scheme	*463,975*
Transferred to Other owners' equity	*53,052,981*
Total transfers and allocations	*80,848,076*

Oslo, 6 April 2011

[Signed]

Ingunn Foss
Chair of the Supervisory Board

Skadeforsikring

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