KLP Skadeforsikring AS
annual report 2013

Cover photo: Kari Jakobsen

In 2013 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values: Open, Clear, Responsible and Committed, or a dialog between people. Olav Storm, photographer, was head of the jury.

CONTENT

Climate changes and natural perils

KLP Skadeforsikring has good results to point to in 2013. Nevertheless the non-life insurance industry faces major challenges. What is new and frightening these days is that the climate changes are occurring more rapidly than before because the globe is becoming warmer and warmer.

The climate will always be changing, many will assert. 40 years ago about 50 climate-related catastrophes occurred each year. In recent years the number has reached 300, according to the world's leading reinsurance companies. Reliable research centres have concluded that increased levels of greenhouse gases in the atmosphere are the most important cause of today's climate changes. We are likely to experience ever more natural disasters and other climate-related damage. The potential for damage becomes ever greater as the population grows, and ever more marginal tracts are built on and inhabited.

Simple physics behind serious climate damage

Small temperature changes can appear undramatic for those not working on weather and climate from day-to-day. But only small increases of the average temperature can convert normal bad weather into a strong hurricane. A pleasant, summer high pressure can end up as a deadly heatwave. Large inputs of climate gases into the atmosphere help to increase the average global temperature. This leads to increased temperature, increased precipitation, increased frost damage, increased pressure differences and raised sea levels.

Even though Norway, seen in isolation, may evade the worst effects of climate changes, it does not mean we can ignore them. Deterioration of the quality of life in large parts of the world will in any case challenge security and well-being globally and locally.

Natural perils in Norway

Geographically, Norway is situated so that we evade the very worst natural catastrophes. Nevertheless many Norwegians still have clear memories of several major natural peril events, such as the New Year hurricane in Western Norway in 1992, the great flood in Eastern Norway in 1995 and the Berit and Dagmar storms in December 2011. In 2013 we also had a major flood in Gudbrandsdalen and several other places.

Through the Norwegian Natural Perils Pool the insurance industry shoulders a major social responsibility for dealing with the insurance results of natural catastrophes. This is conducted through comprehensive emergency procedures and an insurance assessor system. Through this collaboration major sums have been set aside to deal with natural disasters.

Responsibility for preventing and averting claim events

Insurance policyholders have an independent responsibility for preventing, countering and limiting claim events. If this is not done it may lead to reduced compensation or repayment requirements from the insurance company.

The local government authorities have a statutory independent responsibility for preventing claim events. This applies for example to the responsibility for proper planning of development areas. The local authority has a statutory responsibility to chart danger areas that may be at risk of flood, landslide/avalanche and spring tides. The local authorities also have a responsibility to ensure the municipal drainage systems are of sufficient dimension.

Corporate social responsibility

As far as we are concerned, we try to make an effort to prevent claim events. During 2013 KLP Skadeforsikring AS carried out a total of 230 activities and events in which 1800 individuals participated in one or more activities associated with claim prevention. It may be a matter of courses for caretakers in how to prevent claims, courses in safety regulations, building inspections, or focus on safety, health and the environment. It is a matter of us jointly having to take responsibility to reduce the risk of injury to people, the environment and material values.

Tore Tenold
Managing Director

Corporate governance

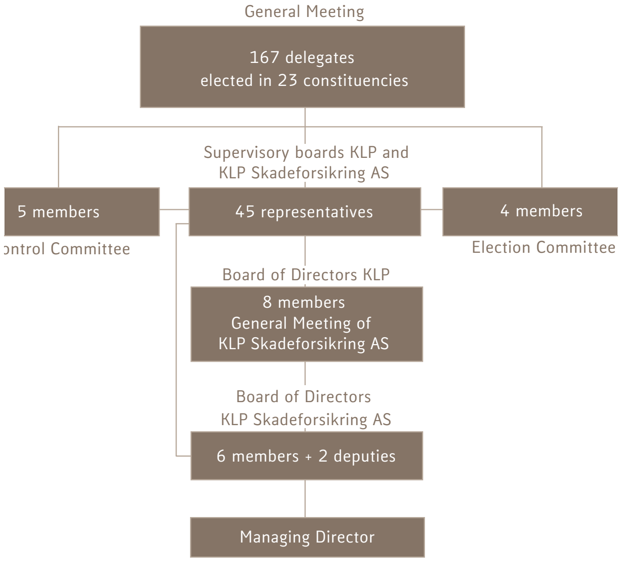
KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). KLP Skadeforsikring AS offers non-life insurance services to the local government sector. The Company also offers insurance solutions in the retail (personal insurance) market with special advantages for members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

Since the start in 1993 the Company has built up a substantial insurance portfolio and is a significant operator within these segments in regard to the local government sector.

KLP Skadeforsikring AS works on the basis of explicit profitability requirements and shall 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

(as at May 2014)



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 financial statements, 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 identical to that of the parent company.

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

Board of Directors

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

The Board of Directors comprises Sverre Thornes (Chair), Toril B. Ressem, Reidun W. Ravem, Reidar Mæland, Inger Østensjø, Bengt Kr. Hansen (elected by the employees), Lene Elisabeth Bjerkan (Deputy) and Steinar Haukeland (Deputy elected by the employees).

Control Committee

The Company's Control Committee comprises the same individuals who form the Control Committee for Kommunal Landspensjonskasse.

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 Section 54) and be approved by the Financial Supervisory Authority of Norway (FSA of N). The Control Committee's activities are governed by the Insurance Activity Act and separate instructions adopted by the General Meeting.

Other governing and supervisory organs

All insurance companies are subject to control by the FSA of N, which checks that the Company is run in a satisfactory manner and in accordance with the legislation and regulations as well as circulars distributed by the FSA of N itself.

The Company has the same external auditor 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 controls process. The Group Financial Controller also has certain control functions in regard to the Company.

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

In the course of 2012 the Company established a Risk Management Committee comprising the Company's senior management team as well as two leading risk management and reinsurance specialists. The Committee's mandate is to discuss the Company's ability and willingness to bear risk as well as key risks in the Company, and to prepare submissions to the Company's Board of Directors on risk-related subjects.

Organization of the non-life company

The senior management of KLP Skadeforsikring AS comprises the Managing Director and five section managers responsible for: sales to retail customers; sales to the employer sector; claim settlement; product and staff functions.

ROBIN ØSTBY

ELIN EVJEN

TORE TENOLD

PAUL JACOBSEN

ODD-ARNE HOEL

ESPEN F. OLSEN

ØIVIND GULBRANDSEN

Annual report 2013

- Operating profit before the effects of natural perils was NOK 236.5 million
- The result from natural perils was NOK 46.6 million
- Pre-tax profit for 2013 was NOK 189.9 million
- Gross premiums written increased by 10.9 per cent to NOK 832.2 million, of which NOK 604.1 million within the public and corporate sectors and NOK 228.1 million in the retail market
- Few major claims during the year: the five largest claims total only NOK 46,9 million
- Financial returns of 6.5 per cent: generally good returns in all classes of assets

Key figures for 2013

	2013	2012
Gross premiums written (MNOK)	832.2	750.3
Profit for the year after taxes (MNOK)	148.8	87.8
Owners' equity (MNOK)	974.2	825.5
Total assets (MNOK)	3.764.9	3.606.7
Financial return (%)	6.5	6.5
Capital adequacy (%)	40.0	34.1
Claims ratio (%)	77.5	81.3
Costs ratio (%)	26.2	26.4

The insurance year 2013

The company's investment in the retail market continues to show good development. Sales in the public sector also showed good progress during 2013, and the Board is pleased with the growth in business volume.

In its core market, Public Sector and Corporate, the positive trend continued with growth in its premium base. Premium growth for the year was NOK 19.0 million. Since the main weight of the year's new sales occurs with effect from 1 January 2014, new sales produce significantly higher growth. Net new sales within this market were NOK 77.7 million for 2013. Fierce competition continues in the core market and the company is experiencing great mobility in its customer base.

Through a range of marketing measures, both of its own and by the Group, the company has achieved satisfactory growth within the retail market. Net premium growth was NOK 50.2 million in 2013. Correspondingly, net new sales for the year were NOK 60.9 million.

In total in 2013 the company had net earned premium of NOK 728 million. This is an increase of NOK 69 million or 10.5 per cent over the previous year. The growth has been greatest in the retail market where, as a focused operator aiming at the Group's members, the Company has demonstrated its attractive solutions. Within the public sector market the competition is steered by tender competition. The general growth within the public sector indicates that this market will continue to enjoy good growth in future. Experience from the year's sales activities also confirms this.

The corporate market largely comprises customers within the public sector sphere, a market the Company has good expertise in servicing. Competition is however much tougher in this segment than in the pure public sector market.

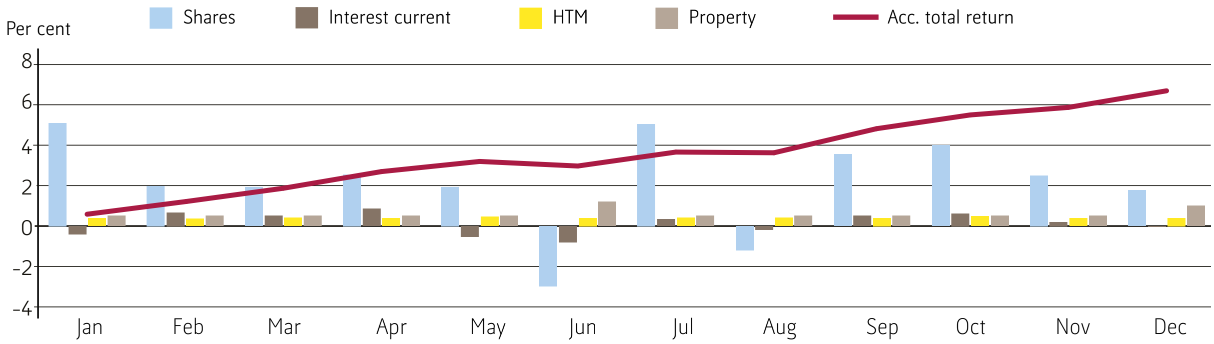
During the 2013 insurance year only seven major property claims with claim amounts exceeding NOK 5 million were reported. These claims amounted to a total claim sum of NOK 57.6 million. The general claims picture was positive with falling claims figures within most sectors. The total claims ratio was 77.5 per cent (81.3) and combined ratio was 103.7 per cent (107.7).

During 2013 the accounts have been charged with NOK 46.6 million associated with natural perils claims for the year and previous years. This effect will be reversed as an element of profit allocation after tax.

Return on capital

The return on assets invested was extremely good again in 2013. All classes of assets contributed positively, but in particular the equity investments produced good earnings.

Total return on assets managed was 6.5 per cent (6.5). The equity portfolio had a total return of fully 29.2 per cent. Fixed-income investments in current assets and hold-to-maturity produced 1.8 and 5.0 per cent returns respectively. The Company's property investments had a return of 7.4 per cent.



Operating expenses

The costs ratio was 26.2 per cent (26.4) Since the retail market activities are still in a development phase, the costs share linked to this portfolio will be high. The costs ratio for the Company's principal investment in Public Sector and Corporate was 21.5 per cent. The Company's investment in IT solutions means that again this year comprehensive development costs have been charged to the income statement.

The ground is being laid, through IT development and other efficiency measures, for increased business volume without corresponding growth in costs.

Income and allocation

Income before tax for 2013 was NOK 189.9 million (105.6).

(in NOK million)	2013	2012
Accrued premium for own account	728.2	658.9
Other income	2.5	2.0
Financial income and other income	221.6	209.0
Claims incurred, net of reinsurance	-564.1	-536.0
Contingency reserves etc.	-7.4	-56.0
Operating expenses	-190.8	-172.7
Operating income before tax	189.9	105.2
Tax	-41.1	-17.4
Income after tax	148.8	87.8
Other income components	-7.7	19.6
Total comprehensive income after tax	141.1	107.4
Change in provision to OE fund	43.6	8.0
Net Group contribution	0	17.4

Comparison figures for 2012 have been reworked because of change in the rules on accounting for pensions.

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

(in NOK million)	2013
Profit for the year	141.1
is allocated as follows:	
- from natural perils pool fund	46.6
- to the guarantee scheme	-3.0
- net Group contribution	0
Allocated to retained earnings	-184.7
Total allocation and transfers	-141.1

Taxable income for the year was NOK 142.2 million. The surplus is contributed as Group contribution. The Company receives a Group contribution without tax effect of NOK 102.4 million, corresponding to Group contribution made after deduction of tax.

Solvency and owners' equity

The Company's owners' equity increased during the year by NOK 148.7 million to NOK 974.2 million. The Company has set aside NOK 527.0 million in security reserves against a minimum requirement of NOK 242.0 million.

As a result of the insurance portfolio having developed towards a more balanced structure between short and long-tail business, the Company is experiencing a flattening out in balance sheet growth. Total investments increased by NOK 227 million to NOK 3477 million. Net claims reserves increased by NOK 32 million, and were NOK 1777 million at the end of the year.

The Company's liquidity situation was satisfactory throughout the reporting year. Net cash flow was negative by NOK 24.0 million. About half of the premium payments occurred during the first quarter. Cash flow will vary from year to year depending on the pace of payment of claims occurring.

At the end of the year the Company had capital adequacy of 40.0 per cent compared to the 8.0 per cent required by the regulations. KLP Skadeforsikring thus satisfies the requirements for solvency capital by a good margin.

Risk matters

KLP Skadeforsikring AS offers non-life insurance solutions for the public sector, enterprises related to this sector and their employees. Insurance business is built on the Company's ability and willingness to accept risk. Thorough analysis of the Company's insurance portfolios - and the interaction between them - is central to the Company's risk management. The analyses help to monitor and control the Company's risk.

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

To ensure comprehensive risk control a separate Risk Management Committee has been set up in which key risk-related matters are discussed and reports prepared for the Company's Board.

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

Insurance risk

In calculating the Company's risk premiums, large claims risk and reinsurance costs are taken into account. The reinsurance programme limits the Company's own account risk per claim event. Another important element associated with reinsurance is increased predictability concerning the Company's insurance result.

As a result of 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 optimized on the basis of the Company's financial position and risk factors in the insurance portfolio. Premiums ceded to reinsurance represent 7.0 per cent of gross premiums written.

The Company has a large proportion of long-tail business, a factor which, together with a large proportion of business exposed to major claims, contributes to KLP Skadeforsikring AS having a higher insurance risk than the market generally. The Company's growing business within the retail customer segment will help to stabilize the Company's total risk result. In the same way the gradual increase in the corporate segments will over time have a stabilizing effect.

Financial risk

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

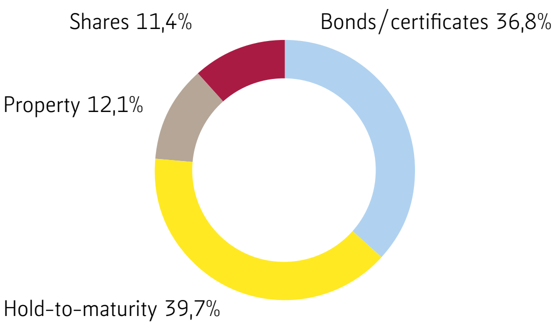
At the end of the year KLP Skadeforsikring AS was managing NOK 3477 million (NOK 3250 million). The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group. In addition the Company owns holdings in two centrally located property general partnerships.

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

Forward exchange contracts and interest rate derivatives are used only for hedging purposes.

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 will be monitored more closely should financial disquiet arise. At no measurement point has the Company's risk exposure exceeded the limits set.

Asset composition as at 31 December 2013



The interaction between insurance and financial risk

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 optimization the Company has built up a substantial portfolio of hold-to-maturity bonds where the maturity structure is matched with 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 amount - «G». To reduce the consequence of any increased inflation and high G-growth the Company has built up property investments and a portfolio of bonds on which the return is linked directly to the consumer price index. It is desirable that these portfolios increase over the course of time.

Counterparty risk

The largest single non-government exposure in the investment portfolio amounts to NOK 119.1 (106) million, corresponding to 3.4 (3.3) per cent of total investment assets.

The Company was able to realize without loss the one investment held in an institution in the PIIGS countries, nominally NOK 30 million.

In its choice of reinsurers the Company endeavours to spread ceded liability over a wide selection of reinsurers. No reinsurer had a credit rating weaker than A- on the contract commencement date.

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.

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

Operating risk

The company focuses on those risks that lie at the administrative level. The purpose of this is to ensure consistent and correct processing, a stable operational environment and good procedures for providing services to our customers. The Company is ISO 9001 quality management accredited through Veritas. As part of the accreditation scheme the Company's procedures and their quality assurance are audited both by the Company itself regularly and by Veritas on an annual basis.

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

Emphasis is placed on good internal audit procedures to ensure the Company at all times meets the requirements and expectations the outside world has of the Company as an operator in the Norwegian financial market. Importance is attached to being perceived to be a safe business partner and to the representatives of the Company satisfying strict ethical requirements. The Company has joined the industry's approval scheme for sellers and advisers. Both theoretical and practical tests are approved by Finance Norway. All sellers and customer service consultants in the Company have carried out and passed the test. New guidelines have now been prepared and all customer service consultants associated with sales in the retail market will be certified in accordance with them.

Solvency II

Analyses show that the Company's solvency will still be good according to the quantitative solvency requirements that are expected to be introduced.

Solvency II also places qualitative requirements on the Company's governance and control. The Company's current procedures form a good basis for meeting these requirements when they are introduced.

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

Ethics in the investment process

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

Corporate governance

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

Loss prevention initiatives

KLP Skadeforsikring AS has major focus on loss prevention work in dialogue and interaction with customers and external centres of expertise. The work is intended to:

- Reduce the risk of damage to people, the environment and property
- Be a positive element in the dialogue with customers
- Be a positive element for our reputation as perceived by customers and the community

For many years the company has participated in a project called Systematic Safety Management in Municipal Buildings. This has been in collaboration with the Norwegian Directorate for Civil Protection (DSB) and the Norwegian Fire Protection Association. Approximately a year ago the Norwegian Directorate for Building Quality (previously the Norwegian National Office for Building Technology) joined the project. We have summarized experience from 16 pilot municipalities/county administrations and an expanded offering to cover all local authority or private «formålsbygg» (a state-defined category of building and other property which, for example, for design, usage, cultural, geographical, economic or public administration/security reasons are not readily available to be used for other purposes - loosely equivalent to «special-purpose buildings»). The work is being continued as Systematic HES Management in Construction. New guidelines will be completed during 2014.

KLP Skadeforsikring AS is reinforcing its collaboration with the Norwegian Association of Municipal Engineers and IK-bygg. This is to ensure close and effective cooperation with municipalities and county administrations on the thinking around systematic safety management. The objective is to disseminate expertise on the value of this long-term, systematic HES work in the buildings.

The Company shares accumulated expertise openly for municipalities/ county administrations/enterprises about claim prevention subjects by arranging professional days on themes such as:

- What can the individual school itself do to improve the internal climate?
- Prevention and rectification of fungus, rot and water damage.

During 2013, 230 activities were conducted in which, in total, 1800 individuals participated.

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

During 2013 more than 60 technical inspections were conducted. For the most part this involved schools and nursing homes. The primary focus has been on fire and break-in safety. Matters emerging as a result of such inspections will also have a transferable value for assessment of the customer's other building stock. It is generally found that there is great awareness amongst our customers about fire and claims risk but that the fire risk can still be reduced through simple measures.

Environment

The public sector wants suppliers who take the environment seriously. Since 2008 KLP Skadeforsikring AS has been accredited as a «Miljøfyrtårbedrift» (Eco-Lighthouse Company). In recent years the entire KLP Group has been Eco-Lighthouse accredited.

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 aims to minimise the use of paper. There are collection systems and return schemes associated with the Company's use of office materials. Returned office material and consumables are serviced and reused as far as possible.

Although the Company is generally not directly involved in damage repair, environment-related requirements are placed on external partners in claim settlement, procurement and other services.

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

Organization

At the end of 2013 the Company had 111 permanent employees (107.6 FTEs) and 3 individuals under contract. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

Staff turnover in 2013 was 8.6 per cent (9 individuals of whom one within the Group). During the same period 19 new employees were appointed. Total sickness absence was 5.9 per cent (5.1), divided between 1.4 per cent short-term absence and 4.5 per cent long-term absence. In total this represents 1532 days of absence. Long-term absence increased by 1.5 percentage points compared to 2012. Conversely, short-term absence fell compared to 2012. Long-term absence resulted from a few non-job-related absences. In efforts to reduce sickness absence emphasis is placed on active monitoring and adapting the workplace for staff who have had lengthy sickness absence. If possible gradual reintroduction to work is attempted.

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

During 2013 no work-related injuries or accidents were reported among the staff.

A good workplace

Employee satisfaction surveys are conducted annually in order to obtain feedback from employees on the working environment. The Company has implemented an expanded employee survey, which focuses to a greater extent on «job satisfaction» as a term. This measurement also confirms that the Company has a high level of employee satisfaction, including when measured against the finance industry in general. Concrete measures have been developed both to maintain the current level - and in certain areas to improve it. High satisfaction is an essential prerequisite to attracting, developing and retaining highly qualified co-workers. 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 remuneration policy must therefore be balanced between cost-effectiveness, matching the market and flexibility.

Equality and diversity

The KLP Group has established a policy for equal- ity and diversity based on respect for the idea of equal value and fairness. KLP Skadeforsikring AS has adopted this policy. During 2013, the policy and targets for equality and diversity was continued.

New employees go through an induction programme where they are familiarized with KLP's basic values, ethical guidelines and policy for equality and diversity. The Company will continue to offer flexible working schemes, home offices etc, where this is possible with regard to the content of the job, in order to reduce inequalities in the adjustment between working life and private life.

Salary differences between women and men are assessed as part of the pay settlement to avoid unjustified differences. As far as the Company is able to judge there are no unjustified salary differences between women and men.

The target of at least 40 per cent of each gender amongst KLP's managers has been achieved only at Level 2. This is to be monitored through reporting for example on educational support and internal recruitment to management positions. Active efforts are also to be made to find female candidates for new appointments by shortlisting a majority of women for interview, as well as actively endeavouring to motivate departmental heads for greater assignments. We shall also work towards good gender distribution in new elections to the Board.

Gender distribution at KLP Skadeforsikring AS is as shown below, distributed at the management level and other employees:

	Women		Men		Total
Function in the Company	Number	Per cent	Number	Per cent	Number
Management Level 1	1	16.7 %	5	83.3 %	6
Management Level 2	4	44.4 %	5	55.6 %	9
Other Employees	52	54.2 %	44	45.8 %	96
Total employees	57	51.4 %	54	48.6 %	111

At the end of the year 3 out of 6 (50 per cent) Board members were women.

Society is in constant development and sets new requirements of the Group. An example of this is increased expectations of language skills to deal with the diversity amongst our customers with a view to providing even better customer service. KLP must thus reflect the diversity of society generally and be conscious of this in every recruiting process. The Group will continue to have an explicit diversity formulation on its career pages as one measure.

Future prospects

Public procurement rules dictate that about every fourth local government authority will come up for tender each year. The indications are also that very many of the Company's public sector customers will be going out to tender during 2014. The Company sees this as an opportunity for further growth within its core markets.

There is great mobility within the customer population and thus lower renewal rates with the companies. This will be particularly true of the retail customer segment.

As part of the Group's overall efforts focused on the members of KLP, in 2014 the Company will further increase its investment within the retail market.

Even though the technical result for 2013 was good, the premium level within several of the sectors has been found to be too low, which can be explained in part by strong competition. It will therefore be a challenge to achieve the desired growth along with a necessary price increase.

As a result of changed customer behaviour many of the largest operators will invest heavily in digital channels with the aim of strengthening customer loyalty. The Company is conscious of this challenge and in its prioritization of technological development has taken these development trends into account.

In 2012 the Group launched a new Kundeside (customer page) aimed at local government customers. Here our customers are able to review all their customer relationships with the Group and will, in due course, gain access to a range of self-service solutions. A new online customer page for the retail market was launched on 6 January 2013. These customer pages have been further developed over the year and the Company's customers now have an effective portal to serve their insurance needs. This development will continue in the years to come.

The annual customer survey carried out by EPSI (European Performance Satisfaction Index) shows that customer satisfaction in the insurance industry has advanced. It is particularly gratifying that the main conclusions in the corporate market are once again that KLP Skadeforsikring AS is achieving the best customer satisfaction and scores uniformly high in all the measurement parameters.

Oslo, 27 February 2014

Sverre Thornes
Chair of the Board of Directors

Inger Østensjø

Reidar Mæland

Toril B. Ressem

Reidun W. Ravem

Bengt K. Hansen
Employee-elected representative

Tore Tenold
Managing Director

BENGT K. HANSEN

TORIL B. RESSEM

SVERRE THORNES

REIDAR MÆLAND

REIDUN W. RAVEM

INGER ØSTENSJØ

KLP Skadeforsikring AS Income Statement

Notes	NOK thousands	2013	2012
	TECHNICAL ACCOUNTS		
4	Gross premiums written	832 248	750 279
4	Reinsurance premiums ceded	-57 842	-58 992
	Change in provision for unearned gross premium	-45 498	-33 098
	Change in reinsurance share of gross unearned premium	-729	758
	Premium income for own account	**728 179**	**658 948**
	Allocated return on investments transf. from non-techn. accounts	**42 488**	**37 027**
	Other insurance-related income	**2 479**	**2 046**
	Gross claims paid	-613 224	-588 420
	Reinsurance share of gross claims paid	80 577	52 532
	Change in gross claims provision	55 918	30 438
	Change in reinsurance share of gross claims provisions	-87 391	-30 576
4	**Claims incurred, net of reinsurance**	**-564 120**	**-536 027**
19	Sales costs	-51 012	-44 562
	Insurance-related administration costs	-139 821	-128 162
20	**Insurance-related operating expenses**	**-190 833**	**-172 724**
	Technical profit/loss before contingency reserve provisions	**18 194**	**-10 729**
	Change in contingency reserves etc.	**-7 392**	**-56 048**
	Technical profit/loss	**10 802**	**-66 777**
	NON-TECHNICAL ACCOUNTS		
	Income from interest and dividends on financial assets	100 447	121 735
	Investment value changes	104 630	91 583
	Realized gains and losses on investments	21 379	258
	Administration costs linked to investments, including interest costs	-5 750	-5 387
6	**Net income on investments**	**220 706**	**208 189**
	Allocated return on investments transferred to technical accounts	**-42 488**	**-37 027**
	Other income	**845**	**838**
	Non-technical profit/loss	**179 063**	**172 000**
	Income before tax	**189 865**	**105 223**
22	**Cots of taxes**	**-41 076**	**-17 420**
	Income before other profit/loss components	**148 789**	**87 803**
	Other profit/loss components		
	Actuarial gains and losses on defined-benefit pension schemes - staff benefits	-10 628	27 244
	Tax on profit/loss components	2 976	-7 628
	TOTAL PROFIT/LOSS BEORE CHANGE IN RETURNS	**141 137**	**107 419**
	COMPREHENSIVE INCOME	**141 137**	**107 419**
	of which:		
	Change in natural perils pool fund provision	46 573	9 696
	Change in guarantee scheme	-2 982	-1 686
	Net Group contribution	0	17 404
	Annual profit/loss allocations to(-) / from(+) other owners' equity	-184 727	-132 833
	Total	**-141 137**	**-107 419**

KLP Skadeforsikring AS Financial Position Statement

Notes	NOK thousands	2013	2012
	ASSETS		
	Capitalized IT-systems	13 912	18 171
15	**Intangible assets**	**13 912**	**18 171**
9	Investements held to maturity	519 787	748 126
9	Loans and receivables	861 202	682 512
7	**Financial assets valued at amortized cost**	**1 380 988**	**1 430 638**
	Shares and units equity funds	395 694	368 181
	Holdings in property companies	419 326	309 684
8,12	**Shares and units**	**815 020**	**677 864**
9	Bonds and other fixed-income securities	840 437	680 564
9,12	Units fixed-income securities	433 550	433 136
	Other financial assets	7 152	28 171
7,9	**Financial assets valued at fair value**	**2 096 159**	**1 819 735**
	Total invetments	3 477 147	3 250 373
	Reinsurance share of unearned gross premium	11 132	11 861
	Reinsurance share of gross claims reserve	99 588	186 979
4	**Reinsurance share of gross insurance liabilities**	**110 720**	**198 839**
	Receivables from policyholders	102 485	74 787
	Receivables related to reinsurance	28 381	8 392
	Other receivables	528	352
	Receivables	**131 393**	**83 532**
	Bank deposits	31 773	55 807
	Other assets	**31 773**	**55 807**
	TOTAL ASSETS	3 764 946	3 606 723

KLP Skadeforsikring AS Financial Position Statement

Notes	NOK thousands	2013	2012
	OWNERS' EQUITY AND LIABILITIES		
	Paid-in capital		
	Share capital	220 000	220 000
	Other paid-in capital	140 866	140 866
13,14	**Paid-in capital**	**360 866**	**360 866**
	Retained earnings		
	Natural perils pool fund provision	154 373	200 946
	Guarantee scheme provision	32 187	29 205
14	**Funds etc.**	**186 560**	**230 151**
	Other retained earnings	**426 808**	**234 452**
14	**Retained earnings**	**613 368**	**464 603**
	Provision for unearned gross premium	218 817	173 319
	Gross provision for claims	1 876 857	1 932 775
	Contingency reserves	527 048	519 656
4	**Gross insurance liabilities**	**2 622 722**	**2 625 750**
21	Pension liailities etc.	52 066	36 107
22	Deferred tax	1 046	10 409
	Provision for liabilities	**53 111**	**46 516**
	Liabilities related to direct insurance	37 641	30 498
	Liabilities related to reinsurance	2 940	899
7	Liabilities to credit institutions	5	52 004
	Group contribution	39 835	0
	Liabilities within the Group	11 953	7 860
	Other liabilities	10 934	6 966
	Liabilities	**103 308**	**98 228**
	Other accrued costs and prepaid income	11 570	10 760
	Accrued costs and prepaid income	**11 570**	**10 760**
	TOTAL EQUITY AND LIABILITIES	3 764 946	3 606 723

Oslo, 27 February 2014

Sverre Thornes
Chair of the Board of Directors

Inger Østensjø

Reidar Mæland

Toril B. Ressem

Reidun W. Ravem

Bengt K. Hansen
Employee-elected representative

Tore Tenold
Managing Director

KLP Skadeforsikring AS Statement of changes in owners' Equity 31.12.2013

2013

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2013	360 866	472 232	833 098
Income	0	148 789	148 789
Comprehensive profit/loss	0	-7 652	-7 652
Total comprehensive income	0	141 137	141 137
Transactions with owners			
Net Group contribution made	0	0	0
Total transactions with the owners	0	0	0
Owners' equity 31.12.2013	**360 866**	**613 368**	**974 234**

2012

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2012	360 866	358 131	718 997
Implementation effect corridor	0	-18 351	-18 351
New owners' equity 01.01.12	0	339 780	700 646
Income	0	79 282	79 282
Comprehensive income			
Pension liabilities, change IB corridor	0	27 244	27 244
Tax on actuarial loss brought to owners' equity	0	-7 628	-7 628
Other comprehensive income	0	19 616	19 616
Total comprehensive income	0	98 898	98 898
Transactions with the owners			
Net Group contribution	0	17 404	17 404
Total transactions with the owners	0	17 404	17 404
Other changes			
Policy changes:			
Resetting of pension corridor	0	8 521	8 521
Total other changes	0	8 521	8 521
Owners' equity 31.12.2012	360 866	464 603	825 470

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2013	2012
CASH FLOWS FROM OPERATIONS		
Direct insurance premiums received	805 687	734 845
Reinsurance premiums paid	-57 842	-58 992
Direct insurance claims and benefits paid	-580 715	-574 134
Received reinsurance settlement for claims and insurance benefits	63 022	66 772
Payments to other suppliers for products and services	-114 293	-117 747
Payments to employees, pension schemes, employer's soc. secur. contr. etc.	-94 733	-75 607
Interest paid	-2 428	-162
Interest received	104 337	99 534
Tax and public charges paid	-405	-209
Receipts in respect of securities	654 911	581 310
Disbursements in respect of securities	-797 667	-690 052
Net payments in/out for purchase/sale of other securities	-30 980	83 502
Net payaments in/out for the property business	27 072	33 300
NET CASH FLOWS FROM OPERATIONS	-24 034	82 360
NET CASH FLOWS FROM INVESTMENTS	0	-3 152
NET CASH FLOW FROM FINANCING ACTIVITIES	0	-44 284
NET CHANGE IN BANK DEPOSITS	-24 034	34 925
HOLDNINGS OF BANK DEPOSITS AT START OF PERIOD	55 807	20 882
HOLDNINGS OF BANK DEPOSITS AT END OF PERIOD	31 773	55 807

Note 1 General information

KLP Skadeforsikring AS provides non-life insurance to municipalities, county administrations, health enterprises and businesses both in the public and private sectors. The Company also supplies insurance products for the retail insurance market, primarily directed at KLP's pension customers. 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 financial statements for 2013 were adopted by the Company's Board of Directors on 27 February 2014.

Note 2 Summary of the most important accounting principles

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

2.1 FUNDAMENTAL PRINCIPLES

The annual financial statements for KLP Skadeforsikring AS have been prepared in accordance with the Accounting Act of 17 July 1998 no. 56 and Regulation No. 1241 of 16 December 1998: «Regulations for annual financial statements etc for insurance companies» (the Annual Financial Statements Regulations) as well as the Regulations of 20 December 2011 on amendment of the above mentioned Regulation No. 1241.

The Company is adopting the option in the Annual Financial Statements Regulations to carry out recognition and measurement in accordance with the «Regulations on simplified IFRS» promulgated by the Norwegian Ministry of Finance on 21 January 2008. Generally this means that recognition and measurement and the Notes follow international accounting standards (IFRS) and Norwegian generally accepted accounting principles.

The Company financial statements have been prepared based on the principle of historic cost, with the following exceptions:

- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or loss.
- Assets in property companies that are wholly-owned in the KLP Group are assessed in accordance with the equity method.
- Lendings and receivables and financial assets held to maturity are assessed at amortized cost.

To prepare the Company financial statements in accordance with the Annual Financial Statements Regulations, management has to make accounting estimates and discretionary valuations. This will affect the book value of the Company's assets and liabilities, income and expenses. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates of material significance for the Company have been made, are described in Note 3.

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

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

2.2 SEGMENT INFORMATION

The Company's business segments are defined in relation to business areas where risk and returns are separate. The Company's segments are divided into public/corporate on the one hand and the retail market on the other hand.

2.3 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

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

b) Transactions and statement of financial position items
Transactions in foreign currency have been translated to NOK by using the conversion rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are taken through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

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

2.4 INTANGIBLE ASSETS

In the main the Company's intangible assets comprise capitalized 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 an impairment test 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 categorized at fair value through profit and loss on acquisition in accordance with 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 categorized at fair value through prfit/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 fixed income and equity market.

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

Coupon interest is taken to income as it accrues and is included in the line «interest income and dividend etc from financial assets». Share dividend is included in the income statement in the line «interest income and dividend etc from 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 amortized 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 amortized cost using the effective interest rate method with write-down for losses if appropriate.

The effective interest on loans and receivables in the investment business is taken to profit/loss and included in the line «Interest income and dividend etc. from 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 or loss.
b) Those that meet the definition of loans and receivables.

Financial assets held to maturity are recognized in the financial position statement for the first time at fair value. Subsequent measurement is at amortized 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 from financial assets» in the income statement.

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

Purchases and sales of financial assets are taken to account on the trading date, i.e. when the Company has committed itself to buying or selling that financial asset. Financial assets are recognized at fair value from the date the company takes over entitlements and liabilities associated with the asset. Direct costs of purchase are included in acquisition cost except for purchase costs associated with assets at fair value through profit or 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 date. Financial assets cease to be recognized when the Company is no longer entitled to receive the cash flow from the asset or the Company has transferred all risk and entitlements associated with its ownership.

2.6 PROPERTY COMPANY HOLDINGS

The Company owns real estate (property) through partnerships that are wholly owned within the KLP Group. These holdings are classified as «Property company holdings». The holdings are recognized in accordance with the equity capital method. This means that the Company's share of profit or loss in the partnerships is taken to profit/loss and is added to the financial position statement value together with owners' equity changes not taken to profit/loss.

The properties in the partnerships are valued and booked at fair value. The Company uses the KLP Group's valuation model to estimate market value.

The valuation method is based on the discounting of the property's expected net cash flow with the market's return requirements. In the first instance, the market rent at currently applicable terms is used in calculating net cash flow whereas for periods after the expiry of contracts an estimated market rent is set. In addition, an income deduction is taken into account for expected vacancy, expected maintenance/improvement costs and normal operating costs.

The expected cash flow is discounted by a return requirement that is determined on the basis of the risk-free interest rate (10-year Norwegian Government Bond interest rate) adjusted by a supplement for estimate on a 20-year risk-free interest rate. The estimate on the 20-year interest rate corresponds to the slope of the swap curve between 10 and 20 years. This risk-free interest rate is then loaded with a management overhead corresponding to KLP Eiendom AS's operating costs and comprising those costs that are not directly attributable to the individual managed property. Finally a risk premium is added that is determined on the basis of the willingness of the investors to accept risk in the property market taking account of matters specific to the property such as for example geography, property type, tenants etc.

A set selection of the Group property stock is valued quarterly by external, independent and qualified valuers. In the event of significant deviation from our own valuation of fair value the differences are analysed and the valuation model's parameters are adjusted if this proves necessary.

2.7 ALLOCATED INVESTMENT RETURN

The return on investments is recorded in the non-technical accounts. A proportion of the return on investments is allocated from the non-technical accounts to the technical accounts.

In the calculation of allocated investment return a calculation basis is used corresponding to «insurance funds gross» with deduction for the item «Other technical provisions». In addition the item «reassurance share of gross liabilities» is included in the calculation. The calculation base is set as an average for the reporting year. In calculating the average, information on the above mentioned financial position statement item 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 averages for 2012 and 2013 has been calculated using data for the period mid-December of the previous year to mid-December of the reporting year. The average technical interest rate for 2013 has been calculated by the Financial Supervisory Authority of Norway at 1.62 per cent. For 2012 it was calculated to be 1.44 per cent.

2.8 NETTING

Financial assets and financial liabilities are netted 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 liability is due for payment.

2.9 INSURANCE CONTRACTS

The Company defines insurance contracts in line with IFRS 4. A criterion for a contract to be 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 recognized in the financial statements is proportionate to the insurance customers' contractual entitlements. The Company's provisions satisfy the requirements of this test and IFRS 4 imposes no further requirements for reserves. The Company has therefore used applicable Norwegian regulations to account for insurance contracts.

2.10 PRODUCTS

In non-life insurance the following products are offered:

Occupational/Industrial Injury *(USA - Workers' compensation)* **and Safety**
Insurance contracts cover the customers' employees for occupational injury within the scope of the Norwegian Occupational Injury Act and the relevant Norwegian Basic Collective Agreement. In addition insurance contracts are written covering the employees for accidents during their leisure time.

Accident
Insurance contracts that cover the customer for accidents out of office hours. Insurance contracts are also written covering school pupils during school hours.

Fire-Combined
Insurance contracts covering damage to customers' property and any loss of values imposed on the customer in the event of damage to or loss of the property. The product also includes an obligatory natural perils cover.

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

Third-party liability
Insurance contracts that cover damage/injuries incurred by third parties as a result of the customers' activities.

Travel
Insurance contracts covering injury and loss arising during travel.

Children's insurance
Insurance contracts covering expenses in the event of accidents or serious illness as well as loss of income (disability pension)

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

2.11 (INSURANCE) TECHNICAL PROVISIONS

The Company should at all times have technical reserves fully covering the technical liability and other risk emanating from the insurance business. The company's reserves are in any event at all times to satisfy the minimum requirements for reserves pursuant to the regulations or in accordance with 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 following funds are included in the technical provisions:

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

Claims reserve
This reserve comprises provision related to claims notified but not settled. It also applies to claim events that have occurred but had not been reported by the end of the reporting period.
The reserve includes provision for indirect claim processing costs.

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

The insurance legislation's requirements for technical reserves in non-life insurance are not exclusively linked to existing contracts with customers. Three types of provision therefore fall outside the technical debt definition in the accounts and consequently form part of the Company's owners' equity for accounting purposes.

a) Guarantee scheme
Provisions to the guarantee scheme are meant to cover possible future disbursements 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 contingent liability and must thus be classified as owners' equity.

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

c) Reinsurance provision
The reinsurance reserve represents provision to cover the costs accruing if one or more of the Company's reinsurers does not cover its share of the total claims liabilities. The reinsurance reserve is classified as owners' equity and presented as part of the other retained earnings.

2.12 PENSION OBLIGATIONS OWN EMPLOYEES
When calculating the Company's pension liability IAS 19 Benefits for employees is used. 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. The Company has a defined benefit pension scheme for its employees.

The accounting liability for the defined benefit schemes is the present value of the liability on the reporting date less the fair value of the pension assets. The gross liability is estimated by the actuary using the straight line method when calculating. The gross liability is discounted to present value by using the interest rate for Norwegian high-quality bonds. Gains and losses arising when recalculating the liability resulting from experience variations and changes in actuarial assumptions are posted to owners' equity via comprehensive income in the period during which they arise. The effect of the changes in the benefits of the scheme is taken to profit/loss immediately.

Presentation of the cost of pension in the income statement follows from IAS 1. This standard shows that it is possible to choose a net interest element that may be classified either as an operations-related cost or as a financial cost. The choice the Company makes must be followed consistently in subsequent periods. The Company has presented the pension cost in the accounting line "Insurance-related

Amounts in NOK thousands	Accounts presented in 2012	The year 2012 Effect IAS 19	Accounts for 2012 Amended
Income statement			
Pensions	16 985	-1 513	15 472
Net financial cost	0	1 885	1 885
Tax	0	0	0
Result this period	**16 985**	**372**	**17 357**
Other profit/loss elements for the period			
Estimate differences for pensions, incl. payroll tax	0	-27 244	-27 244
Tax on other profit elements	0	7 628	7 628
Comprehensive income	**16 985**	**-19 244**	**-2 259**
Financial			
Pension liability	44 628	-8 521	36 107
Deferred tax/ tax asset	0	7 628	7 628
Owners' equity			
Total owners' equity	463 711	893	464 604

Changes in benefits for employees were carried out when amending the comparison figures, and the transitional effect is posted directly to Owners' equity on 1 January 2013. As the Changes in equity statement shows this effect led to an increase of NOK 8.5 million in Other owners' equity.

operating expenses", whereas the net interest element is presented in the accounting line "Administration costs associated with investments, including cost of interest". The estimate difference is classified in "comprehensive income".

It is mandatory to use the changes in IAS 19 as from the accounting year starting on 1 January 2013 with retrospective use with respect to the 31 December 2012 figures. The table below gives a specification of the influence the standard has had on the various amounts:

2.13 THE COMPANY'S OWNERS' EQUITY

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

Other owners' equity comprises Group contributions received and retained earnings. Attention is also drawn to the description in subparagraph 2.11 where it states that the provision to the guarantee scheme and provision to the natural perils pool are included in the Company's owners' equity as restricted funds. Changes in owners' equity: restricted funds and retained earnings are described in subparagraph 2.2. Allocations from the Company are governed through ordinary company law provisions.

2.14 REGNSKAPSFØRING AV INNTEKTER

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 reporting 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/fixed income financial instruments valued at amortized 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 on financial investments whereas the effect of changes in interest is classified as net unrealized gains on financial investments at fair value through profit/loss.

2.15 TAXES

The tax expense in the income statement comprises both the period's tax payable and changes in deferred tax. Deferred tax is calculated at 27 per cent on the basis of the temporary differences between accounting and taxable values, as well as the tax deficit to be carried forward at the end of the reporting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off. Net deferred tax assets are capitalized in the financial position statement to the extent it is likely they may be utilised.

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

2.16 CASH AND CASH EQUIVALENTS

Cash holdings and bank deposits associated with daily operations are shown as cash and cash equivalents. Bank deposits linked to the securities business are defined as financial assets. The statement of cash flows has been set out in accordance with the direct method.

Note 3 Important accounting estimates and valuations

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

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

3.1 INSURANCE CONTRACTS

In calculating technical provisions in the non-life insurance industry individual claim provisions are made for all reported 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.

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

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

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

3.2 PROPERTY COMPANY HOLDINGS

The Company has holdings in property companies organised as general partnerships (ANS), see Note 2, subparagraph 2.6. The ANS holdings are not traded in an active market and fair value is estimated on the basis of the underlying property's value. Nor is there an active market for the underlying properties and valuation of these is based on an internal pricing model that assumes a long-term return requirement for the individual property. Valuation is carried out by our sister company KLP Eiendom AS, which has experience in valuing investment properties for the KLP Group. KLP Eiendom is a substantial property operator in the Norwegian market.

As at 31 December 2013 buildings and real estate were valued using KLP Eiendom AS's value assessment model. The model is based on discounting an estimated 20-year cash flow and, as at 31 December 2013, used a discounting factor corresponding to the market's return requirement for similar properties.

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and estimated market rent
- Vacant space 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 expenses
- 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 are obtained for a selection of the properties. These are used to determine in-house calculation parameters and to quality-assure the internal valuations.

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

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

The present value of the net pension liabilities the Company has for its employees depends on a range of economic and demographic assumptions. The Company has followed «The guidance for determining pension assumptions» published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2014 has been used as the basis for updated measurement of best-estimate accrued liabilities and assets as at 31 December 2013.

When recognizing pension schemes in accordance with IAS 19, a number of actuarial assumptions must be established. This involves significant elements of discretion and practical approaches. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discounting rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Company uses its right, provided by "The guidance for determining pension assumptions", to use the interest rate for covered bonds (OMF) as discount rate on the grounds that it believes there is a liquid market for long-term covered bonds. This assessment takes account of market volume, the bid/ask spread, price reliability, trading volume and frequency, and issuing volume. A discount rate of 4.0 % was used as at 31 December 2013. The assumptions of future salary growth, future G-adjustment/pension adjustment are set in line with the specific recommendation of the Guidance at 3.75 per cent (salary growth) and 3.5 per cent (adjustment of G/pensions) respectively.

When measuring accrued pension liability (best estimate) as at 31 December 2013 this is based on new mortality assumptions. The Company has taken mortality table K2013BE as its basis. This again is based on Finance Norway's analyses of mortality in the life insurance populations in Norway and Statistics Norway's projections.

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.

3.4 Fair value of financial assets

Financial assets classified as assets for which changes in fair value are taken to profit/loss are generally assets traded in a market, so the market value can be determined with a high degree of certainty. For listed securities with little turnover, assessment is made as to whether the observable price can be assumed to be realistic.

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

3.5 LOSSES ON FINANCIAL ASSETS

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

KLP Skadeforsikring AS's portfolio of bonds valued at amortized 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	Occup. injury insurance	Contingency insurance	BUSINESS Combined insurance	Motor insurance	Third-party insurance	Total business insurance	Accident insurance	Combined insurance
Premiums due								
Gross premiums	92 597	58 528	256 422	103 698	42 300	553 545	9 176	65 822
Premiums ceded	1 551	844	38 714	645	514	42 269	142	327
Premiums for own account	**91 045**	**57 683**	**217 708**	**103 053**	**41 786**	**511 275**	**9 034**	**65 495**
Gross business								
Gross premiums earned	94 940	51 684	255 276	101 213	41 866	544 980	8 721	56 161
Gross claims incurred	27 260	49 786	166 160	90 233	15 288	348 728	2 107	39 306
Gross insurance-related operating expenses	19 116	9 843	48 564	18 705	8 245	104 472	2 283	22 101
Gross technical profit/loss	**48 564**	**-7 945**	**40 552**	**-7 725**	**18 333**	**91 780**	**4 331**	**-5 246**

Gross insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.

NOK thousands	Occup. injury insurance	Contingency insurance	BUSINESS Combined insurance	Motor insurance	Third-party insurance	Total business insurance	Accident insurance	Combined insurance
Business ceded								
Premiums earned	1 751	846	38 700	802	799	42 898	132	329
Reinsurance share of claims incurred	-63	0	-3 370	-3 380	0	-6 813	0	0
Technical profit/loss	**1 814**	**846**	**42 071**	**4 181**	**799**	**49 711**	**132**	**329**
Own account								
Technical profit/loss	**46 750**	**-8 791**	**-1 518**	**-11 906**	**17 534**	**42 069**	**4 198**	**-5 575**
Financial income	70 348	22 884	28 238	9 236	9 485	140 192	1 870	5 240
Income	**117 099**	**14 093**	**26 720**	**-2 671**	**27 019**	**182 260**	**6 069**	**-334**

Financial income is calculated as "financial income achieved"

NOK thousands	Occup. injury insurance	Contingency insurance	BUSINESS Combined insurance	Motor insurance	Third-party insurance	Total business insurance	Accident insurance	Combined insurance
Claims incurred gross								
Claims for the year	92 314	44 254	165 679	99 566	25 245	427 058	6 247	38 019
Run-off losses for previous years	-65 054	5 532	482	-9 333	-9 957	-78 330	-4 140	1 287
Claims incurred gross	**27 260**	**49 786**	**166 160**	**90 233**	**15 288**	**348 728**	**2 107**	**39 306**
Claims incurred for own account								
Claims for the year	92 314	44 254	165 679	99 566	25 245	427 058	6 247	38 019
Run-off losses for previous years	-64 991	5 532	3 852	-5 953	-9 957	-71 517	-4 140	1 287
Claims incurred for own account	**27 323**	**49 786**	**169 531**	**93 613**	**15 288**	**355 541**	**2 107**	**39 306**

Note 4 Premiums, claims and provisions, continued

RETAIL											
Motor insurance	Leis. craft insurance	Travel insurance	Total retail insurance	Natural perils insurance	Other pool schemes etc.	Child insurance life	Total 2013	Total 2012	Total 2011	Total 2010	Total 2009
138 330	4 484	12 921	230 732	46 226	1 340	405	832 248	750 279	650 287	630 845	608 941
744	0	0	1 214	14 359	0	0	57 842	58 992	43 560	50 458	35 770
137 586	**4 484**	**12 921**	**229 518**	**31 867**	**1 340**	**405**	**774 406**	**691 287**	**606 727**	**580 387**	**573 171**
114 523	3 979	10 766	194 150	45 984	1 340	296	786 750	717 181	643 903	585 315	604 662
78 045	2 511	6 938	128 908	78 198	1 221	251	557 306	557 938	506 397	760 151	466 952
44 692	1 595	3 833	74 503	11 282	452	124	190 833	174 237	158 893	140 416	147 252
-8 214	**-127**	**-5**	**-9 261**	**-43 495**	**-333**	**-79**	**38 611**	**-14 994**	**-21 387**	**-315 252**	**-9 542**
853	0	0	1 314	14 359	0	0	58 571	58 233	45 072	46 786	35 378
0	0	0	0	0	0	0	-6 813	21 911	-41 962	232 861	69 323
853	**0**	**0**	**1 314**	**14 359**	**0**	**0**	**65 384**	**36 322**	**87 034**	**-186 075**	**-33 945**
-9 067	**-127**	**-5**	**-10 575**	**-57 855**	**-333**	**-79**	**-26 773**	**-51 316**	**-108 421**	**-120 775**	**25 369**
8 659	405	672	16 846	15 228	2 570	26	174 861	170 877	115 812	179 962	197 973
-407	**277**	**667**	**6 271**	**-42 627**	**2 237**	**-53**	**148 088**	**119 561**	**7 392**	**59 187**	**223 342**
82 011	2 883	7 820	136 980	69 526	2 599	251	636 415	571 272	599 201	820 768	575 609
-3 966	-372	-882	-8 072	8 672	-1 378	0	-79 108	-13 334	-92 806	-69 019	-109 623
78 045	**2 511**	**6 938**	**128 908**	**78 198**	**1 221**	**251**	**557 306**	**557 938**	**506 395**	**751 749**	**465 986**
82 011	2 883	7 820	136 980	69 526	2 599	251	636 415	571 272	599 201	571 392	506 410
-3 966	-372	-882	-8 072	8 672	-1 378	0	-72 295	-35 245	-50 844	-55 350	-109 749
78 045	**2 511**	**6 938**	**128 908**	**78 198**	**1 221**	**251**	**564 120**	**536 027**	**548 357**	**516 042**	**396 661**

Note 4 Premiums, claims and provisions, continued

NOK thousands		Occup. injury insurance	Contingency insurance	BUSINESS Combined insurance	Motor insurance	Third-party insurance	Total business insurance
Technical provisions							
Premium reserve, unearned gross	31.12.12	**13 476**	**4 888**	**37 143**	**18 625**	**6 864**	**80 996**
FSA of N minimum requirements gross		*13 476*	*4 888*	*37 143*	*18 625*	*6 864*	*80 996*
Premium reserve, reinsurance share		587	213	9 926	318	413	11 457
Premium reserve, unearned for own account		**12 888**	**4 675**	**27 217**	**18 308**	**6 451**	**69 539**
FSA of N's minimum requirement for own account		*12 888*	*4 675*	*27 217*	*18 308*	*6 451*	*69 539*
Premium reserve, unnearned gross	31.12.13	**11 132**	**11 732**	**38 289**	**21 111**	**7 298**	**89 561**
FSA of N's minimum requirements gross		*11 132*	*11 732*	*38 289*	*21 111*	*7 298*	*89 561*
Premium reserve, reinsurance share		388	211	9 940	161	129	10 829
Premium reserve, unearned for own account		**10 745**	**11 521**	**28 349**	**20 949**	**7 169**	**78 733**
FSA of N's minimum requirement for own account		*10 745*	*11 521*	*28 349*	*20 949*	*7 169*	*78 733*
Claims reserve, gross	31.12.12	**938 004**	**284 374**	**408 508**	**84 521**	**90 550**	**1 805 956**
FSA of N's minimum requirements, gross		*695 004*	*258 624*	*386 031*	*74 521*	*63 025*	*1 477 204*
Claims reserve, reinsurance share		522	0	169 650	6 355	0	176 527
Claims reserve for own account		**937 482**	**284 374**	**238 858**	**78 165**	**90 550**	**1 629 429**
FSA of N's minimum requirement for own account		*667 181*	*257 281*	*220 177*	*73 157*	*59 737*	*1 277 533*
Claims reserve, gross	31.12.13	**897 722**	**299 226**	**319 355**	**89 520**	**85 508**	**1 691 330**
FSA of N's minimum requirements gross		*642 022*	*253 226*	*314 331*	*81 820*	*57 808*	*1 349 207*
Claims reserve, reinsurance share		0	0	94 120	1 400	0	95 520
Claims reserve, for own account		**897 722**	**299 226**	**225 235**	**88 120**	**85 508**	**1 595 810**
FSA of N's minimum requirement for own account		*624 858*	*252 599*	*222 932*	*80 238*	*56 079*	*1 236 705*
Contingency reserve	31.12.12	**149 353**	**50 996**	**171 819**	**37 757**	**50 397**	**460 321**
FSA of N's minimum requirement		*69 353*	*25 996*	*66 819*	*17 757*	*20 397*	*200 321*
Contingency reserve	31.12.13	**146 433**	**50 089**	**173 400**	**39 574**	**50 440**	**459 936**
FSA of N's minimum requirement		*66 433*	*25 089*	*68 400*	*19 574*	*20 440*	*199 936*
Provisions for pooling schemes and other special schemes							
Natural perils pool	31.12.12						**0**
Guarantee scheme							0
Natural perils pool	31.12.13						0
Guarantee scheme							**0**

In 2011 accounting was changed with indirect claim processing costs being moved from operating costs to claim costs. The claims reserve was also increased by adding a provision for future indirect claim processing costs at the same time as the administration provision in owners' equity was dropped. The figures for 2010 and 2009 have been reworked accordingly and therefore do not accord with the actual financial statements presented for those years.

Note 4 Premiums, claims and provisions, continued

RETAIL									
Accident insurance	Combined insurance	Motor insurance	Leis. craft insurance	Travel insurance	Total retail insurance	Natural perils insurance	Other pool schemes etc.	Child insurance life	Total 2013
1 481	**25 845**	**50 581**	**1 849**	**3 998**	**83 754**	**8 470**	**0**	**98**	**173 319**
1 481	*25 845*	*50 581*	*1 849*	*3 998*	*83 754*	*8 470*	*0*	*98*	*173 319*
25	84	294	0	0	403	0	0	0	11 861
1 455	**25 761**	**50 287**	**1 849**	**3 998**	**83 351**	**8 470**	**0**	**98**	**161 458**
1 455	*25 761*	*50 287*	*1 849*	*3 998*	*83 351*	*8 470*	*0*	*98*	*161 458*
1 936	**35 505**	**74 388**	**2 354**	**6 153**	**120 336**	**8 712**	**0**	**207**	**218 817**
1 936	*35 505*	*74 388*	*2 354*	*6 153*	*120 336*	*8 712*	*0*	*207*	*218 817*
36	82	186	0	0	303	0	0	0	11 132
1 900	**35 424**	**74 202**	**2 354**	**6 153**	**120 033**	**8 712**	**0**	**207**	**207 685**
1 900	*35 424*	*74 202*	*2 354*	*6 153*	*120 033*	*8 712*	*0*	*207*	*207 685*
21 416	**26 943**	**33 305**	**962**	**2 419**	**85 045**	**33 845**	**7 838**	**90**	**1 932 775**
21 416	*15 443*	*30 305*	*712*	*2 069*	*69 945*	*33 845*	*7 838*	*90*	*1 588 923*
0	0	0	0	0	0	10 452	0	0	186 979
21 416	**26 943**	**33 305**	**962**	**2 419**	**85 045**	**23 394**	**7 838**	**90**	**1 745 796**
21 376	*15 434*	*29 716*	*709*	*2 066*	*69 299*	*23 394*	*7 838*	*90*	*1 378 154*
20 251	**31 824**	**46 160**	**1 707**	**3 380**	**103 321**	**74 567**	**7 297**	**341**	**1 876 857**
20 251	*21 224*	*43 660*	*507*	*2 705*	*88 346*	*74 567*	*7 297*	*341*	*1 519 759*
0	0	0	0	0	0	4 068	0	0	99 588
20 251	**31 824**	**46 160**	**1 707**	**3 380**	**103 321**	**70 500**	**7 297**	**341**	**1 777 269**
20 245	*21 220*	*43 068*	*505*	*2 703*	*87 742*	*70 500*	*7 297*	*341*	*1 402 585*
5 959	**19 069**	**28 046**	**2 296**	**2 828**	**58 197**	**0**	**1 125**	**13**	**519 656**
5 959	*9 069*	*13 046*	*2 296*	*2 828*	*33 197*	*0*	*1 125*	*13*	*234 656*
6 295	**21 477**	**33 214**	**3 228**	**1 802**	**66 017**	**0**	**1 047**	**48**	**527 048**
6 295	*11 477*	*18 214*	*3 228*	*1 802*	*41 017*	*0*	*1 047*	*48*	*242 048*
					0	**200 946**			**200 946**
					0		29 205		29 205
					0	154 373			154 373
					0		**32 187**		**32 187**

Note 5 Fair value hierarchy

31.12.13 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed-return securities	513 600	760 387	0	1 273 987
Certificates	0	160 622	0	160 622
Bonds	80 049	599 766	0	679 815
Bond funds	433 550	0	0	433 550
Shares and units	395 694	0	419 326	815 020
Equity funds	395 694	0	0	395 694
Holdings in general partnership (ANS)	0	0	419 326	419 326
Other financial assets	7 152	0	0	7 152
Total financial assets valued at fair value	**916 445**	**760 387**	**419 326**	**2 096 159**

31.12.2012 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed-return securities	510 038	603 661	0	1 113 699
Certificates	0	116 082	0	116 082
Bonds	76 902	487 580	0	564 482
Bond funds	433 136	0	0	433 136
Shares and units	368 181	0	309 684	677 864
Equity funds	368 181	0	0	368 181
Holdings in general partnerships (ANS)	0	0	309 684	309 684
Other financial assets	28 171	0	0	28 171
Total financial assets valued at fair value	906 390	603 661	309 684	1 819 735

Changes in Level 3 shares, unlisted	2013	2012
Opening balance	309 684	319 312
Sold	0	0
Purchased	103 275	0
Unrealized changes	33 440	26 491
Other	-27 072	-36 119
Closing balance	419 326	309 684

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 in regard to fair value is based on listed prices in an active market. A financial instrument is considered as noted in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry grouping, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the time of reporting. Stockmarket-listed securities are examples of instruments at Level 1.

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

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

Note 6 Net income from investments

NOK thousands	2013	2012
Interest bank	1 220	1 030
Interest derivatives	0	0
Interest bonds fair value	26 499	51 542
Total interest income financial instruments at fair value	27 719	52 571
Interest bonds amortized cost	72 728	69 163
Interest lending	0	0
Total interest income financial instruments at amortized cost	72 728	69 163
Dividend/interest shares and units	0	0
Total interest income and dividends etc. on financial assets	**100 447**	121 735
Value changes shares and units	111 603	84 337
Value change bonds	-6 973	7 246
Value change derivatives	0	0
Total value change financial instruments at fair value	104 630	91 583
Value change bonds	0	0
Value change lending	0	0
Total value change financial instruments at amortized cost	0	0
Value change other	0	0
Total value changes on investments	**104 630**	91 583
Realized shares and units	21 074	417
Realized bonds	49	-136
Realized derivatives	0	0
Realized other	2	40
Total realized financial instruments at fair value	21 125	320
Realized bonds at amortized cost	0	40
Total realized financial instruments at amortized cost	0	40
Other financial costs and income	254	-102
Total realized gains and losses on investments	**21 379**	258
Transaction-related costs	-673	-263
Management fees	-4 571	-3 078
Renteutgifter	-505	-2 047
Total administration costs related to investments, including interest costs	**-5 750**	-5 387
Total ent income from investments	**220 706**	208 189

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

Note 7 Fair value of financial assets and liabilities

Calculation of fair value

Fair value of market-listed investments is based on the applicable purchase price. If the market for the security is not active, or if 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 recently complete transaction carried out on business terms and conditions, reference to trading of similar instruments , and pricing using externally collected yield 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 «Loans and receivables» and «Financial assets held to maturity» is determined on the basis of internal valuation models.

The various 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 in order to identify any errors. The following sources are used for shares:

Oslo Børs(Oslo Stock Exchange)
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 Funds Association (NMFA) - Verdipapirfondenes forening. Broadly this means the following:
The last traded price has the highest priority.

If the last traded price lies outside the Bid/Ask spread in the market, the price is adjusted accordingly. This means that if the last traded price is below «Bid» it is adjusted up to «Bid». If it is above «Ask», it is adjusted down to «Ask». If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Stock Exchange's small cap index (OSEAX) as an approach for unlisted shares.

For shares on which very little information is available, valuations are collected from brokers that are used as a basis for estimating an assumed market price.

c) Foreign fixed-income securities

Foreign fixed-income securities are generally priced on the basis of prices collected from an index provider. At the same time prices are compared between several different sources in order to identify any errors. The following sources are used:

JP Morgan
Barclays Capital Indicies
Bloomberg
Reuters

JP Morgan and Barclays Capital Indicies 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. Reuters has last priority.

d) Norwegian fixed-income securities - government

Reuters is used as the 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 fixed-income securities – the rest

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

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

f) Bonds measured at amortized cost (including bonds held to maturity)

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

g) Futures/FRA/IRF

All futures contracts are priced by Reuters. Prices are also obtained from Bloomberg to check that 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 reporting date (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 recognised in the income statement. Any reversal of previous write-down is returned to provisions through profit/loss.

Note 7 Fair value of financial assets and liabilities, continued

NOK thousands	31.12.2013 Capitalized value	31.12.2013 Fair value	31.12.2012 Capitalized value	31.12.2012 Fair value
Assets valued at amortized cost				
Investments held to maturity - valued at amortized cost				
Norwegian hold-to-maturity bonds	318 933	338 832	509 762	590 436
Accrued not yet due interest	6 550	6 550	10 763	10 763
Foreign hold-to-maturity bonds	189 944	203 326	222 865	240 313
Accrued not yet due interest	4 360	4 360	4 735	4 735
Total investments held to maturity	**519 787**	**553 068**	748 126	846 248
Bonds classified as lending and receivables - valued at amortized cost				
Norwegain bond loans	545 028	569 284	487 519	454 840
Accrued not yet due interest	10 446	10 446	5 692	5 692
Foreign bond loans	299 538	312 315	185 102	200 337
Accrued not yet due interest	6 190	6 190	4 199	4 199
Total bonds classified as lending and receivables	**861 202**	**898 235**	682 512	665 067
Total financial assets at amortized cost	**1 380 988**	**1 451 303**	1 430 638	1 511 315
Assets valued at fair value				
Holdings in property company/ies	419 326	419 326	309 684	309 684
Norwegian equity funds	395 694	395 694	368 181	368 181
Total shares and units	**815 020**	**815 020**	677 864	677 864
Norwegian bonds	640 689	640 689	528 727	528 727
Accrued not yet due interest	9 319	9 319	7 881	7 881
Foreign bonds	29 513	29 513	27 645	27 645
Accrued not yet due interest	294	294	229	229
Norwegian certificates	159 231	159 231	114 242	114 242
Accrued not yet due interest	1 391	1 391	1 839	1 839
Total bonds and other fixed-return securities	**840 437**	**840 437**	680 564	680 564
Norwegian bond funds	433 550	433 550	433 136	433 136
Total fixed-income fund units	**433 550**	**433 550**	433 136	433 136
Total other financial assets	**7 152**	**7 152**	28 171	28 171
Total financial assets at fair value	**2 096 159**	**2 096 159**	1 819 735	1 819 735
Total investments	**3 477 147**	**3 547 462**	3 250 373	3 331 050

Note 8 Risk management

Through its activity the Company is exposed to insurance risk and financial risk. Overall risk management for the Company 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. The Company has also set u a separate risk management committee made up of the Company's senior management team along with two other key staff members with permanent participation.

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 legislative amendments and court decisions. The larger the total 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.

The table below shows the profit/loss effect 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	2.2
1% change in premium level	MNOK	7.9
1% change in claim payments	MNOK	5.3
1% change in claims reserve	MNOK	17.8

Guidelines have been prepared for the types of risk 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 usually 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

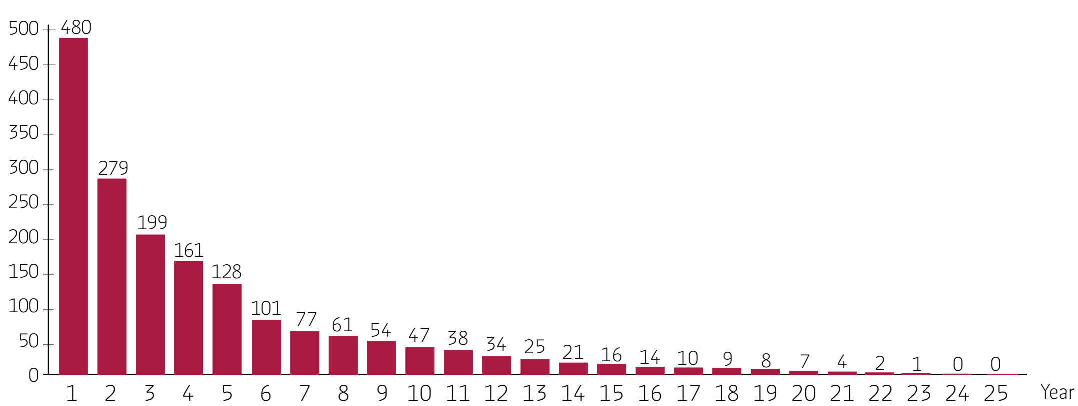
The Company's financial risk comprises liquidity risk, market risk and credit risk.

a) Liquidity risk

The Company needs liquidity to pay out claim settlements related to the insurance business. In addition liquidity is needed to handle the Company's current operating liabilities.

The company's claims reserve as at 31 December 2013 is expected to have the following redemption profile:

Claims reserve as at 31 December 2013



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 2013 the Company's Board adopted an asset management policy for 2014. It includes inter alia parameters, responsibilities, risk measurement and an contingency plan for liquidity management.

b) Market risko

Market risk is the risk of losses resulting from changes in market prices of shares, bonds and other securities and foreign 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 future transition to the market value of liabilities, the size of the reserves for long-tail 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 hedge accounting. In principle all of the Company's fixed-income investments in foreign currency are hedged back to NOK. In the same way investments in KLP Aksje Global Indeks II are hedged back to NOK, whereas investments in KLP AksjeNorden run unhedged in their original currencies.

In the Company's asset management, derivatives are principally used for risk reduction as well as for cost and time effective implementation of value hedging or adjustments to 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. One 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 (FSA).

Sensitivity analysis - market risk

Market risk in an insurance company can be measured in different ways. The Company uses the FSA's general stress test for measurement of market risk. This is calibrated at a 1 in 200 years level (99.5 %)

At the end of the 2013 reporting period equity exposure was over 11.4 per cent, of which about 1.2 percentage points were exposure to Norwegian shares. Holdings in property companies represented about 12.1 per cent.

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

	31.12.13	31.12.12	31.12.11
Market risk KLP Skadeforsikring AS	MNOK 439	MNOK 346	MNOK 288

c) Credit risk

Emphasis is placed on diversification of credit exposure to avoid concentration of credit risk against individual debtors. Changes in debtors' credit ratings 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 credits with high credit quality according to the rating agencies' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.4 billion, 31 per cent have an AAA rating. The Company has approximately NOK 433 million in an international credit bond fund. The credit exposure in this fund closely follows the exposure to the Barclays Capital Aggregate Corporate Index. The fund is rated at A- by S&P. Unrated /non-investment-grade (NIG) means almost without exception the securities do not have a rating. In the main this applies to certain Norwegian financial institutions, municipalities/county administrations 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 financial statements.

Note 9 Credit risk

31.12.13 NOK thousands	AAA	AA	A	BBB	Unratet / NIG	Total
Investments held to maturity - at amortized cost						
Banks	0	0	46 211	0	25 993	72 204
Financial and credit institutions	0	31 273	0	0	0	31 273
Government and government guarantee within OECD	122 799	0	0	0	0	122 799
State enterprises and Covered Bonds	25 213	25 459	0	0	138 530	189 202
Other	0	0	84 567	0	19 742	104 309
Total	**148 012**	**56 732**	**130 778**	**0**	**184 265**	**519 787**
Bonds - at amortized cost						
Banks	0	0	159 298	0	0	159 298
Guarantee from the authorities	111 372	0	0	0	11 492	122 864
Government and government guarantee within OECD	137 027	0	40 543	0	0	177 570
State enterprises and Covered Bonds	25 666	0	0	0	0	25 666
Other	0	0	104 025	0	271 779	375 804
Total	**274 064**	**0**	**303 866**	**0**	**283 271**	**861 202**
Bonds and other fixed-return securities						
Banks	0	0	23 061	0	386 756	409 818
Financial and credit institutions	10 841	0	0	0	0	10 841
Guarantee from the authorities	7 644	0	0	0	17 677	25 321
Government and government guarantee within OECD	80 049	0	0	0	0	80 049
State enterprises and Covered Bonds	16 434	7 127	0	0	81 599	105 161
Other	0	24 702	12 396	0	172 149	209 247
Total	**114 969**	**31 829**	**35 457**	**0**	**658 181**	**840 437**
Fixed-income funds						
Other	0	0	433 550	0	0	433 550
Totalt	**0**	**0**	**433 550**	**0**	**0**	**433 550**
Other financial assets (Lendings and receivables)						
Norway	0	0	185	0	0	185
United Kingdom	0	0	6 729	0	0	6 729
Sweden	0	238	0	0	0	238
Total	**0**	**238**	**6 914**	**0**	**0**	**7 152**
Total	**537 046**	**88 799**	**910 565**	**0**	**1 125 717**	**2 662 127**

31.12.12 NOK thousands	AAA	AA	A	BBB	Unratet / NIG	Total
Investments held to maturity - at amortized cost						
Banks	0	0	96 918	0	106 800	203 719
Government and government guarantee within OECD	186 908	0	0	33 356	0	220 264
State enterprises and Covered Bonds	25 219	25 459	0	0	138 536	189 214
Other	0	31 258	84 199	0	19 472	134 929
Total	212 127	56 717	181 117	33 356	264 809	748 126
Lendings and receivables - at amortized cost						
Banks	0	0	100 187	0	10 326	110 512
Guaranteefrom the authorities	111 349	0	0	0	11 389	122 738
Government and government guarantee within OECD	137 059	0	0	0	0	137 059
State enterprises and Covered Bonds	25 671	0	0	0	0	25 671
Other	0	0	84 353	0	202 178	286 531
Total	274 079	0	184 540	0	223 893	682 512

Note 9 Credit risk, continued

31.12.12 NOK thousands	AAA	AA	A	BBB	Unratet/ NIG	Total
Bonds and other fixed-return securities						
Financial and credit institutions	0	0	38 175	0	291 331	329 506
Guarantee from the authorities	10 941	0	0	0	0	10 941
Savings banks	7 685	0	0	0	14 149	21 835
Government and government guarantee within OECD	76 902	0	0	0	0	76 902
State enterprises and Covered Bonds	16 569	0	0	0	60 982	77 551
Other	0	2 113	2 364	0	159 352	163 829
Total	112 097	2 113	40 539	0	525 814	680 564
Fixed-income funds						
Other	0	0	433 136	0	0	433 136
Total	0	0	433 136	0	0	433 136
Other financial assets (Lendings and receivables)						
Norway	0	0	93	0	0	93
Sweden	0	20 883	0	0	0	20 883
United Kingdom	0	0	7 195	0	0	7 195
USA	0	0	0	0	0	0
Total	0	20 883	7 289	0	0	28 171
Grand total	598 304	79 713	846 620	33 356	1 014 516	2 572 509

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

Totals shown for each category can be reconciled with lines in the financial position statement.

Note 10 Interest rate risk

31.12.13 NOK thousands	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	More than 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	22	0	0	0	0	0	22
Bonds and other fixed-return securities	-417	-1 363	-5 153	-4 290	0	3 308	-7 916
Fixed-income fund units	-23 042	0	0	0	0	0	-23 042
Lendings and receivables	0	0	0	0	0	516	516
Total	**-23 437**	**-1 363**	**-5 153**	**-4 290**	**0**	**3 823**	**-30 420**

31.12.12 NOK thousands	Up to 3 months	3 months to 12 months	1 year to 5 years	5 years to 10 years	More than 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	32	0	0	0	0	160	192
Bonds and other fixed-return securities	-391	-530	-4 300	-5 759	0	2 878	-8 102
Fixed-income fund units	-23 821	0	0	0	0	327	-23 495
Lendings and receivables	0	0	0	0	0	529	529
Total	-24 180	-530	-4 300	-5 759	0	3 894	-30 876

In the longer term interest rate risk may be expected to be substantial in the light of the high proportion of investments in interest-bearing securities and interest-rate fluctuations.

The Note shows the effect on profit/loss in the event of a 1 per cent change in market interest rate, for fair value risk and variable interest-rate risk. Fair value risk is calculated on the change in fair value of related instruments if the interest rate had been 1 per cent higher at the end of the period. Variable interest rate risk indicates the change in cash flows had the interest rate been 1 per cent higher throughout the year being reported on. The total of these reflects the combined effect on profit/loss that the scenario with a 1 per cent higher interest rate would haved meant for KLP Skadeforsikring AS.

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

Note 11 Foreign exchange risk

31.12.13 NOK thousands	Fin. pos. statement items excl. for. exch. derivatives		Foreign exchange derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	3 400	0	0	-3 405	5 .428	3 400	-3 405	-28
CAD	5 665	0	51	-5 719	5 .710	5 716	-5 719	-18
CHF	3 674	0	72	-3 747	6 .822	3 746	-3 747	-12
DKK	10 541	0	0	-2 685	1 .121	10 541	-2 685	8 803
EUR	53 001	0	277	-52 532	8 .360	53 278	-52 532	6 239
GBP	14 598	0	110	-14 716	10 .048	14 708	-14 716	-71
HKD	9 431	0	0	-9 385	0 .782	9 431	-9 385	36
ILS	688	0	1	-686	1 .748	689	-686	5
ISK	5 277	0	0	0	0 .053	5 277	0	278
JPY	1 010 795	0	1 125	-1 012 441	0 .058	1 011 920	-1 012 441	-30
NZD	57	0	0	-57	4 .993	57	-57	-1
SEK	32 620	0	0	-8 978	0 .945	32 620	-8 978	22 332
SGD	789	0	0	-785	4 .805	789	-785	17
USD	192 315	0	102	-192 546	6 .067	192 417	-192 546	-779
ZAR	0	0	0	0	0 .579	0	0	0
Total foreign exchange positions								**36 770**

31.12.12 NOK thousands	Fin. pos. statement items excl. for. exch. derivatives		Foreign exchange derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 688	0	323	-2 020	5 .778	2 011	-2 020	-53
CAD	2 284	0	459	-2 723	5 .589	2 743	-2 723	111
CHF	1 781	0	364	-2 145	6 .080	2 145	-2 145	-1
DKK	10 228	0	271	-1 617	0 .983	10 499	-1 617	8 734
EUR	24 005	0	933	-22 475	7 .337	24 938	-22 475	18 076
GBP	5 612	0	567	-6 194	9 .046	6 179	-6 194	-137
HKD	4 915	0	895	-5 809	0 .718	5 809	-5 809	0
ILS	413	0	143	-556	1 .492	556	-556	0
ISK	6 668	0	0	0	0 .043	6 668	0	290
JPY	369 987	0	61 684	-430 200	0 .064	431 670	-430 200	95
NZD	32	0	6	-38	4 .591	38	-38	-1
SEK	28 564	0	865	-5 050	0 .855	29 429	-5 050	20 855
SGD	454	0	80	-537	4 .556	534	-537	-10
USD	69 024	0	4 917	-73 648	5 .565	73 941	-73 648	1 632
Total foreign exchange positions								49 592

The Note shows gross exposure towards foreign currencies on the assets and liabilities sides, divided between the underlying investment and hedge. The Note covers the foreign exchange positions the Company has indirectly through funds, as well as direct foreign exchange positions.

The Company has a policy that inolves exchange-rate hedging of the major part of international exposure. Hedging of foreign exchange exposure is carried out through derivatives and the financial hedging effect is expressed through normal accounting treatment without the use of hedge accounting. In principle, all of the Company's fixed -income investments in foreign currencies are hedged bac k to NOK. In the same way investments in KLP Aksje Global Indeks II are hedged back to NOK , whereas investments in KLP AksjeNorden run unhedged in their original currencies.

Note 12 Holdings security funds and general partnerships (ANS)

31.12.13
NOK thousands

	Number	Acquisition cost	Market value
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	189 553	202 875	309 933
KLP AksjeNorden	17 356	31 955	45 402
KLP AksjeNorge	9 718	21 253	40 358
Total equity funds		**256 083**	**395 694**
FIXED-INCOME FUNDS			
KLP Obligasjon Global 1	420 223	424 060	433 550
Total fixed-income funds		**424 060**	**433 550**
HOLDINGS IN PROPERTY COMPANIES			
Holdings in Byporten ANS			217 912
Holdings in Frydenlund Eiendom ANS			201 414
Stotal holdings in property companies			**419 326**

31.12.12
NOK thousands

	Number	Acquisition cost	Market value
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	216 000	233 372	272 508
KLP AksjeNorden	24 425	40 474	47 757
KLP AksjeNorge	14 008	32 473	47 916
Total equity funds		306 318	368 181
FIXED-INCOME FUNDS			
KLP Obligasjon Global 1	420 223	424 060	433 136
Total fixed-income funds		424 060	433 136
HOLDINGS IN PROPERTY COMPANIES			
Holdings in Byporten ANS			188 320
Holdings in Frydenlund Eiendom ANS			121 363
Total holdings in property companies			309 684

Note 13 Share capital

NOK thousands	**31.12.13**	31.12.12
Share capital		
Number of shares 01.01.	68 750	68 750
Number of shares 31.12.	**68 750**	68 750
Share capital 01.01.	220 000	220 000
Share capital 31.12.	220 000	220 000
Tot. comprehensive income after tax per share in NOK	**2 053**	1 566

The Company has one class of share comprising 68,750 shares, each of NOK 3200. There are no provisions in the Articles of Association regrding restrictions on voting rights.

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

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

NOK thousands	2013	2012
Owners' equity contributed	220 000	220 000
Retained earnings	567 674	375 318
Less intangible assets	-13 912	-18 171
Deferred tax assets	0	0
Minimum requirement for reinsurance reserve	-5 484	-9 622
Net Tier 1 and Tier 2 capital	**768 278**	567 525
Assets and off-balance sheet items (items off the financial position statement) by risk category		
Risk weight 0 %	491 139	633 065
Risk weight 10 %	320 029	292 436
Risk weight 20 %	997 730	1 001 464
Risk weight 35 %	0	0
Risk weight 50 %	505 220	459 707
Risk weight 100 %	1 436 916	1 201 879
Risk weight 150%	0	0
Off-balance sheet items (foreign currency-rel. contracts)	0	0
Weighted sum assets in the fin. pos. statem. (balance sheet)	1 921 075	1 661 269
Weighted off-balance sheet items	0	0
Risk-weighted calculation base	**1 921 075**	1 661 269
Capital adequacy ratio	**39 .99 %**	34 .16 %
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	**757 %**	708 %
Solvency margin requirement	158 569	140 250
Solvency capital	1 200 793	993 290
- of which Tier 1 and 2 capital	768 278	567 525
- of which conting. reserve exceeding 55 % of min. requirem.	393 922	390 595
- of which share of Natural Perils Pool	38 593	50 237
- of which deduction from solvency capitsl i.a.w. Section 8a	0	-15 171

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 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	186 560	230 151
Other retained earnings	421 324	224 830
Minimun requirement of reinsurance reserve	5 484	9 622
Other retained earnings, total	426 808	234 452
Owners' equity contributions and retained earnings	**974 234**	825 470

Note 15 Intangible assets

NOK thousands	31.12.2013	31.12.2012
Book value 01.01	18 171	19 206
Acquisition cost 01.01	45 368	42 217
Additions during the year	0	3 152
- of which internally developed	0	0
- of which purchased	0	3 152
Disposals	0	0
Acquisition cost 31.12.	45 368	45 368
Accumulated depreciation previous years	-27 197	-23 011
Ordinary depreciation for the year, straight line	-4 259	-4 186
Depreciation for the year		
Book value as at 31.12.	**13 912**	18 171

Period of depreciation 3 to 12 years

Note 16 Benefits for leading individuals etc.

2013	Paid from the Company				Paid from other company in the same Group					
NOK thousands	Salary, fee etc	Other benefits	Pension accumulation for the year	Loan	Salary, fee etc.	Other benefits	Pension accumulation for the year	Loan	Interest rate as at 31.12.2013	Payment plan 1)
Senior employees										
Tore Tenold, Managing Director	2 594	141	784	-	-	-	-	2 794	3.15	Housing credit
Board of Directors										
Sverre Thornes, Chair	-	-	-	-	3 433	162	1 055	7 410	2.70-3.80	A41
Reidar Mæland	75	-	-	-	-	-	-	1 630	3.65-3.90	A36
Kjell Arvid Svendsen	37	-	-	-	-	-	-	-	-	-
Inger Østensjø	38	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from staff	75	-	-	-	-	-	-	-	-	-
Toril B. Ressem	-	-	-	-	1 649	151	568	7 374	2.95-3.15	S/A39/A42
Reidun W. Ravem	-	-	-	-	-	-	-	-	-	-
Control Committee										
Ole Hetland, Chair	-	-	-	-	93	-	-	-	-	-
Jan Rune Fagermoen	-	-	-	-	38	-	-	-	-	-
Bengt P. Johansen	-	-	-	-	77	-	-	-	-	-
Mathilde Irene Skiri	-	-	-	-	39	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	77	-	-	-	-	-
Thorvald Hillestad	-	-	-	-	68	-	-	-	-	-
Supervisory Board										
Total Supervisory Board	37	-	-	-	422	-	-	25 155	-	-
Employees										
Total loans (to) employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	133 543	-	-

Note 16 Benefits for leading individuals etc., continued

2012	Paid from the Company				Paid from other company in the same Group					
NOK thousands	Salary, fee etc	Other benefits	Pension accumulation for the year	Loan	Salary, fee etc	Other benefits	Pension accumulation for the year	Loan	Interest rate as at 31.12.2012	Payment plan [1]
Senior employees										
Hans Martin Hovden, Managing Director until 1 October	1 201	90	360	-	-	-	-	489	3.15	A24
Tore Tenold, Managing Director from 1 October	803	29	244	-	-	-	-	2 715	3.15	Housing credit
Board of Directors										
Sverre Thornes, Chair	-	-	-	-	3 254	122	1 230	7 507	2.70-3.60	A2042
Reidar Mæland	72	-	-	-	18	-	-	1 630	3.45-3.70	A2036
Kjell Arvid Svendsen	72	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from staff	72	-	-	-	-	-	-	-	-	-
Toril B. Ressem	-	-	-	-	1 548	146	697	7 688	2.95-3.60	A og S2043
Reidun W. Ravem	-	-	-	-	-	-	-	-	-	-
Control Committee										
Ole Hetland, Chair	-	-	-	-	89	-	-	-	-	-
Jan Rune Fagermoen	-	-	-	-	75	-	-	-	-	-
Bengt P. Johansen	-	-	-	-	75	-	-	-	-	-
Line Alfarrustad	-	-	-	-	37	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	75	-	-	-	-	-
Supervisory Board										
Total Supervisory Board	47	-	-	-	503	-	-	40 585	-	-
Employees										
Total loans (to) employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	93 261	-	-

[1] A=annuity loan, S=serial loan, last instalment/payment

The Managing Director has no agreement on performance pay (bonus) or any agreement on guaranteed salary on termination. The Managing Director is pensionable at the age of 65.

There is no oblligation to provide the Board Chair with any special consideration or other benefits on termination or change of the appointment.

Directors' fees are set by the General Meeting. Board members employed in the KLP Group, not having been elected by and from the employees, do not receive fees for Board appointments. Benefits in addition to Directors' fees for Board members employed in the KLP Group are stated only if they are included in the KLP Group's senior management team.

KLP Skadeforsikring AS has a common Control Committee with the rest of the KLP Group, and a joint Supervisory Board with Kommunal Landspensjonskasse, the parent company.

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

Attention is also drawn to the description of the main principles on determination of remuneration in the KLP Group, which may be found at www.klp.no.

Note 17 Audit fee

NOK thousands	2013	2012
Statutory financial audit	379	327
Other certification services	0	0
Tax consultancy	0	0
Other services excluding audit	0	0

The above sums include VAT.

Note 18 Number of employees

	2013	2012
Number of employees as at 31.12	108	97
Average number of employees	102.5	97.0

Note 19 Sales costs

NOK thousands	2013	2012
Employees' salaries	28 915	26 041
Other personnel costs	10 579	8 335
Agent commission	6 212	1 917
Other costs	5 306	8 269
Total	**51 012**	44 562

Note 20 Operating costs

NOK thousands	2013	2012
Type of cost:		
Personnel costs	93 847	84 566
Depreciation	4 259	4 186
Other operating expenses	92 727	85 485
Total operating expenses	**190 833**	174 237

Note 21 Pension obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises («Fellesordndingen»). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefit pension shceme that satisfies the requirements of mandatory occupational pensions ('obligatorisk tjenestepensjon', or OTP). The Company has a contractual pension (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Notes 2 and 3.

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Pension costs						
Present value of accumulation for the year	10 407	1 064	11 471	12 709	588	13 298
Administration costs	275	0	275	262	0	262
Social security cost - Pension costs	1 506	150	1 656	1 829	83	1 912
Pension costs incl. social security costs through income	12 189	1 214	13 403	14 801	671	15 472
Net financial costs						
Cost of interest	3 783	302	4 085	2 741	183	2 924
Expected returns	-2 566	0	-2 566	-1 412	0	-1 412
Management costs	166	0	166	141	0	141
Net cost of interest	1 383	302	1 685	1 470	183	1 652
Social security cost/contribution - net cost of interest	195	43	238	207	26	233
Net cost of interest including social security cost	1 578	345	1 923	1 677	208	1 885
Actuarial losses, pensions						
Actuarial loss (gain)	8 208	1 107	9 315	-23 363	-515	-23 878
Social security cost	1 157	156	1 313	-3 294	-73	-3 367
Acutarial loss (gain) incl. social security cost	9 365	1 263	10 628	-26 657	-588	-27 244
Total pension costs incl. cost of interest and actuarial loss/gain	**23 132**	**2 822**	**25 954**	**-10 179**	**292**	**-9 887**

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Pension liabilities						
Gross pension liabilities accrued	110 711	9 165	119 876	86 817	6 692	93 509
Pension assets	74 244	0	74 244	61 864	0	61 864
Net liability before social security costs	36 467	9 165	45 632	24 953	6 692	31 645
Social security coss	5 142	1 292	6 434	3 518	944	4 462
Gross liability incurred incl. social security costs	115 853	10 457	126 310	90 336	7 635	97 971
Net liability incl. social security costs	41 609	10 457	52 066	28 472	7 635	36 107

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Reconciliation pension liability						
Net liability/(asset) taken to income 31.12 last year	28 472	7 635	36 107	33 596	3 907	37 503
Resetting of corridor 01.01.2012	0	0	0	13 072	3 011	16 083
Resetting of corridor social security costs 01.01.2012	0	0	0	1 843	425	2 268
Net liability/(assets) taken to income 01.01.2012	28 472	7 635	36 107	48 511	7 343	55 854
Pension costs taken to income	12 189	1 214	13 403	14 801	671	15 472
Financial costs taken to income	1 578	345	1 923	1 677	208	1 885
Actuarial gain and loss incl. social security costs	9 365	1 263	10 628	-26 657	-588	-27 244
Social security costs paid in premium/contribution	-1 235	0	-1 235	-1 218	0	-1 218
Premium/contribution incl. admin.costs paid in	-8 760	0	-8 760	-8 641	0	-8 641
Capitalized net Liability (assets) 31.12. this year	41 609	10 457	52 066	28 472	7 635	36 107

Dissolution of corridor

The revised accounting standard IAS 19 came into effect for the reporting year that started on 1 January 2013. The Company started using the revised standard w.e.f. 1 January 2013, but it was implemented with retrospective effect from 1 January 2012 for comparison purposes. The changes in IAS have a bearing on how the pension liability and the pension cost are presented in the accounts. One important change is that actuarial gains and losses are booked against other income and costs in the comprehensive income statement and are not included in the ordinary income for the period. The corridor method whereby actuarial gains and losses beyond a certain level are distributed over the remaining accumulation period is no longer allowed.

The corridor showed an actuarial loss as at 01.01.2012 of NOK 18.2 million incl. social security costs. The resetting of the corridor is shown in the above table.

Note 21 Pension obligations, own employees, continued

Number	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Member status						
Number active	106	9	115	103	7	110
Number deferred (former employees with deferred rights)	56	0	56	50	0	50
Number of pensions	7	0	7	6	0	6

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Change in pension liabilities						
Gross pension assets 01.01 before change of plan	90 336	7 635	97 971	99 006	7 343	106 349
Gross pension liability after change of plan	90 336	7 635	97 971	99 006	7 343	106 349
Present value of the accumulation for the year	10 407	1 064	11 471	12 709	588	13 298
Cost of interest	3 783	302	4 085	2 741	183	2 924
Acutarial loss (gain) gross pension liability	11 312	1 263	12 574	-24 339	-588	-24 927
Social security cost on pension cost	1 506	150	1 656	1 829	83	1 912
Social security cost on net cost of interest	195	43	238	207	26	233
Social security cost on premium/contrbution	-1 235	0	-1 235	-1 218	0	-1 218
Disbursements	-451	0	-451	-598	0	-598
Gross pension liability 31.12	115 853	10 457	126 310	90 336	7 635	97 971

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Change in pension assets						
Pension assets 01.01	61 864	0	61 864	50 495	0	50 495
Expectetd return	2 566	0	2 566	1 412	0	1 412
Actuarial (loss) gain on pension assets	1 946	0	1 946	2 317	0	2 317
Administration costs	-275	0	-275	-262	0	-262
Financial costs	-166	0	-166	-141	0	-141
Premium/contribution paid in incl. admin. costs	8 760	0	8 760	8 641	0	8 641
Curtailment/settlement	0	0	0	0	0	0
Disbursements	-451	0	-451	-598	0	-598
Pension assets 31.12	74 244	0	74 244	61 864	0	61 864

NOK thousands	Felles-ordningen	Via operation	2013	Felles-ordningen	Via operation	2012
Over/under-financing in the pension scheme						
Present value of defined benefit pension liability	115 853	10 457	126 310	90 336	7 635	97 971
Fair value of pension assets	74 244	0	74 244	61 864	0	61 864
Net pension liability	41 609	10 457	52 066	28 472	7 635	36 107

	2013	2012
Financial assumptions for income statement (common to all pension schemes)		
Discount rate	4.00 %	3.90 %
Salary growth	3.75 %	3.50 %
National Insurance basic sum (G)	3.50 %	3.25 %
Pension increase	2.72 %	2.48 %
Expected return	4.00 %	3.90 %
Social security contribution rate	14.10 %	14.10 %
Amortization time	15	15

Note 21 Pension obligations, own employees, continued

Actuarial assumptions:

KLP's Joint Scheme for local authorities and enterprises («Fellesordningen»)

An important part of the basis of pension costs and pension liabilities is how mortality and disability manifest themselves among members of the pension scheme.

New mortality assumptions

When measuring liabilities incurred (best estimate) 31.12.2013 new mortality assumptions form the basis. KLP is assuming a new mortality table, K2013BE, based on Finance Norway's (FNO's) analyses of mortality in the life insurance populations in Norway and Statistics Norway's (SSB's) extrapolations. In isolation, the new assumptions foresee an increase of slightly less than 10 per cent in the liability.

Take-up of AFP in 2013 (per cent in relation to remaining employees):

The cost of AFP depends on how many in each cohort that take AFP, the contractual early retirement pension scheme. On reaching the age of 62, 45 per cent retire on an AFP pension. Only those who are employed and working right up to retirement are entitled to AFP. This has been taken into account in the calculation of the AFP liability.

Voluntary termination for Fellesordningen in 2013 (in %)

Age (this year)	<20	20-23	24-29	30-39	40-50	51-55	>55
Turnover	20 %	15 %	10 %	7.5 %	5 %	2 %	0 %

Pensions via operation

Take-up of AFP/early retirement pension is not relevant with this scheme. When it comes to life expectancy, the same variant of K2013BE is assumed as for Fellesordningen.

	2013	2012
Composition of the pension assets:		
Property	12.3 %	11.5 %
Lending	10.9 %	11.0 %
Shares	16.9 %	16.2 %
Long-term-/HTM bonds	28.8 %	30.6 %
Short-term bonds	20.9 %	22.2 %
Liquidity/money market	10.1 %	8.5 %
Total	100.0 %	100.0 %

The pension assets are based on KLP's financial assets in the common portfolio. The table shows the placement percentagewise of the pension assets that KLP administers at the end of the year. The value-adjusted return on the assets amounted to 6.7 per cent in 2013 and 6.6 per cent in 2012.

Expected payment to defined benefit schemes after termination of employment for the period 1 January 2014 to 31 December 2014 is NOK 12.3 million.

Sensitivity analysis as at 31.12.2013	
Discount rate is reduced by 0.5 per cent.	Increase
Gross pension liability	10.8%
Accumulation for the year	14.8%
Salary growth is increased by 0.25 per cent	Increase
Gross pension liability	1.3%
Accumulation for the year	3.2%
Mortality is strengthened by 10 per cent	Increase
Gross pension liability	2.5%
Accumulation for the year	1.9%

The above sensitivity analysis is based on all other assumptions being unaltered. In practice, that is an unlikely scenario and changes in som assumptions are correct. The calculation of gross pension liability and accumulation for the year in the sensitivity analysis has been done in accordance with the same method as when calculating the gross pension liability in the financial position statement.

The duration of the Fellesordningen is calculated at 16.2

Note 22 Tax

NOK thousands	2013	2012
Accounting income before tax	**189 865**	105 223
Other components of profit/loss	-10 628	
Resetting of corridor IB effect 01.01.12		-18 351
Actuarial losses 31.12.12		27 244
Income before change of reserves	**179 237**	114 116
Differences between accounting income and tax income:		
Reversal of value reduction, financial assets	912	2 214
Reversal of value increase, financial assets	-108 688	-93 607
Book loss on realization of shares and other securities		
Accounting gain on realization of shares and other securities	-21 074	-417
Tax gain on realization of shares and other securities	2 710	
Tax loss on realization of shares and other securities		-4 163
Share of taxable income in partnerships	24 657	36 070
Share of accounting income in partnerships		
Other permanent differences	9 347	193
Change in differences affecting relationship between accounting and tax income	55 166	7 750
Taxable income	**142 268**	62 158
Group contribution received with tax effect		
Group contribution made	-142 268	-62 158
Application of previous years' deficit		
Deficit for the year transferred to carryforward deficit		
Basis for tax payable		
Carryforward deficit from previous years		
Change for the year in carryforward deficit		
Total carryforward deficit and remuneration as at 31.12.2013		
Basis for tax payable after carryforward deficit and group contribution made	0	0
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Other differences	192 044	258 497
Securities	20 140	26 699
Income differences in holdings in partnerships	35 798	27 859
Total tax-increasing temporary differences	247 983	313 054
Tax-reducing temporary differences:		
Profit and loss account		
Pension liability	-52 066	-36 107
Unused allowance share dividend		
Total tax-reducing temporary differences	-52 066	-36 107
Net temporary differences	195 917	276 947
Differences not included in the calculation of deferred tax/tax assets	-192 044	-239 774
Carryforward deficit		
Basis for deferred tax/deferred tax assets	3 873	37 173
27% deferred tax in 2013	1 046	
28% deferred tax in 2012		10 409
Valuation allowance		
Capitalized deferred tax/deferred tax assets	**1 046**	10 409
Change in deferred tax to income	**-1 735**	7 628
Summary of tax expense for the year		
Group contribution made	**-142 268**	-62 158
Tax payable on Group contribution taken to income	-39 835	-17 404
Change in deferred tax to income	1 735	-7 628
Total tax expense	-38 100	-25 033

Note 23 Transactions with related parties

NOK thousands	2013	2012
Income		
KLP Kapitalforvaltning AS, management fee	1 786	2 323
KLP Eiendom AS, management fee	863	755
KLP Liv, rent	12 562	12 606
KLP Liv, pension premiums	8 760	8 641
KLP Liv, taff services (at cost)	80 987	67 856
KLP Banken AS, interest-subsidized employee loans	613	668
TOTAL	105 571	92 849
Financial position statement		
KLP Liv, net internal receivables	-11 536	-7 443
KLP BP, net internal receivables	10	
KLP Kapitalforvaltning AS, net internal receivables	-341	-401
KLP Banken AS, net internal receivables	-86	-16
TOTAL	-11 953	-7 860

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

Note 24 Claims for own account

Claims estimates excl. pool schemes and indirect claim handling costs: Year: NOK thousands	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
- at year-end	375 461	416 252	390 521	428 760	441 592	465 393	525 859	514 663	521 902	538 278
- one year later	359 790	415 210	390 032	410 918	427 127	488 873	546 184	532 073	527 589	
- two years later	335 610	399 588	367 282	383 794	406 535	463 095	522 220	520 459		
- three years later	325 060	388 240	344 928	363 403	393 013	456 964	509 507			
- four years later	300 759	367 492	332 575	340 499	383 346	442 901				
- five years later	291 330	350 006	311 561	331 622	365 317					
- six years later	279 603	344 852	312 078	323 249						
- seven years later	268 009	338 710	306 997							
- eight years later	265 111	332 877								
- nine years later	261 309									
Present claims estimates	261 309	332 877	306 997	323 249	365 317	442 901	509 507	520 459	527 589	538 278
Claims paid	205 321	261 485	233 734	232 870	261 372	312 517	371 141	336 342	300 764	201 377
Remaining reserves	55 988	71 392	73 263	90 379	103 945	130 384	138 365	184 117	226 824	336 902

	As at 31.12.2013	As at 31.12.2012
Claims reserves excluding pool schemes and indirect claim handling costs:	1 620 302	1 632 089
Claims reserves for pool schemes excluding indirect claim handling costs:	77 482	30 895
Provision for indirect claim handling costs:	79 485	82 813
Total claims reserves:	1 777 269	1 745 796

To the Annual Shareholders' Meeting of KLP Skadeforsikring AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of KLP Skadeforsikring AS, which comprise the balance sheet as at 31 December 2013, and the income statement, showing a comprehensive income for the year of NOK 141,1 millions, statement of changes in equity and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of KLP Skadeforsikring AS as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 February 2014
PricewaterhouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

KLP Skadeforsikring AS

ACTUARY'S STATEMENT

The technical provisions as at 31 December 2013 satisfy the applicable requirements for provisions. The actuary considers the level of provision to be satisfactory in relation to the purpose of the provisions and the risk assumed.

Oslo, 27 February 2014

Espen F. Olsen
Chief Actuary

To the Supervisory Board and the General Meeting of
KLP Skadeforsikring AS

THE CONTROL COMMITTEE'S STATEMENT FOR 2013

In accordance with Section 9 of the Instructions, the Control Committee has reviewed the Board of Directors' draft annual financial statements, which comprise the Income statement, the Financial position statement, the Statement of cash flows , the Statement of changes in owners' equity, and the Notes, plus the Directors' Report. In addition the actuary's statement and the auditor's report have been presented and reviewed.
The Control Committee recommends that the Supervisory Board and the General Meeting adopt the Company's and the Group's financial statements and directors' reports for 2013 in accordance with the Board's recommendation.

Oslo, 4 April 2014

(signature)
Ole Hetland
(chair)

(signature)
Bengt P. Johansen

(signature)
Dordi Flormælen
(deputy chair)

(signature)
Irene Skiri

(signature)
Evy-Anne Evensen

To the General Meeting of
KLP Skadeforsikring AS

The Supervisory Board of KLP Skadeforsikring AS has reviewed the financial statements presented by the Board of Directors, which comprise the Income statement, the Financial position statement, the Statement of changes in equity, and the Notes, the Directors' report, as well as the Actuary's report, the Audit report and the Control Committee's statement.

The Supervisory Board recommends to the General Meeting that the Company's and the Group's financial statements and Directors' report for 2013 be determined in accordance with the Board of Directors' recommendation.

Oslo (Norway), 10 April 2014

(signature)
Nils A. Røhne
Deputy Chair of the Supervisory Board

Skadeforsikring

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