KLP Skadeforsikring AS

annual report 2014

Cover photo: Morten Larsen, Open

In 2014 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values Open, Clear, Responsible and Committed or "For the days to come". Olav Storm, photographer, was head of the jury.

CONTENT

Fire safety for groups at risk

The number of fires and fatal fires in municipal rental housing will increase dramatically if we do nothing. KLP Skadeforsikring has mapped the challenges the municipalities face with rental housing.

We regularly hear about serious fires through the news. According to the Norwegian Directorate for Civil Protection (DSB) fire statistics, 46 out of the 61 fire fatalities during 2013 were in different risk groups. 80-90 per cent of the fire fatalities died in their own homes. As well as young disability pension recipients, substance abusers and the elderly with dementia are among the risk groups.

The working group behind the NOU (Official Norwegian Report) "Safe at Home - fire safety for groups at risk" (2012) recommends several key measures to improve fire safety for groups at risk One of the measures is increased cooperation and coordination between different municipal services that are in touch with the groups at risk.

The number of elderly people will increase sharply in the years ahead, which puts major pressure on sheltered housing schemes. Municipal care work will therefore be provided in private homes as long as possible. Statistically, people over the age of 70 have a fire risk 4.6 times higher than the population otherwise.

The municipality is also responsible for housing for people with poor living capabilities. This is often to do with substance misuse and psychiatry, and it is assumed that these risk-groups represent a much higher fire risk than others. It can also be challenging to accommodate refugees. For this risk-group it is often a matter of adapting to the proper use of technical equipment to prevent fire.

Cooperation between the public services

The key often lies in placing the residents in suitable housing. Thus good communication between the municipality's property administrator and those who know the resident and allocate housing is a prerequisite. It is not enough that the building itself satisfies the building regulations of the year of its construction. The building must be assessed against the individual resident's risk picture.

In "Safe at Home» recommendations are made for how municipalities can facilitate cooperation. The working group behind the report has also looked at the measures central government can use in regard to the municipalities in order for them to establish cooperation between the services. In its assessment of statutory measures the working group concluded that the municipalities are charged with a range of tasks in accordance with a range of regulations that, directly or indirectly, are intended to safeguard fire safety amongst the risk-groups. For example an individual's ability to take care of their own fire safety is assessed when the municipality provides health and care services. One of the key recommendations in the report is that guidance be prepared for the municipalities and for the core personnel who are to conduct the work and cooperation.

Corporate social responsibility

In autumn 2014 a working group at KLP Skadeforsikring AS mapped the challenges the municipalities face with rental housing. We wish to exercise social responsibility by contributing to preventing claim events that may mean tragic fatalities and major costs for the municipalities. In spring 2015 we shall share, through courses, study days, booklets and projects, the competency we have developed.

Many municipalities have already initiated work in producing risk reports in which they systematically map fire traps and high risk in municipal buildings. More should do so. It is a matter of looking after things of value, though even more important is creating security for life and health.

Tore Tenold
Managing Director

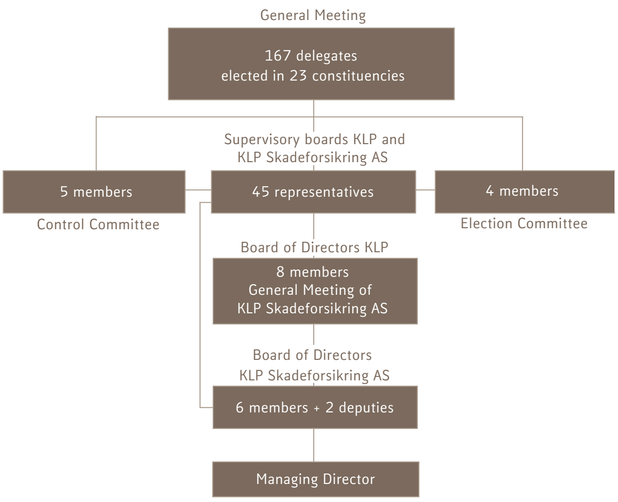
Corporate governance

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



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.

The 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 one 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, Jan Hugo Sørensen, Inger Østensjø, Steinar Haukeland (elected by the employees), Lene Elisabeth Bjerkan (Deputy) and Bengt Kr. Hansen (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 circulars provided 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 at least annually as well as providing an annual confirmation of the Company's internal controls process. The Group Finance Section also has certain control functions in regard to the Company.

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

The Company has 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.

THE SENIOR MANAGEMENT OF KLP SKADEFORSIKRING AS

ODD-ARNE HOEL

ELIN EVJEN

ØIVIND GULBRANDSEN

PAUL JACOBSEN

TORE TENOLD

ESPEN FRANK OLSEN

ROBIN ØSTBY

Annual report 2014

- Very good pre-tax profit of NOK 304.2 million
- Gross premiums written increased by 10.7 per cent
- Few major claims during the year: the five largest claims total only NOK 55.3 million
- Focus on social responsibility through high activity in claim prevention operations and ethics in investment operations

Key figures for 2014 (2013)

	2014	2013
Gross premiums written (MNOK)	921.3	832.2
Profit for the year after tax (MNOK)	239.9	148.8
Owners' equity (MNOK)	1 121.7	974.2
Total assets (MNOK)	3 945.1	3 764.9
Return on investements (%)	6.5	6.5
Capital adequacy (%)	44.0	40.0
Claims ratio (%)	68.8	77.5
Costs ratio (%)	23.1	26.2
Book return on owners' equity (%)	31.2	22.8

The insurance year 2014

The company's investment in the retail market is consistently developing well in line with ambitions. The sales result also shows growth within the public sector.

Within the core market Public and Corporate Sector there is still strong competition and customer mobility. Premium growth for the year was NOK 46.9 million.

In the public sector market there was high tendering activity and the Company delivered tenders with a total premium of NOK 206.5 million during 2014. Competition is fierce and the result was gross new sales of NOK 25.3 million. In addition the Company has succeeded in retaining customers after tender competitions with combined premiums totalling NOK 74.4 million. Total attrition were NOK 35.7 million, primarily as a result of the Company having lost two large tender competitions during the second quarter.

There was also considerable activity in the corporate market and tenders were delivered with a total premium of NOK 155.3 million during 2014. The result was gross new sales of NOK 29.2 million. Customers retained following tender competitions come in addition with NOK 4.3 million. The attrition was NOK 24.3 million and resulted from the Company losing some large tender competitions during the fourth quarter.

The resolution to focus on the power supply market is well under way and the Company has succeeded in winning several of the autumn's tender competitions.

The annual customer survey carried out by EPSI (European Performance Satisfaction Index) shows that customer satisfaction in the insurance industry has improved. It is particularly gratifying that the main conclusions in the corporate market show that KLP Skadeforsikring AS is achieving the best customer satisfaction for the fourth year successively and scores highly in general in all the performance parameters.

The effort invested in the Retail Market is directed at members of the Group's pension schemes. Through a range of marketing measures, both of its own and by the Group, the Company has achieved satisfactory growth within this market. Net premium growth was NOK 66.8 million. Correspondingly, net new sales for the year were NOK 62.5 million. The Members' proportion of the customer population is increasing and 78 per cent of new customers in 2014 are Members. In the portfolio as a whole, 74 per cent are members. There are now about 28 000 customers altogether.

All in all the Company had net premiums written of NOK 842 million. This is an increase of NOK 114 million, corresponding to 15.7 per cent over the previous year.

Twelve major property claims with claim amounts exceeding NOK 5 million were reported. These claims amounted to a total claim sum of NOK 99.7 million. None of these claims are covered by the Company's reinsurance and remain in their entirety for own account. The the large fires in Lærdal and Flatanger in January 2014 had little impact on the Company. The same applies to the major damage caused by floods later in the year.

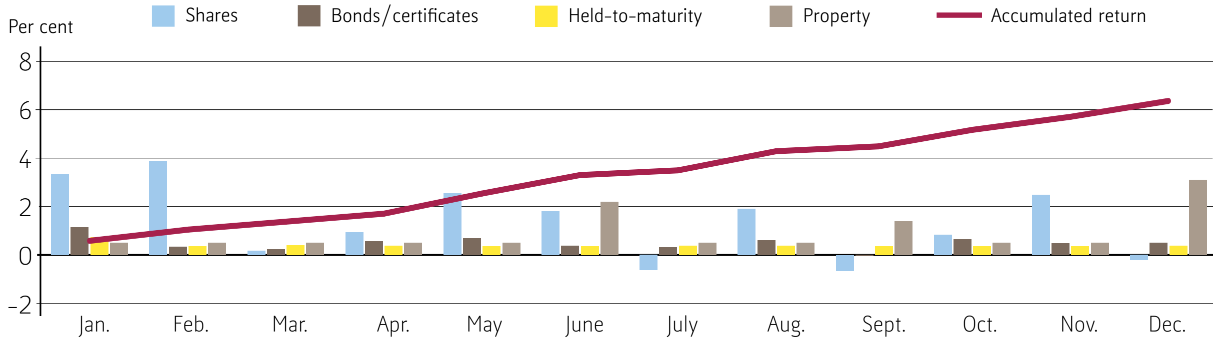
The general claims picture was positive, but varied between industries. The run-off of previous claims years continues to be very positive and as much as NOK 174.0 million was taken to income on adjustment of previous years' reserves, of which NOK 148.1 million was for own account. The total claims ratio was 68.8 per cent (77.5) and combined ratio was 91.8 per cent (103.7).

NOK 23.7 million was taken to income in connection with natural perils business which is allocated to the Company's natural perils fund.

Return on capital

The return on assets invested was extremely good in 2014. All classes of assets contributed positively.

Total return on assets managed was 6.5 per cent (6.5). The equity portfolio had a total return of 10.9 per cent. Fixed-income investments in current assets and hold-to-maturity produced 5.8 and 4.6 per cent returns respectively. The Company's property investments had a return of 8.3 per cent.



Operating expenses

The cost ratio was 23.1 per cent (25.1) Since the retail market activities are still in a development phase, the share of costs linked to this portfolio will be high. The cost ratio for the Company's principal investment in Public and Corporate Sector was 18.2 per cent.

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

Income and allocation

Profit before tax was NOK 304.2 million (189.9).

(In NOK million)	2014	2013
Premiums written for own account	841.9	728.2
Other income	2.2	2.5
Financial income and other income	235.0	220.7
Claims incurred, net of reinsurance	-579.1	-564.1
Contingency reserves etc.	-2.6	-7.4
Operating expenses	-194.1	-190.8
Operating income before tax	304.2	189.9
Tax	-64.3	-41.1
Income after tax	239.9	148.8
Other income components	-16.5	-7.7
Total comprehensive income	223.4	141.1

Allocation of income of the year

(In NOK million)	2014	2013
Total comprehensive income	223.4	141.1
is allocated as follows:		
- Natural perils pool fund	-23.7	46.6
- Guarantee scheme	-3.8	-3.0
- net Group contribution	-120.5	0
- Allocated to retained earnings	-75.5	-184.7
Total allocation and transfers	-223.4	-141.1

As a result of profit allocation, retained earnings, increased by NOK 120 million, corresponding to the total of the item "Allocated to retained earnings" of NOK 75.5 million, and a Group contribution received without tax effect of NOK 44.5 million.

The Board of Directors of KLP Skadeforsikring AS considers that the income statement and the statement of financial position with the statement of cash flows and notes, provide comprehensive information on the day-to-day business and the financial position at the end of the year. The Board considers the Company's owners' equity and buffers satisfactory and that the going concern assumption is present.

Solvency and owners' equity

The Company's owners' equity increased during the year by NOK 147.5 million to NOK 1 121.7 million. The Company has provisioned NOK 529.6 million in contingency 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 that growth in total assets is tapering off. Total investments increased by NOK 235 million to NOK 3 712 million. Net claims reserves were reduced by NOK 17 million, and amounted to NOK 1 760 million at the end of the year.

The Company's liquidity situation was satisfactory throughout the reporting year. Net cash flow from operations was positive by NOK 74.9 million. About half of the premium payments occur during the first quarter. Cash flow will vary from year to year depending on the pace of the payment of claims occurring.

At the end of the year the Company's capital adequacy was 44.0 per cent compared to the 8.0 per cent required by the regulations. KLP Skadeforsikring AS thus satisfies the requirements for solvency capital by a good margin.

Risk matters

KLP Skadeforsikring AS offers 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 take 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 strategy is based on comprehensive modelling taking 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 claim risk and reinsurance costs are taken into account. The reinsurance programme limits the Company's own expense per claim event. Another important element associated with reinsurance is increased predictability concerning the Company's insurance result.

As a result of a stable business volume and good solvency, the Company is very capable of bearing 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 5.8 per cent of premiums written.

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

Financial risk

KLP Skadeforsikring AS has a large proportion of its business in sectors with personal injury claims where it normally 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 3 711 million (NOK 3 477). The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group. In addition the Company owns shares in two centrally located properties.

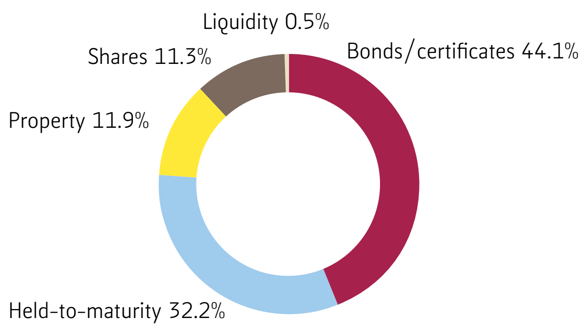
The Company's finance department continuously monitors the investment activities and the Board receives regular status reports and analyses of the investment portfolio's fluctuation risk.

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 turmoil arise. At no measurement point has the Company's risk exposure exceeded the limits set.

ASSET COMPOSITION AS AT 31 DECEMBER 2014



The interaction between insurance and financial risk

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

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

A large proportion of the Company's future claims payments is linked to inflation and the development of the National Insurance basic 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 100.8 (119.1) million, corresponding to 2.7 (3.4) per cent of total investment assets.

In its choice of reinsurers the Company endeavours to spread ceded liability over a wide selection of reinsurers. No reinsurer had a credit rating below 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 summer of 2014 the Company changed the principles for management of the most liquid investment assets, from actively managed money market and bonds portfolios, to seven KLP-managed fixed-income funds. Both average duration, average expected return and risk profile remained approximately unchanged following the transfer. The administrative aspects of interest management were made more efficient, however, which also increases the liquidity in the portfolios.

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.

Operational risk

The Company focuses on risks 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 certified through Veritas. As part of the certification 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 largely conducted using electronic aids. There is therefore close attention to securing against, and if necessary dealing with, interruption of operations in connection with the IT systems.

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. It is considered important to act as a safe business partner and for the representatives of the Company to satisfy strict ethical requirements.

Solvency II.

In the course of the year the Company submitted its first Own Risk and Solvency Assessment (ORSA) report which shows that the Company's solvency continues to be good when measured against the quantitative solvency requirements that will be introduced on 1 January 2016.

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 strategy. The UN conventions and norms for ethical evaluation criteria are fundamental to investment decisions. As a result of this, companies that can be linked to systematic or gross breach of generally accepted environmental and human rights principles, the tobacco industry and arms 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 AS follows the same rules.

Loss prevention initiatives

KLP Skadeforsikring AS has major focus on loss prevention work in dialogue and interaction with customers, external centres of expertise and civil society actors.

The work is intended to:

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

In 2014 the Company engaged in a long-term partnership with the Norwegian Fire Protection Association on the project "Bry deg før det brenner" (Take care before there is a fire). The project is aimed at the families of elderly people living at home as the target group. The project is based on NOU (Official Norwegian Report) 2012:4 "Trygg hjemme" (Safe at home), as well as fire statistics that show that elderly people living at home are a risk-group in regard to fire. Work is being carried out on information measures designed to provide families with increased knowledge, guidance and awareness of what they can do to increase fire safety for the elderly.

There are very many challenges associated with the fire safety of special risk-groups. Special risk-groups are defined as the elderly, the physically disabled, foreign-language speakers with a different safety culture, substance abusers and people in psychiatric care. KLP Skadeforsikring AS is participating in a project called "Totalkonsept for brannsikring av boliger for utsatte grupper" (Total concept for fire safety of homes for at-risk-groups). Fire risk in municipal rental housing is a challenge for all municipalities where special risk-groups are allocated municipal housing. The authorities and the media are focusing on the problem. KLP Skadeforsikring AS has prepared training course material, a subject guide and a checklist that should help in the work of reducing the risk of future fatal fires in municipal rental housing. The Company is working on immediate measures at the same time as it has a long-term focus on achieving desired changes.

Systematic safety management in local government buildings is being taken forward as Systematic HES Management in Buildings. It is being expanded to cover all "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"), municipal or private, in cooperation with the Norwegian Directorate for Civil Protection (DSB), the Norwegian Fire Protection Association and latterly the Norwegian Building Authority (previously the Norwegian National Office of Building Technology and Administration).

KLP Skadeforsikring AS collaborates well 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 long-term, systematic HES work in the buildings.

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

- What can the individual school itself do to improve the internal climate?
- Practical risk assessment of own buildings
- Prevention and rectification of mould, rot and water damage.
- How to achieve reduction in the risk (of this) in municipal rental housing
- Information security, criminality and risk management
- Building insurance, fire risk and natural perils

During 2014, 150 activities were conducted in which, in total, 2101 individuals participated.

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

Almost 100 technical inspections were conducted in 2014. For the most part this involved schools and nursing homes, as well as certain museums and enterprises. The primary focus has been on fire and break-in safety. Matters emerging as a result of such inspections will also be of value when assessing a customer's other building stock. It is found that there is generally great awareness amongst our customers about fire and loss risk, and that the fire risk can be reduced through simple measures.

In the enterprise segment there has also been extra focus on measures and advice to customers with negative claims development. This has produced good results, both for the customers through fewer undesirable events and in improvement of the overall loss picture.

Environment

The public sector wants suppliers who take the environment seriously. Since 2008, KLP Skadeforsikring AS has been accredited as a "Miljøfyrtårnbedrift" (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.

Over several years the Company has developed electronic self-service solutions such as Kundeside (Customer page) / MinSide (My Page). Interest in and use of these solutions has increased significantly and currently 75 per cent of the Company's customers within Public Sector/Enterprise are electronic customers. In the retail market the proportion is as much as 90 per cent.

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 2014 the Company had 118 permanent employees (113.6 FTEs) and 7 individuals under contract. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

A good working environment is essential to delivering good results and achieving set goals. It is therefore important both to measure employee satisfaction and initiate measures where there is scope for improvement. In addition, important indicators for the working environment are sickness absence and the number of employees who leave.

During 2014, 8 individuals corresponding to 7 per cent (8.6) chose to leave KLP Skadeforsikring AS. During the same period 17 new employees were appointed, of whom 4 were internal to the Group. Total sickness absence was 4.3 per cent (5.9), divided between 1.8 per cent short-term absence and 2.5 per cent long-term absence. In total this represents 1 220 days of absence. After an increase in 2013, long-term absence was reduced by 1.9 percentage points in 2014. Conversely, short-term absence increased by 0.4 percentage points compared to 2013. Long-term absence resulted from a few non-job-related absences. In order to achieve the combined Group target for sickness absence of less than 4.0 per cent, a number of measures have been implemented associated with following up employees who have had lengthy sickness absence. For example, this has included training carried out for managers, safety representatives and employee representatives in sickness absence monitoring both in cooperation with NAV Arbeidslivssenter (the Norwegian Labour and Welfare Administration's inclusive working life resource and competency centre) and HR. In addition HR follows up more closely than previously, partly as a result of new rules for sickness-absence monitoring.

Quarterly liaison committee meetings are held between management and the elected employee representatives. To map the physical working environment, a HES inspection (safety round) is conducted every other year, as well as an annual internal audit in the form of a survey to which all managers respond. The results are monitored through the annual HES system audit. During 2014 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 employee survey, which focuses on "job satisfaction" as a term. This measurement confirms that the Company has a high level of employee satisfaction. 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. Personnel and rewards policy must therefore be balanced between cost-effectiveness, matching the market and flexibility.

Equal opportunities and diversity

KLP Skadeforsikring AS has espoused the KLP Group's established policy for equal opportunities and diversity based on respect for the idea of equal worth and fairness. This means not only focus on gender equality, but also inclusion of people with reduced functional capability and other groups that have problems fitting into working life. The Company's guidelines for recruiting require that at least one applicant with another ethnic background and at least one applicant with reduced functional capability are to be shortlisted for interview provided they are qualified for the post. In addition Group-wide collaboration has been established with NAV Arbeidslivssenter, as well as the rehabilitation enterprise Funkweb, in order to offer internships to individuals who have the need to try out their ability to work.

New employees go through an induction programme where they are familiarized with KLP's basic values, ethical guidelines and policy for equal opportunities 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.

Any salary differences between women and men are taken into account in connection with the pay settlement to even out differences within the same category of post.

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

Gender distribution at KLP Skadeforsikring AS is as shown below, divided between managers and other employees:

	Women		Men		Total
Company position	Number	In %	Number	In %	Number
Manager level 1	1	16.7 %	5	83.3 %	6
Manager Level 2	5	50.0 %	5	50.0 %	10
Other employees	54	52.9 %	48	47.1 %	102
Temps	3	42.9 %	4	57.1 %	7
Tot. no. employees	63	51.4 %	62	49.6 %	125

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

Future prospects

Public procurement rules result in that about every fourth local government authority will come up for tender each year. Indications so far are that a normal number of invitations to tender can be expected during 2015.

In the corporate market there is a considerable number of planned activities directed at enterprises within the core market associated with the public sector. Further, in line with the Company's ambition to strengthen its market position and growth in the enterprise market, effort is being invested in an expanded enterprise segment based on reuse of the Company's existing product portfolio.

The Company's investment of effort in the power market is well underway, and based on experience so far a high level of tendering activity may be expected in 2015.

The Group's group life portfolio was transferred to KLP Skadeforsikring AS with effect from 1 January 2015. Group life insurance will be incorporated as a natural part of the Company's solutions for retail insurance policies and be marketed in the same way as existing products for occupational injury and safety.

As part of the Group's overall efforts focused on the members of KLP, in 2015 the Company will further increase its investment within the retail market.

In its IT development, the Company will place emphasis on good digital solutions.

There is generally great mobility within the customer population and thus lower renewal rates with the companies. Even though the technical result for 2014 was good, the premium level within several of the sectors has been found to be low, which can be explained in part by strong competition. Notwithstanding this the Company is in a good position to achieve future growth.

The Board considers the organization to be well prepared to meet the future customer and market needs.

Oslo, 27 February 2015

Sverre Thornes
Chair of the Board of Directors

Inger Østensjø

Jan Hugo Sørensen

Toril B. Ressem

Reidun W. Ravem

Steinar Haukeland
Staff-elected representative

Tore Tenold
Managing Director

THE BOARD OF DIRECTORS OF KLP SKADEFORSIKRING AS

JAN HUGO SØRENSEN

TORIL BARIUSDOTTER RESSEM

SVERRE THORNES

INGER ØSTENSJØ WAS NOT PRESENT FOR THE PICTURE

REIDUN W. RAVEM

LENE ELISABETH BJERKAN

STEINAR HAUKELAND

KLP Skadeforsikring AS Income statement

Note	NOK thousands	2014	2013
	TECHNICAL ACCOUNTS		
4	Gross premiums written	921 300	832 248
4	Reinsurance premiums ceded	-50 511	-57 842
	Change in provision for unearned gross premium	-27 663	-45 498
	Change in reinsurance share of unearned gross premium	-1 258	-729
	Premium income for own account	**841 868**	**728 179**
	Allocated return on investments transferred from non-technical account	**41 755**	**42 488**
	Other insurance-related income	**2 210**	**2 479**
	Gross claims paid	-651 125	-613 224
	Reinsurance share of gross claims paid	54 931	80 577
	Change in gross provision for claims	97 955	55 918
	Change in reinsurance share of gross claims reserves	-80 853	-87 391
4	**Claims incurred, net of reinsurance**	**-579 093**	**-564 120**
19	Sales costs	-58 097	-51 012
	Insurance-related administration costs	-136 001	-139 821
20	**Insurance-related operating expenses**	**-194 099**	**-190 833**
	Technical profit/loss before contingency reserve provisions	**112 642**	**18 194**
	Change in contingency reserves etc.	**-2 596**	**-7 392**
	Technical result	**110 046**	**10 802**
	NON-TECHNICAL ACCOUNT		
	Income from interest and dividends etc on financial assets	91 504	100 447
	Unrealized gains and losses on investments	119 471	104 630
	Gains and losses realized on investments	29 715	21 379
	Administration costs related to investments, including interest costs	-5 737	-5 750
6	**Net income from investments**	**234 952**	**220 706**
	Allocated return on investments transferred to technical account	**-41 755**	**-42 488**
	Other income	**941**	**845**
	Non-technical profit/loss	**194 138**	**179 063**
	Income before tax	**304 184**	**189 865**
22	**Cost of taxes**	**-64 298**	**-41 076**
	Income before other profit/loss components	**239 886**	**148 789**
	Other profit/loss components		
	Actuarial gains and losses on defined benefits pension schemes - staff benefits	-22 577	-10 628
	Change in deferred tax other profit/loss components	6 096	2 976
	COMPREHENSIVE INCOME BEFORE CHANGES IN PROVISIONS	**223 404**	**141 137**
	TOTAL COMPREHENSIVE INCOME	**223 404**	**141 137**
	Of which:		
	Change in natural perils pool fund provision	-23 709	46 573
	Change in guarantee scheme	-3 756	-2 982
	Net Group contribution made	-120 451	0
	Annual profit/loss allocations to(-) / from(+) other owners' equity	-75 488	-184 727
	Total	**-223 404**	**-141 137**

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	31.12.2014	31.12.2013
	ASSETS		
	Capitalized IT systems	10 137	13 912
15	**Intangible assets**	**10 137**	**13 912**
9	Investments held to maturity	350 234	519 787
9	Loans and receivables	848 241	861 202
7	**Financial assets valued at amortized cost**	**1 198 476**	**1 380 988**
	Shares and units equity funds	418 174	395 694
	Property company holdings	441 525	419 326
8,12	**Shares and units**	**859 699**	**815 020**
	Bonds and other fixed-income securities	0	840 437
9,12	Units fixed-income funds	1 634 774	433 550
	Other financial assets	18 832	7 152
7,9	**Financial assets valued at fair value**	**2 513 305**	**2 096 159**
	Total investments	**3 711 781**	**3 477 147**
	Reinsurance share of unearned gross premium	9 874	11 132
	Reinsurance share of gross claims reserve	18 735	99 588
4	**Reinsurance share of gross insurance liabilities**	**28 609**	**110 720**
	Receivables from policyholders	97 342	102 485
	Receivables related to reinsurance	9 614	28 381
	Receivables within the Group	20 248	0
	Other receivables	503	528
	Receivables	**127 707**	**131 393**
	Bank deposits	66 831	31 773
	Other assets	**66 831**	**31 773**
	TOTAL ASSETS	3 945 066	3 764 946

KLP Skadeforsikring AS Financial position statement

Notes	NOK thousands	31.12.2014	31.12.2013
	OWNERS' EQUITY AND LIABILITIES		
	Owners' equity contributed		
	Share capital	220 000	220 000
	Other owners' equity contributed	140 866	140 866
13,14	**Owners' equity contributed**	**360 866**	**360 866**
	Retained earnings		
	Natural perils pool fund provision	178 082	154 373
	Guarantee scheme provision	35 943	32 187
14	**Funds etc.**	**214 025**	**186 560**
	Other retained earnings	**546 808**	**426 808**
14	**Retained earnings**	**760 833**	**613 368**
	Provision for unearned gross premium	246 480	218 817
	Gross provision for claims	1 778 902	1 876 857
	Contingency reserves	529 644	527 048
4	**Gross insurance liabilities**	**2 555 026**	**2 622 722**
21	Pension obligations etc	70 555	52 066
22	Deferred tax	14 736	1 046
	Provision for liabilities	**85 291**	**53 111**
	Liabilities related to direct insurance	30 578	37 641
	Liabilities related to reinsurance	2 328	2 940
7	Liabilities to credit institutions	3	5
	Group contribution	120 451	39 835
	Liabilities within the Group	9 738	11 953
	Other liabilities	7 443	10 934
	Liabilities	**170 541**	**103 308**
	Other accrued costs and prepaid income	12 508	11 570
	Accrued costs and prepaid income	**12 508**	**11 570**
	TOTAL EQUITY AND LIABILITIES	3 945 066	3 764 946

Oslo, 27 February 2015

Sverre Thornes
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Toril B. Ressem

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Steinar Haukeland
Staff-elected representative

Tore Tenold
Managing Director

KLP Skadeforsikring AS Statement of changes in owners' equity 31 December 2014

2014

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	360 866	613 368	974 234
Income	0	239 885	239 885
Other comprehensive income	0	-16 481	-16 481
Total comprehensive income	0	223 404	223 404
Transactions with owners			
Owners' equity contribution repaid	0	0	0
Group contribution paid net after tax	0	-120 451	-120 451
Group contribution received without tax effect	0	44 512	44 512
Total transactions with the owners	0	-75 939	-75 939
Owners' equity 31 December 2014	**360 866**	**760 833**	**1 121 699**

2013

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2013	360 866	472 232	833 098
Income	0	148 789	148 789
Other comprehensive income	0	-7 652	0
Total comprehensive income	0	141 137	141 137
Transactions with owners			
Owners' equity contribution repaid	0	0	0
Group contribution paid net after tax	0	0	0
Net Group contribution made	0	0	0
Total transactions with the owners	0	0	0
Owners' equity 31 December 2013	360 866	613 368	974 234

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2014	2013
CASH FLOWS FROM OPERATIONS		
Direct insurance premiums received	927 480	805 687
Reinsurance premiums paid	-50 511	-57 842
Direct insurance claims and benefits paid	-631 004	-580 715
Reinsurance settlement for claims and insurance benefits, received	73 662	63 022
Payments to other suppliers for products and services	-155 253	-114 293
Payments to employees, pension schemes, employer's social security contribution etc.	-94 956	-94 733
Interest paid	-2 514	-2 428
Interest received	94 086	104 337
Tax and public charges paid	-3	-405
Receipts from securities	1 589 850	654 911
Disbursements regarding securities	-1 689 552	-797 667
Net cash flow from purchase/sale of other short-term securities	-11 333	-30 980
Net receipts/payments from property business	24 941	27 072
NET CASH FLOWS FROM OPERATIONS	**74 893**	-24 034
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**0**	0
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts on issuance of share capital/preference capital	0	0
Group contributions made	-39 835	0
NET CASH FLOW FROM FINANCING ACTIVITIES	**-39 835**	0
NET CHANGE IN BANK DEPOSITS	**35 058**	-24 034
HOLDINGS OF BANK DEPOSITS AT START OF PERIOD	**31 773**	55 807
HOLDINGS OF BANK DEPOSITS AT END OF PERIOD	**66 831**	31 773

Note 1 General information

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

KLP Skadeforsikring AS is a limited company registered and domiciled in Norway. KLP Skadeforsikring AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). The Company has its head office in Dronning Eufemias gate 10, 0191 Oslo.

The Company's annual financial statements for 2014 were adopted by the Company's Board of Directors on 27 February 2015.

Note 2 Summary of the most important accounting principles

Below is a description of the most important accounting principles used in preparation of the Company's financial statement. These principles have been used consistently for all periods presented unless otherwise indicated.

2.1 FUNDAMENTAL PRINCIPLES

The annual financial statements are presented in accordance with the Norwegian Regulation No. 1241 of 16 December 1998: "Regulations on annual accounts etc. for insurance companies " (the Annual Accounts Regulations). This means that the Company's annual financial statements have been prepared in accordance with international accounting standards (EU-approved IFRS/IAS) with those additions and exceptions that result from the Norwegian Annual Accounts Regulations.

The Company accounts 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.
- Holdings in property companies that are wholly owned within the KLP Group are valued in accordance with the equity method.
- Lending and receivables, and financial assets held to maturity are valued at amortized cost.

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

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

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

2.2 SEGMENT INFORMATION

The Company's business segments have been defined in relation to business areas where risk and returns are differentiated from each other. The Company's segments have been divided into the public sector/corporate and the retail market.

2.3 TRANSLATION OF FOREIGN EXCHANGE

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 exchange rate on the date of the transaction. Currency gains and losses on transactions in foreign currency are recognized through profit or loss. This also applies to translation of money items (assets and liabilities) at the end of the reporting period.

The foreign exchange effect on non-monetary items (both assets and liabilities) are included as part of the gain and loss on valuation at fair value. Foreign currency differences associated with non-monetary items, such as shares at fair value through profit or loss, are included as an element of value change recognized through profit/loss.

2.4 INTANGIBLE ASSETS

All in all 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.

Intangible assets are assessed for impairment when there are indicators that future earnings cannot justify the asset's book value. The difference between the book value and recoverable amount is written down. Recoverable amount is the higher of fair value less costs of disposal and value in use.

2.5 FINANCIAL ASSETS

The Company's financial assets are divided into the following categories: financial assets at fair value through profit or 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 or loss

This category is divided into two subcategories: (1) held for trading; and (2) voluntarily categorized at fair value through profit or 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. Derivatives are classified in this category unless they form part of a hedge. 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 profit or loss on acquisition comprise financial assets managed as a group and where their earnings are valued and reported to management on the basis of fair value. The size of the portfolio is decided on the basis of the Company's desired risk exposure to the interest and equity market.

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

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

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

b) Loans and receivables

Loans and receivables are financial assets, with the exception of derivatives, with fixed 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 or 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. on financial assets".

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

c) Financial assets held to maturity

Financial assets held to maturity comprise financial assets that are not derivatives and that have fixed 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 "Interest income and dividend etc. on financial assets" in the income statement.

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

Purchases and sales of financial assets are recognized 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 day. Financial assets cease to be recognized when the Company is no longer entitled to receive the cash flow from the asset or the Company has transferred all risk and entitlements associated with its ownership.

2.6 PROPERTY COMPANY HOLDINGS

The Company owns real estate property through general 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 general 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 general partnerships are valued and recognized at fair value. The Company uses the KLP Group's valuation model to estimate market value.

The valuation method is based on discounting of the property's expected net cash flow by 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 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 valuators. 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 transferred (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 "Reinsurance 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 items in regard to opening and closing balances is used together with information from the quarterly financial position statements.

The accounting year's average interest rate on government bonds with three years remaining to maturity is used as the technical interest rate. For practical reasons the average for 2013 and 2014 has been calculated using data for the period mid-December of the previous year to mid-December of the reported year. The average technical interest rate for 2014 has been calculated by the Financial Supervisory Authority of Norway at 1.55 per cent. For 2013 it was calculated to be 1.62 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 debt 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 (Workers' compensation) and Personal Accident

FInsurance contracts that cover the customers' employees against 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 own time (non-working hours).

Accident

Insurance contracts that cover the customer for accidents in non-working hours. Insurance contracts are also written covering school pupils during school hours.

Property

Insurance contracts covering damage to customers' property and any loss incurred by the customer in the event of damage to or loss of the property. The product also includes an obligatory natural perils cover.

Motor

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

Third-party liability

Insurance contracts that cover damage 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 reinsurance contracts covering compensation in excess of a set amount per claim in all the sectors mentioned above.

2.11 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 the unearned portion of premiums due 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 reporting date. 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 reserves therefore fall outside the technical accounting definition of liability and are thus included in the Company's accounting for owners' equity.

a) Guarantee scheme
Provisions to the guarantee scheme are meant to cover possible future payments resulting from another non-life insurance company not being able to meet its liabilities. The provision equates to 1.5 per cent of the gross premiums earned 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 terminated contracts cannot be classified as a liability and must therefore be classified as owners' equity.

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

2.12 PENSION OBLIGATIONS OWN EMPLOYEES

In insurance terms, the Group's pension obligations are partially covered through KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employees The accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction of the fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the company adopts must be followed consistently for later periods. The Company has presented the pension cost under the accounting line "Insurance-related operating expenses", whilst the net interest element is presented in the accounting line "Administration expenses associated with investments, including interest costs". The estimate deviation is classified in "other comprehensive income".

2.13 THE COMPANY'S OWNERS' EQUITY

The Company's owners' equity comprises share capital and other owners' equity. The share capital was established by Kommunal Landspensjonskasse, which owns all the shares in the Company. The Company's shares are an assignable equity capital instrument but are not listed on the stock market or other market.

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

2.14 PRESENTATION OF INCOME IN THE ACCOUNTS

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

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

b) Interest income/costs
Interest income and interest costs associated with all interest-bearing financial instruments valued at 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 from financial investments whereas the effect of changes in interest is classified as net unrealized gains from financial investments at fair value through profit/loss.

2.15 TAX PAYABLE AND DEFERRED TAX

Tax comprises tax payable and deferred tax. Tax is charged to the income statement, apart from when it relates to items that are recognized through other comprehensive income or directly against owners' equity. If that is the case, the tax is also recognized in other comprehensive income or directly against owners' equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations enacted, or generally adopted, at the end of the reporting period in the country in which the Company and subsidiaries operate and generate taxable income. Management continuously assesses the assertions made in the tax returns where the applicable taxation legislation is subject to interpretation. Based on the management's assessment, provisions are made for expected tax payments where this is considered necessary.

Deferred tax is calculated on temporary differences between taxable values and consolidated financial statement values of assets and liabilities. Should a temporary difference arise on first recognition in the financial position statement of a liability or asset in a transaction, not being a business merger, and that at the time of the transaction affects neither the book income nor the taxable income, deferred tax is not recognized in the financial position statement. Deferred tax is determined using tax rates and tax legislation enacted or to all intents and purposes enacted at the end of the reporting period, and expected to be applicable when the deferred tax asset is realized or when the deferred tax is settled.

Deferred tax assets and deferred tax are to be set off if there is a legally enforceable entitlement to set off taxable assets against taxable liabilities, and deferred tax assets and deferred tax involve income tax imposed by the same tax authority for either the same taxable enterprise or different taxable enterprises that intend to settle taxable liabilities and assets net. Net deferred tax assets are capitalized in the financial position statement to the extent it is likely future taxable income will be available, upon which the tax reducing temporary differences may be utilized.

2.16 CASH AND CASH EQUIVALENTS

Cash holdings and bank deposits associated with daily operations are shown as cash and bank deposits. 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 but not settled claims (RBNS). The provisions are continuously adjusted as claims are processed. All open claims should have a special assessment at least once a year. Provision for claims incurred but not yet reported to the Company (IBNR) is made using statistical models. The models take account of the historic reporting pattern in the different risk groups.

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

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

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

The minimum requirement for provisions in non-life insurance is calculated with models provided in the Regulations concerning technical provisions and risk statistics in non-life insurance promulgated by the FSA of N. The actual provisions exceed the minimum requirements.

3.2 PROPERTY COMPANY HOLDINGS

The Company has holdings in property companies organized 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 properties' value. Nor is there an active market for the underlying properties and valuation of these is based on an internal pricing model that assumes a long-term return requirement for the individual property. Valuation is carried out by our sister company KLP Eiendom AS, which has experience in valuing investment properties for the KLP Group. KLP Eiendom AS is a substantial property operator in the Norwegian market.

As at 31 December 2014 buildings and real estate were valued using KLP Eiendom AS's value assessment model. The model is based on discounting of estimated 20-year cash flow and, as at 31 December 2014, used a discounting factor corresponding to the market's return requirement for similar properties.

The following main components are included in future cash flows:

- Currently applicable terms and conditions, contract expiry and estimated market rent
- Vacant areas with estimated market rent
- Parking income, parking area and number of places
- Estimated annual inflation
- Annual rent adjustment as a percentage of inflation
- General vacancy
- Normal annual operating costs
- Normal annual 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 own calculation parameters and to quality-assure the internal valuations.

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

The sensitivity analysis (the table) shows how the value of one of the Company's centrally located office properties in Oslo changes with certain changes in key parameters in the Company's valuation model. The analysis shows change in value (given as percentage change) for a given change in a parameter on the assumption that all other parameters stay unchanged. In reality it may well be that there are interdependencies between several variables, so that a change in a parameter will be accompanied by change in one or more other parameters. The sensitivity figures given do not capture such relationships with other variables and are shown only for illustrative purposes. The effects of changes in parameters will vary somewhat from property to property.

	Change in parameter	Change in value
Return requirement	+100 bps	-11%
	-100 bps	13%
Market rent	10%	8%
	-10%	-8%
Exit yield	+100 bps	-5%
	-100 bps	8%
Inflation	+50 bps	6%
	-50 bps	-6%

3.3 PENSION OBLIGATIONS OWN EMPLOYEES

The present value of the Company's net pensions liability in regard to its employees depends on a range of economic and demographic assumptions. The Company complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2015 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2014.

In accounting for pension schemes in accordance with IAS 19, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement 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 discount rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Company uses the option given by the "Guidance for determining pension assumptions" to use the interest rate for covered bonds (OMF) as the discount rate based on the belief that a liquid market exists for covered bonds of long duration. In this evaluation, account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2014 a discount rate of 2.3 per cent has been used.

The assumptions on future salary growth and future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 2.75 per cent (salary growth) and 2.5 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

New mortality assumptions have been used in measuring accrued pension obligations (best estimate) as at 31 December 2014. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

The future trend for 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 whether the observable price can be taken as realistic.

If it is concluded the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted 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

	BUSINESS (B2B)							
NOK thousands	Occupat. injury insurance	Personal injury insurance	Property insurance	Motor insurance	Third-party insurance	Total B2B insurance	Accident insurance	Property insurance
Premiums due								
Gross premiums	94 974	63 366	262 836	110 548	42 105	573 830	9 174	84 045
Premiums ceded	1 413	915	34 083	596	235	37 241	127	140
Premiums for own account	**93 561**	**62 451**	**228 754**	**109 952**	**41 871**	**536 589**	**9 047**	**83 904**
Gross business								
Gross premiums earned	96 960	63 024	268 284	110 307	43 430	582 005	8 703	74 910
Gross claims incurred	-18 085	82 778	166 783	78 380	27 864	337 721	3 537	65 240
Gross insurance-related operating expenses	17 489	10 282	44 505	17 118	7 070	96 463	2 069	25 458
Gross technical profit/loss	**97 555**	**-30 036**	**56 997**	**14 809**	**8 496**	**147 821**	**3 097**	**-15 788**
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.								
Ceded business								
Premiums earned	1 448	897	35 230	608	305	38 487	131	187
Reinsurance share of claims incurred	58	0	-24 391	-1 400	0	-25 733	0	0
Technical profit/loss	**1 390**	**897**	**59 621**	**2 008**	**305**	**64 220**	**131**	**187**
Own account								
Technical profit/loss	**96 166**	**-30 933**	**-2 624**	**12 800**	**8 192**	**83 601**	**2 967**	**-15 975**
Financial income	66 055	24 953	28 002	9 263	9 384	137 657	1 861	6 580
Income	**162 221**	**-5 980**	**25 378**	**22 064**	**17 575**	**221 258**	**4 828**	**-9 395**
Financial income is calculated at "financial income achieved"								
Claims incurred gross								
Claims for the year	81 865	50 226	230 851	91 837	27 663	482 441	5 960	68 466
Run-off losses for previous years	-99 950	32 552	-64 068	-13 456	201	-144 720	-2 423	-3 226
Claims incurred gross	**-18 085**	**82 778**	**166 783**	**78 380**	**27 864**	**337 721**	**3 537**	**65 240**
Claims incurred for own account								
Claims for the year	81 865	50 226	230 851	91 837	27 663	482 441	5 960	68 466
Run-off losses for previous years	-100 008	32 552	-39 676	-12 056	201	-118 987	-2 423	-3 226
Claims incurred for own account	**-18 143**	**82 778**	**191 174**	**79 780**	**27 864**	**363 454**	**3 537**	**65 240**

Note 4 Premiums, claims and provisions

RETAIL(B2C)											
Motor insurance	Leisure craft insurance	Travel insurance	Total B2C	Natural Perils insurance	Other pool schemes etc.	Child insurance life	Total 2014	Total 2013	Total 2012	Total 2011	Total 2010
180 410	5 659	18 406	297 694	49 645	-530	661	921 300	832 248	750 279	650 287	630 845
847	0	52	1 165	12 105	0	0	50 511	57 842	58 992	43 560	50 458
179 563	**5 659**	**18 354**	**296 529**	**37 541**	**-530**	**661**	**870 789**	**774 406**	**691 287**	**606 727**	**580 387**
156 773	5 038	16 282	261 707	49 966	-530	488	893 637	786 750	717 181	643 903	585 315
114 036	4 115	10 020	196 949	13 964	4 147	390	553 171	557 306	557 938	506 397	760 151
52 738	1 689	4 814	86 768	10 820	-133	180	194 099	190 833	174 237	158 893	140 416
-10 001	**-766**	**1 448**	**-22 010**	**25 182**	**-4 543**	**-83**	**146 368**	**38 611**	**-14 994**	**-21 387**	**-315 252**
821	0	39	1 177	12 105	0	0	51 769	58 571	58 233	45 072	46 786
0	0	0	0	-189	0	0	-25 922	-6 813	21 911	-41 962	232 861
821	**0**	**39**	**1 177**	**12 293**	**0**	**0**	**77 691**	**65 384**	**36 322**	**87 034**	**-186 075**
-10 822	**-766**	**1 409**	**-23 187**	**12 889**	**-4 543**	**-83**	**68 677**	**-26 773**	**-51 316**	**-108 421**	**-120 775**
11 325	506	828	21 100	14 926	2 753	60	176 496	174 861	170 877	115 812	179 962
503	**-260**	**2 237**	**-2 087**	**27 815**	**-1 790**	**-23**	**245 172**	**148 088**	**119 561**	**7 392**	**59 187**
117 851	4 371	10 917	207 566	33 673	3 144	390	727 214	636 415	571 272	599 201	820 768
-3 816	-256	-897	-10 617	-19 709	1 003	0	-174 044	-79 108	-13 334	-92 806	-69 019
114 036	**4 115**	**10 020**	**196 949**	**13 964**	**4 147**	**390**	**553 171**	**557 306**	**557 938**	**506 395**	**751 749**
117 851	4 371	10 917	207 566	33 673	3 144	390	727 214	636 415	571 272	599 201	571 392
-3 816	-256	-897	-10 617	-19 520	1 003	0	-148 122	-72 295	-35 245	-50 844	-55 350
114 036	**4 115**	**10 020**	**196 949**	**14 153**	**4 147**	**390**	**579 093**	**564 120**	**536 027**	**548 357**	**516 042**

Note 4 Premiums, claims and provisions, continued

		BUSINESS (B2B)					
NOK thousands		Occupat. injury insurance	Personal injury insurance	Property insurance	Motor insurance	Third-party insurance	Total B2B insurance
Technical provisions							
Premium reserve, unearned gross	31.12.2013	**11 132**	**11 732**	**38 289**	**21 111**	**7 298**	**89 561**
FSA of N minimum requirements gross		*11 132*	*11 732*	*38 289*	*21 111*	*7 298*	*89 561*
Premium reserves, reinsurance share		388	211	9 940	161	129	10 829
Premium reserve, unearned f.o.a.		**10 745**	**11 521**	**28 349**	**20 949**	**7 169**	**78 733**
FSA of N minimum requirements f.o.a.		*10 745*	*11 521*	*28 349*	*20 949*	*7 169*	*78 733*
Premium reserve, unearned gross	31.12.2014	**9 146**	**12 074**	**32 841**	**21 352**	**5 973**	**81 386**
FSA of N min requirements gross		*9 146*	*12 074*	*32 841*	*21 352*	*5 973*	*81 386*
Premium reserves, reinsurance share		353	229	8 793	149	59	9 582
Premium reserve, unearned f.o.a.		**8 793**	**11 845**	**24 048**	**21 203**	**5 914**	**71 803**
FSA of N minimum requirements f.o.a.		*8 793*	*11 845*	*24 048*	*21 203*	*5 914*	*71 803*
Claims reserve, gross	31.12.2013	**897 722**	**299 226**	**319 355**	**89 520**	**85 508**	**1 691 330**
FSA of N 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, f.o.a.		**897 722**	**299 226**	**225 235**	**88 120**	**85 508**	**1 595 810**
FSA of N minimum requirements f.o.a.		*624 858*	*252 599*	*222 932*	*80 238*	*56 079*	*1 236 705*
Claims reserve, gross	31.12.2014	**833 171**	**342 287**	**256 482**	**75 590**	**89 456**	**1 596 985**
FSA of N minimum requirements gross		*594 671*	*308 787*	*217 363*	*75 590*	*59 106*	*1 255 517*
Claims reserve, reinsurance share		0	0	16 064	0	0	16 064
Claims reserve, f.o.a.		**833 171**	**342 287**	**240 418**	**75 590**	**89 456**	**1 580 921**
FSA of N minimum requirements f.o.a.		*581 302*	*308 250*	*202 464*	*74 683*	*58 019*	*1 224 718*
Contingency reserve	31.12.2013	**146 433**	**50 089**	**173 400**	**39 574**	**50 440**	**459 936**
FSA of N minimum requirements		*66 433*	*25 089*	*68 400*	*19 574*	*20 440*	*199 936*
Contingency reserve	31.12.2014	**138 741**	**53 984**	**171 475**	**40 027**	**50 690**	**454 916**
FSA of N minimum requirements		*58 741*	*28 984*	*66 475*	*20 027*	*20 690*	*194 916*
Provisions for pooling schemes and other special schemes							
Natural Perils Pool	31.12.2013						**0**
Guarantee Scheme							0
Natural Perils Pool	31.12.2014						0
Guarantee Scheme							**0**

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

Note 4 Premiums, claims and provisions, continued

RETAIL(B2C)									
Accident insurance	Property insurance	Motor insurance	Leisure craft insurance	Travel insurance	Total B2C insurance	Natural Perils insurance	Other pool schemes etc.	Child insurance life	Total 2014
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*
2 407	**44 640**	**98 025**	**2 975**	**8 276**	**156 323**	**8 391**	**0**	**380**	**246 480**
2 407	*44 640*	*98 025*	*2 975*	*8 276*	*156 323*	*8 391*	*0*	*380*	*246 480*
32	35	212	0	13	291	0	0	0	9 874
2 375	**44 605**	**97 814**	**2 975**	**8 263**	**156 032**	**8 391**	**0**	**380**	**236 606**
2 375	*44 605*	*97 814*	*2 975*	*8 263*	*156 032*	*8 391*	*0*	*380*	*236 606*
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*
20 052	**45 367**	**60 448**	**1 808**	**3 596**	**131 270**	**42 578**	**7 314**	**755**	**1 778 902**
20 052	*28 592*	*57 448*	*1 108*	*3 596*	*110 795*	*42 578*	*7 314*	*755*	*1 416 959*
0	0	0	0	0	0	2 671	0	0	18 735
20 052	**45 367**	**60 448**	**1 808**	**3 596**	**131 270**	**39 908**	**7 314**	**755**	**1 760 168**
20 049	*28 590*	*57 023*	*1 107*	*3 595*	*110 363*	*39 908*	*7 314*	*755*	*1 383 058*
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*
6 476	**24 085**	**37 151**	**3 535**	**2 324**	**73 571**	**0**	**1 050**	**107**	**529 644**
6 476	*14 085*	*22 151*	*3 535*	*2 324*	*48 571*	*0*	*1 050*	*107*	*244 644*
						154 373			**154 373**
							32 187		32 187
						178 082			178 082
							35 943		**35 943**

Note 5 Fair value hierarchy

31.12.2014 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed-income securities	1 634 774	0	0	1 634 774
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	1 634 774	0	0	1 634 774
Shares and units	418 174	0	441 525	859 699
Equity funds	418 174	0	0	418 174
General partnerships (ANS) holdings	0	0	441 525	441 525
Other financial assets	18 832	0	0	18 832
Total financial assets valued at fair value	**2 071 781**	**0**	**441 525**	**2 513 305**

31.12.2013 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed-income securities	513 600	760 387	0	1 273 987
Certificates	0	160 622	0	160 622
Bonds	80 049	599 766	0	679 815
Fixed-income 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
General partnerships (ANS) holdings	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

Changes in Level 3 shares, unlisted	2014	2013
Opening balance	419 326	309 684
Sold	0	0
Bought	0	103 275
Unrealized changes	47 139	33 440
Other	-24 941	-27 072
Closing balance	441 525	419 326

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

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

Level 2: Instruments in this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed-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. See also Note 3 Important accounting estimates and valuations, Para. 3.2 Property company holdings.

Note 6 Net income from investments

NOK thousands	2014	2013
Interest bank	1 346	1 220
Interest derivatives	0	0
Interest bonds fair value	26 783	26 499
Total interest income financial instruments at fair value	28 129	27 719
Interest bonds amortized cost	63 375	72 728
Interest lending	0	0
Total interest income financial instruments at amortized cost	63 375	72 728
Dividend/interest shares and units	0	0
Total income from interest and dividend etc on financial assets	**91 504**	100 447
Value changes shares and units	130 121	111 603
Value change bonds	-10 651	-6 973
Value change derivatives	0	0
Total value change financial instruments at fair value	119 471	104 630
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	**119 471**	104 630
Realized shares and units	13 296	21 074
Realized bonds	16 906	49
Realized derivatives	-453	0
Realized other	-55	2
Total realized financial instruments at fair value	29 694	21 125
Realized bonds at amortized cost	71	0
Total realized financial instruments at amortized cost	71	0
Other financial costs and income	-50	254
Total realized gains and losses on investments	**29 715**	21 379
Transaction-related costs	-306	-673
Management fees	-2 917	-2 648
Interest costs	-142	-505
Pension calculation – own employees	-2 373	-1 923
Total management costs related to investments, including interest costs	**-5 737**	-5 750
Total net income from investments	**234 952**	220 706

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

Note 7 Fair value of financial assets and liabilities

Calculation of fair value

Fair value of market-listed investments is based on the applicable purchase price. If the market for the security is not active, or the security is not listed on a stock market or similar, the Company uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected 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 different financial instruments are thus priced in the following way:

a) **Shares (listed)**
Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares:
Oslo Børs (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 Fund Association (NMFA). Broadly this means the following:
The last traded price has the highest priority.
If the last traded price lies outside the bid/ask spread in the market, price is adjusted accordingly. I.e. if the last traded price is below bid, price is adjusted up to bid. If it is above ask, it is adjusted down to ask.
If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.
For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

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

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

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

The spread curves are received from the NMFA. These are based on spreadcurves collected from five anonymous market operators that are reprocessed to an 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 the Reuters prices are correct.

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

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

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

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

If there is objective proof, write-down is carried out. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest). The write-down is set against provisions and included within the income statement. Any reversal of previous write-down is returned to provisions through profit/loss.

Note 7 Fair value of financial assets and liabilities

NOK thousands	31.12.2014 Book value	31.12.2014 Fair value	31.12.2013 Book value	31.12.2013 Fair value
Assets at amortized cost				
Investments held to maturity – at amortized cost				
Norwegian hold-to-maturity bonds	209 445	226 775	318 933	338 832
Accrued not due interest	2 801	2 801	6 550	6 550
Foreign hold-to-maturity bonds	134 979	154 573	189 944	203 326
Accrued not due interest	3 009	3 009	4 360	4 360
Total investments held to maturity	**350 234**	**387 158**	519 787	553 068
Bonds classified as lending and receivables – at amortized cost				
Norwegian bond loans	435 829	489 976	545 028	569 284
Accrued not due interest	9 949	9 949	10 446	10 446
Foreign bond loans	394 527	438 336	299 538	312 315
Accrued not due interest	7 937	7 937	6 190	6 190
Total bonds classified as loans and receivables	**848 241**	**946 198**	861 202	898 235
Total financial assets at amortized cost	**1 198 476**	**1 333 357**	1 380 988	1 451 303
Assets measured at fair value				
Property company holdings	441 525	441 525	419 326	419 326
Norwegian equity funds	418 174	418 174	395 694	395 694
Total shares and units	**859 699**	**859 699**	815 020	815 020
Norwegian bonds	0	0	640 689	640 689
Accrued not due interest	0	0	9 319	9 319
Foreign bonds	0	0	29 513	29 513
Accrued not due interest	0	0	294	294
Norwegian certificates	0	0	159 231	159 231
Accrued not due interest	0	0	1 391	1 391
Total bonds and other fixed-income securities	**0**	**0**	840 437	840 437
Norwegian fixed-income funds	1 634 774	1 634 774	433 550	433 550
Total fixed-income fund units	**1 634 774**	**1 634 774**	433 550	433 550
Total other financial assets	**18 832**	**18 832**	7 152	7 152
Total financial assets at fair value	**2 513 305**	**2 513 305**	2 096 159	2 096 159
Total investments	**3 711 781**	**3 846 662**	3 477 147	3 547 462

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 established a separate risk management committee comprising the Company's senior management group as well as two other key employees as permanent participants.

The KLP Group's risk management department bears the overarching risk surveillance responsibility.

8.1 INSURANCE RISK

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

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

Profit/loss effect		
1% change in cost	MNOK	2.2
1% change in premium level	MNOK	8.4
1% change in claim payments	MNOK	6.0
1 % change in claims reserve	MNOK	17.8

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

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

8.2 FINANCIAL RISK

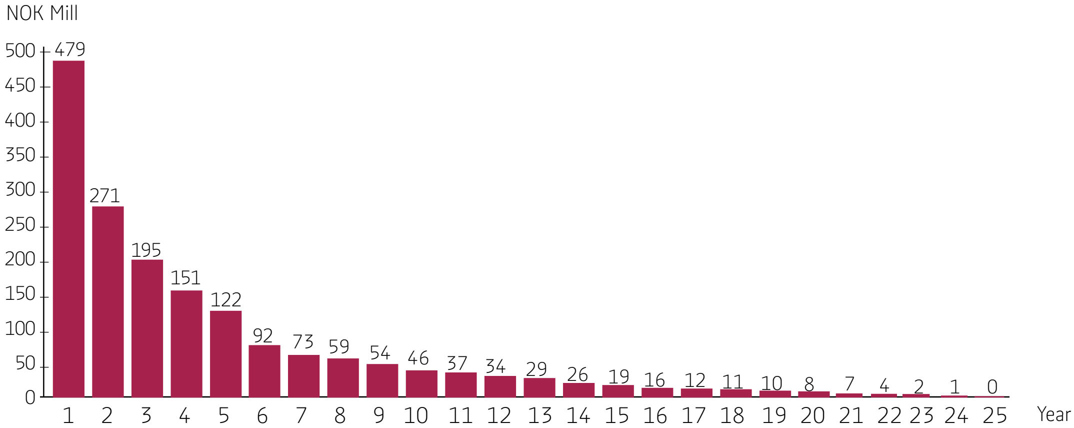
The Company's financial risk comprises liquidity risk, market risk and credit risk.

a) Liquidity risk

The Company needs liquidity to pay out claims 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 2014 is expected to have the following decay profile:

Claims reserve as at 31 December 2014



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 2014 the Company's Board adopted an asset management strategy for 2015. It includes inter alia parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

b) Market risk

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

Equity exposure is considered to be the greatest financial risk factor in the short term. In the longer term however the risk of low interest rates is of greater significance. With the current formulation of the rules, technical provisions are not directly affected by changes in market interest rates. In the event of possible future transition to the market value of liabilities, the size of the reserves for long-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 in the investment portfolio. In many cases it will be both cheaper and quicker to implement risk changes using derivatives than through trading in underlying instruments. An example could be short-term adjustments of equity exposure in global markets.

The Company's market risk is continuously assessed using stress tests and statistical analysis tools. The Company provides calculations in accordance with stress tests developed by the FSA of N.

Sensitivity analysis - market risk

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

At the end of the reporting period equity exposure was over 11.3 per cent, of which about 1.2 percentage point was exposure to Norwegian shares. Property company holdings represented about 11.7 per cent.

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

	31.12.2014	31.12.2013	31.12.2012
Market risk			
KLP Skadeforsikring AS	MNOK 489	MNOK 439	MNOK 346

c) Credit risk

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

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

The Company has good balance between Norwegian and international bonds and has a portfolio exclusively of good credits with high credit quality, see the ratings bureaus' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.2 billion, 14 per cent are rated AAA. The Company has about NOK 558 million in an international credit bond fund. The credit exposure in this fund closely follows the exposure to the Barclays Capital Aggregate Corporate Index. The fund is rated at A- by S&P. Unrated / non-investment-grade (NIG) means almost without exception the securities do not have a rating. This applies in the main to individual Norwegian financial 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 accounts.

Note 9 Credit risk

31.12.2014 NOK thousands	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	Other	Total
Other financial assets	18 832	0	0	0	0	18 832
Investments held to maturity	254 225	0	0	75 983	20 027	350 234
Loans and receivables	565 024	0	11 601	0	271 616	848 241
Units fixed-income funds	557 687	0	94 472	0	982 615	1 634 774
Total	1 395 769	0	106 073	75 983	1 274 258	2 852 082

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Other financial assets	0	18 357	475	0	18 832
Investments held to maturity	60 985	56 743	136 497	0	254 225
Loans and receivables	111 224	51 430	402 370	0	565 024
Units fixed-income funds	0	0	557 687	0	557 687
Total	172 209	126 531	1 097 029	0	1 395 769

31.12.2013 NOK thousands	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	Other	Total
Other financial assets	7 152	0	0	0	0	7 152
Investments held to maturity	335 522	0	0	164 523	19 742	519 787
Loans and receivables	577 931	0	11 492	0	271 779	861 202
Bonds and other fixed-income securities	182 256	0	17 677	469 071	171 434	840 437
Units fixed-income funds	433 550	0	0	0	0	433 550
Total	1 536 410	0	29 169	633 594	462 954	2 662 127

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Other financial assets	0	238	6 914	0	7 152
Investments held to maturity	148 012	56 732	130 778	0	335 522
Loans and receivables	274 064	0	303 866	0	577 931
Bonds and other fixed-income securities	114 969	31 829	35 457	0	182 256
Units fixed-income funds	0	0	433 550	0	433 550
Total	537 046	88 799	910 565	0	1 536 410

Only ratings from Standard and Poor's have been used in the note grouping. KLP Skadeforsikring AS also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed-income securities. The table shows exposure against the rating categories that S&P uses, where AAA is linked to securities with the highest creditworthiness. Unrated/non-investment-grade applies mainly 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.

Amounts shown in each category are reconcilable against lines in the financial position statement.

10 largest counterparties NOK millions	**31.12.2014**	31.12.2013
Counterparty 1	105 607	119 016
Counterparty 2	85 564	100 745
Counterparty 3	70 878	96 963
Counterparty 4	59 836	90 490
Counterparty 5	56 953	85 589
Counterparty 6	55 870	84 310
Counterparty 7	52 288	73 084
Counterparty 8	51 547	61 489
Counterparty 9	51 430	57 377
Counterparty 10	50 867	55 843
Total	640 840	824 905

The table above shows the ten largest counterparties to which KLP Skadeforsikring AS has exposure.The amounts stated are book value. The majority of the ten largest counterparties are either finance institutions or counterparties covered by a public sector guarantee (central or local government guarantee).

Note 10 Interest rate risk

31.12.2014 NOK thousands	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	23	0	0	0	0	129	152
Bonds and other fixed-income securities	0	0	0	0	0	2 410	2 410
Fixed-income fund units	-48 817	0	0	0	0	2 104	-46 712
Loans and receivables	0	0	0	0	0	337	337
Total	**-48 794**	**0**	**0**	**0**	**0**	**4 980**	**-43 814**

31.12.2013 NOK thousands	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	22	0	0	0	0	0	22
Bonds and other fixed-income 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
Loans and receivables	0	0	0	0	0	516	516
Total	-23 437	-1 363	-5 153	-4 290	0	3 823	-30 420

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

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

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

Note 11 Currency risk

31.12.2014 NOK thousands	Financial position statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 788	-1	297	-1 883	6,136	2 084	-1 884	1 231
CAD	4 619	0	467	-4 750	6,473	5 086	-4 750	2 176
CHF	1 829	0	394	-2 156	7,545	2 223	-2 156	504
DKK	3 902	0	412	-2 059	1,218	4 315	-2 059	2 748
EUR	20 588	0	1 051	-21 257	9,072	21 639	-21 257	3 467
GBP	5 586	0	544	-6 045	11,691	6 130	-6 045	996
HKD	4 096	0	1 043	-5 026	0,967	5 139	-5 026	109
ILS	463	0	88	-481	1,927	551	-481	135
JPY	479 406	0	97 172	-572 029	0,063	576 578	-572 029	284
NZD	36	0	7	-43	5,860	43	-43	-1
SEK	11 437	0	918	-5 269	0,958	12 355	-5 269	6 786
SGD	408	0	74	-432	5,658	482	-432	282
USD	79 799	0	5 792	-84 853	7,498	85 591	-84 853	5 535
Total currency positions								**24 254**

31.12.2013 NOK thousands	Financial position statement items excl. currency derivatives		Currency 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 currency positions								36 770

The note shows gross exposure to currency on the asset and liability sides, distributed by the underlying investment and hedge. The note covers foreign exchange positions the Company has indirectly through funds, as well as direct foreign exchange positions.

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

Note 12 Holdings securities funds and general partnerships (ANS)

31.12.2014 NOK thousands			
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	189 553	202 875	343 458
KLP Aksjeglobal Lavbeta I	12 916	16 983	17 523
KLP Aksjenorden Indeks	4 186	7 461	12 855
KLP AksjeNorge	9 718	21 253	44 339
Total equity funds		**248 572**	**418 174**
FIXED-INCOME FUNDS			
KLP FRN	351 135	363 525	363 469
KLP Pengemarked	233 832	234 476	234 418
KLP Obligasjon 1 yr	136 025	136 838	136 835
KLP Kredittobligasjon	126 825	135 237	139 163
KLP Obligasjon 3 yrs	48 814	50 935	51 251
KLP Obligasjon 5 yrs	42 913	56 056	57 480
KLP Obligasjon Global I	497 466	503 861	557 687
KLP Statsobligasjon	89 471	91 364	94 472
Total fixed-income funds		**1 572 294**	**1 634 774**
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			229 313
Holdings in Frydenlund Eiendom ANS			212 211
Total property company holdings			**441 525**

31.12.2013 NOK thousands			
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 I	420 223	424 060	433 550
Total fixed-income funds		424 060	433 550
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			217 912
Holdings in Frydenlund Eiendom ANS			201 414
Total property company holdings			419 326

Note 13 Share capital

NOK thousands	**31.12.2014**	31.12.2013
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
Total comprehensive income after tax per share in NOK	**3 250**	2 053

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

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

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

NOK thousands	2014	2013
Owners' equity contributed	220 000	220 000
Retained earnings	687 674	567 674
Less intangible assets	-10 137	-13 912
Deferred tax assets	0	0
Minimum requirement reinsurance reserve	-2 169	-5 484
Net own funds (eligible Tier 1 and Tier 2 capital)	**895 368**	768 278
Assets and off-balance sheet items by risk category		
Risk weight 0%	336 406	491 139
Risk weight 10%	147 204	320 029
Risk weight 20%	1 374 374	997 730
Risk weight 35%	0	0
Risk weight 50%	665 790	505 220
Risk weight 100%	1 411 154	1 436 916
Risk weight 150%	0	0
Off-balance sheet items (currency-related contracts)	0	0
Weighted sum assets in fin. pos. statem (balance sheet)	2 033 645	1 921 075
Weighted sum off-balance sheet items	0	0
Risk-weighted calculation base	**2 033 645**	1 921 075
Capital adequacy ratio	**44.03 %**	39.99 %
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	**767 %**	757 %
Solvency margin requirement	173 852	158 569
Solvency capital	1 333 921	1 200 793
- of which own funds (eligible Tier 1 and Tier 2 capital)	895 368	768 278
- of which security reserves exceeding 55% of min. requirement	395 090	393 922
- of which share of Natural Perils Fund	44 521	38 593
- of which deduction from solv. capital i.a.w. Section 8a	-1 057	0

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

Owners' equity		
Share capital	220 000	220 000
Other owners' equity contributed	140 866	140 866
Owners' equity contributed	**360 866**	360 866
Funds, restricted owners' equity	**214 025**	186 560
Other retained earnings	544 639	421 324
Minimum requirement reinsurance reserve	2 169	5 484
Other retained earnings, total	**546 808**	426 808
Equity contributions and retained earnings	**1 121 699**	974 234

Note 15 Intangible assets

NOK thousands	**31.12.2014**	31.12.2013
Book value 01.01	13 912	18 171
Acquisition cost 01.01	45 368	45 368
Additions during the year	0	0
of which internally developed	0	0
of which bought	0	0
Disposals	0	0
Acquisition cost 31.12	45 368	45 368
Accumulated depreciation previous years	-31 456	-27 197
Ordinary depreciation for the year, straight line	-3 775	-4 259
Annual depreciation		
Book value 31.12.	**10 137**	13 912

Depreciation period 3 to 12 yrs

Note 16 Benefits for leading individuals etc.

2014	Paid from the Company					Paid from another company in the same group						
NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefit[3]	Loan	Salary, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefit[3]	Loan	Interest rate as at 31.12.2014	Payments plan [1]
Senior employees												
Tore Tenold, Managing Director	2 628	138	1 020	-107	-	-	-	-	-	2 397	2,90	Housing credit
The Board of Directors												
Sverre Thornes, Chair	-	-	-	-	-	3 569	164	1 257	-1 133	7 211	2,70-3,15	A41
Reidar Mæland[2]	38	-	-	-	-	-	-	-	-	-	-	-
Jan Hugo Sørensen	40	-	-	-	-	-	-	-	-	3 824	3,15-3,90	A34/A43
Inger Østensjø	78	-	-	-	-	-	-	-	-	-	-	-
Steinar Haukeland, elected by and from the employees	40	-	-	-	-	-	-	-	-	3 843	2,90-3,15	A23/A36
Bengt Kristian Hansen, elected by and from the employees[2]	38	-	-	-	-	-	-	-	-	-	-	-
Toril B. Ressem	-	-	-	-	-	1 684	137	618	-	2 579	2,90	A30
Reidun W. Ravem	-	-	-	-	-	-	-	-	-	-	-	-
Control Committee												
Ole Hetland, Chair	-	-	-	-	-	97	-	-	-	-	-	-
Bengt P. Johansen	-	-	-	-	-	80	-	-	-	-	-	-
Mathilde Irene Skiri[2]	-	-	-	-	-	39	-	-	-	-	-	-
Berit Bore	-	-	-	-	-	41	-	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	-	80	-	-	-	-	-	-
Thorvald Hillestad	-	-	-	-	-	80	-	-	-	-	-	-
Supervisory Board												
Total Supervisory Board	70	-	-	-	-	740	-	-	-	47 363	-	-
Employees												
Total loans to employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	-	-	111 461	-	-

Note 16 Benefits for leading individuals etc. (continued)

2013	Paid from the Company					Paid from another company in the same group						
NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefit[3]	Loan	Salary, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefit[3]	Loan	Interest rate as at 31.12.2013	Payments plan [1]
Senior employees												
Tore Tenold, Managing Director	2 594	141	784	-	-	-	-	-	-	2 794	3,15	Housing credit
The 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[2]	37	-	-	-	-	-	-	-	-	-	-	-
Inger Østensjø	38	-	-	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from the employees[2]	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[2]	-	-	-	-	-	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	-	-

[1] A=Annuity loan, S=Serial loan, last repayment.
[2] Stepped down from the appointment during the year.
[3] Plan change pension benefits shows the effect of longevity adjustment for the year groups from 1954 adopted in 2008, as well as changes in the disability pension regulations adopted in 2014. Both these plan changes were incorporated in the calculation of the pension obligation in 2014.

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

The Managing Director has no agreement on performance pay (bonus) or agreement on guaranteed salary on termination. The Managing Director is pensionable aged 65.

There are no obligations to provide the Chairman of the Board special consideration or other benefits on termination or change of the appointment.

Board members' (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 a fee for the Board appointment. Benefits in addition to Directors' fees for Board members employed in the KLP Group are stated only if they are included in the senior management group employed in the KLP Group.The same applies to information on loans provided from other companies in the Group.

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

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

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

Note 17 Audit fee

NOK thousands	2014	2013
Statutory financial audit	421	379
Other certification services	0	0
Tax consultancy	0	0
Other services excluding audit	45	0

The sums above include VAT.

Note 18 Number of employees

	2014	2013
Number of employees as at 31.12	118	108
Average number of employees	113.0	102.5

Note 19 Sales costs

NOK thousands	2014	2013
Employees' salaries	33 096	28 915
Other personnel costs	10 186	10 579
Agent commission	5 616	6 212
Other costs	9 199	5 306
Total	**58 097**	51 012

Note 20 Operating costs

NOK thousands	2014	2013
By class:		
Personnel costs	97 365	93 847
Depreciation	3 775	4 259
Other operating expenses	92 958	92 727
Total operating expenses	**194 099**	190 833

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 ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ('obligatorisk tjenestepension', or OTP). The Company has a contractual early retirement (AFP) scheme.

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

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension costs						
Present value of accumulation for the year	11 305	1 601	12 906	10 407	1 064	11 471
Administration cost	330	0	330	275	0	275
Social security contributions - Pension costs	1 641	226	1 866	1 506	150	1 656
Plan change taken to income	-10 203	-857	-11 060	0	0	0
Pension costs incl. social security and administration costs taken to income	3 073	969	4 042	12 189	1 214	13 403
Net financial costs						
Interest cost	4 508	400	4 908	3 783	302	4 085
Expected return	-3 126	0	-3 126	-2 566	0	-2 566
Management costs	297	0	297	166	0	166
Net interest cost	1 679	400	2 079	1 383	302	1 685
Social security contributions - Net interest cost	237	56	293	195	43	238
Net interest cost including social security contributions	1 916	457	2 373	1 578	345	1 923
Estimate deviation pensions						
Actuarial gains (losses)	18 711	1 076	19 787	8 208	1 107	9 315
Social security contributions	2 638	152	2 790	1 157	156	1 313
Actuarial gains (losses) including social security contributions	21 350	1 228	22 577	9 365	1 263	10 628
Total pension costs including interest costs and estimate deviation	**26 338**	**2 653**	**28 992**	**23 132**	**2 822**	**25 954**

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension obligations						
Gross accrued pension obligations	133 755	11 466	145 222	110 711	9 165	119 876
Pension assets	83 386	0	83 386	74 244	0	74 244
Net liability before SSC	50 369	11 466	61 836	36 467	9 165	45 632
Social security contributions	7 102	1 617	8 719	5 142	1 292	6 434
Gross accrued obligations incl. social security costs	140 857	13 083	153 940	115 853	10 457	126 310
Net liability incl. social security costs	57 471	13 083	70 555	41 609	10 457	52 066

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Reconciliation pension obligation						
Capitalized net liability/(asset) 01.01	41 609	10 457	52 066	28 472	7 635	36 107
Pension costs taken to profit/loss	3 073	969	4 042	12 189	1 214	13 403
Financial costs taken to profit/loss	1 916	457	2 373	1 578	345	1 923
Actuarial gains and losses incl. social security contributions	21 350	1 228	22 577	9 365	1 263	10 628
Social security contributions paid in premiums/supplement	-1 295	-3	-1 298	-1 235	0	-1 235
Premium/supplement paid-in including admin	-9 181	-24	-9 205	-8 760	0	-8 760
Capitalized net liability/(asset) 31.12 this year	57 471	13 083	70 555	41 609	10 457	52 066

Plan change

In 2009 it was decided to introduce longevity adjustment in public sector occupational pension and the contractual early retirement (AFP) scheme in the public sector. At the same time the rules on accumulation of national insurance pension were changed. The consequence for harmonization of public sector occupational pensions with pensions accumulated through national insurance was not determined. In autumn 2013 an industry standard was adopted for calculation of the longevity adjustment, which has meant that in 2014 it became possible to estimate the consequence of this even though the harmonization rules are yet to be determined.

New disability pension rules were adopted during 2014 and these are now incorporated into the tariff agreement. This change has been incorporated as a plan change in the obligation as at 31 December 2014.

Note 21 Pension obligations – own employees, continued

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Plan changes during the period						
Plan changes during the period	-8 942	-752	-9 694	0	0	0
SSC on plan changes	-1 261	-106	-1 367	0	0	0
Plan changes during the period taken to profit/loss	10 203	857	11 060	0	0	0
Plan change not taken to profit/loss 31.12	0	0	0	0	0	0

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Change in pension obligations						
Gross pension assets 1 January before plan change	115 853	10 457	126 310	90 336	7 635	97 971
Plan change	-10 203	-857	-11 060	0	0	0
Gross pension obligations after plan change	90 336	9 600	99 936	90 336	7 635	97 971
Present value of accumulation for the year	10 407	1 601	12 008	10 407	1 064	11 471
Interest cost	3 783	400	4 183	3 783	302	4 085
Actuarial losses (gains) gross pension obligation	11 312	1 228	12 539	11 312	1 263	12 574
Social security contributions - pension costs	1 506	226	1 732	1 506	150	1 656
Social security contributions - net interest cost	195	56	251	195	43	238
Social security contributions paid in premiums/supplement	-1 235	-3	-1 238	-1 235	0	-1 235
Payments	-451	-24	-475	-451	0	-451
Curtailment/settlement	0	0	0	0	0	0
Takeovers/acquisitions	0	0	0	0	0	0
Gross pension obligation 31.12.	140 857	13 083	153 940	115 853	10 457	126 310

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Change in pension assets						
Pension assets 01.01	74 244	0	74 244	61 864	0	61 864
Expected return	3 126	0	3 126	2 566	0	2 566
Actuarial (loss) gain on pension assets	-1 791	0	-1 791	1 946	0	1 946
Administration cost	-330	0	-330	-275	0	-275
Financing cost	-297	0	-297	-166	0	-166
Premium/supplement paid-in including admin	9 181	24	9 205	8 760	0	8 760
Curtailment/settlement	0	0	0	0	0	0
Payments	-747	-24	-771	-451	0	-451
Pension assets 31.12	83 386	0	83 386	74 244	0	74 244

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension scheme's over-/under-financing						
Present value of the defined benefits pension obligation	140 857	13 083	153 940	115 853	10 457	126 310
Fair value of the pension assets	83 386	0	83 386	74 244	0	74 244
Net pension liability	57 471	13 083	70 555	41 609	10 457	52 066

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Return on pension assets						
Expected returns on pension assets	3	0	3	3	0	3
Actuarial loss/gain on pension assets	-2	0	-2	2	0	2
Actual return on pension assets	1	0	1	5	0	5

	31.12.2014	31.12.2013
Financial assumptions (common to all pension schemes)		
Discount rate	2.30 %	4.00 %
Salary growth	2.75 %	3.75 %
The National Insurance basic amount (G)	2.50 %	3.50 %
Pension increases	1.73 %	2.72 %
Expected return	2.30 %	4.00 %

The assumptions as at 31 December 2013 have been applied to measurement of the cost of pension for 2014, whilst for calculation of the pension obligation on 31 December 2014, the assumptions and membership numbers as at 31 December 2014 have been applied. The assumptions are based on the market situation as at 31 December 2014 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

Note 21 Pension obligations – own employees, continued

Actuarial assumptions:
KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme..

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Take-up of contractual early retirement (AFP) for 2014 (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 45 per cent who retire with an AFP pension. It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning during 2013 (in %)

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

Pensions via operations
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for Fellesordningen

Number	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Membership status						
Number active	115	8	123	106	9	115
Number deferred (previous employees with deferred entitlements)	66	0	66	56	0	56
Number of pensioners	9	1	10	7	0	7

	2014	2013
Composition of the pension assets:		
Property	11.1 %	12.3 %
Lending	10.9 %	10.9 %
Shares	20.4 %	16.9 %
Long-term/HTM bonds	27.6 %	28.8 %
Short-term bonds	21.4 %	20.9 %
Liquidity/money market	8.7 %	10.1 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 6.9 per cent in 2014 and 6.7 per cent in 2013.

Expected payment into benefits plans after cessation of employment for the period 1 January 2014 – 31 December 2014 is NOK 12.9 million.

Sensitivity analysis as at 31 December 2014	
The discount rate is reduced by 0.5%	Increase
Gross pension obligation	10.5 %
Accumulation for the year	14.3 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.4 %
Accumulation for the year	3.3 %
Mortality is strengthened by 10%	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial position statement.

The duration in the Joint scheme is estimated at 16.8 years.

Note 22 Tax

NOK thousands	2014	2013
Accounting income before taxes	**304 184**	189 865
Other income components	-22 577	-10 628
Income before change in reserves	**281 607**	179 237
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	880	912
Reversal of value increase financial assets	-122 677	-108 688
Book gain on realization of shares and other securities	-13 296	-21 074
Tax gain on realization of shares and other securities	2 289	2 710
Share of taxable income in partnerships	20 707	24 657
Share of accounting income in partnerships		
Other permanent differences	1 010	9 347
Change in differences affecting relationship between booked and taxable income	-5 661	55 166
Taxable income (basis for tax)	**164 859**	142 268
Group contribution received with tax effect		
Group contribution made	-164 859	-142 268
Base for tax payable	-	
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Other differences	216 194	192 044
Securities	62 481	20 140
Income differences in holdings in partnership companies	62 652	35 798
Total tax-increasing temporary differences	341 327	247 983
Tax-reducing temporary differences:		
Pension liability	-70 555	-52 066
Total tax-reducing temporary differences	-70 555	-52 066
Net temporary differences	270 772	195 917
Differences not included in the calculation of deferred tax/tax assets	-216 194	-192 044
Basis for deferred tax/deferred tax assets	54 578	3 873
Capitalized deferred tax (27%)	14 736	1 046
Change in deferred tax taken to profit/loss	19 786	
Change in deferred tax other profit/loss components	-6 096	1 046
Summary of tax expense for the year		
Group contribution made	-164 859	-142 268
Tax payable on Group contribution taken to income	-44 512	-39 835
Change in deferred tax taken to profit/loss	-19 786	1 735
Total taxes	-64 298	-38 100

Note 23 Transactions with related parties

NOK thousands	2014	2013
Income		
Insurance premium		
KLP Eiendom AS	8 983	8 892
Kommunal Landspensjonskasse (KLP)	9 050	3 103
KLP Banken AS - banking	8	76
KLP Kapitalforvaltning AS	-	70
KLP Fondsforvaltning AS	-	4
KLP Bedriftspensjon AS	-	10
TOTAL	**18 041**	12 156
Income		
KLP Kapitalforvaltning AS, management fee	2 010	1 786
KLP Eiendom AS, management fee	906	863
Kommunal Landspensjonskasse (KLP), rent	13 010	12 562
Kommunal Landspensjonskasse (KLP), pension premium	9 181	8 760
Kommunal Landspensjonskasse (KLP), staff services (at cost)	83 945	80 987
KLP Banken AS interest-subsidized employee loans	626	613
TOTAL	**109 679**	105 571
Balance		
Kommunal Landspensjonskasse (KLP), receivables	20 248	-
Kommunal Landspensjonskasse (KLP), Group contribution	-120 451	-
Kommunal Landspensjonskasse (KLP), net internal accounts	-9 149	-11 536
KLP Bedriftspensjon AS, net internal accounts	-8	10
KLP Kapitalforvaltning AS, net internal accounts	-329	-341
KLP Banken AS, net internal accounts	-237	-86
KLP Boligkreditt AS, net internal accounts	-15	-
TOTAL	**-109 941**	-11 953

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

Note 24 Claims for own account

Claims estimates excluding pool schemes and indirect claim handling costs: Year: NOK thousands	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
- at year-end	416 252	390 521	428 760	441 592	465 393	525 859	514 663	521 902	538 278	658 820
- one year after	415 210	390 032	410 918	427 127	488 873	546 184	532 073	527 589	516 815	
- two years after	399 588	367 282	383 794	406 535	463 095	522 220	520 459	511 896		
- three years after	388 240	344 928	363 403	393 013	456 964	509 507	499 052			
- four years after	367 492	332 575	340 499	383 346	442 901	497 530				
- five years after	350 006	311 561	331 622	365 317	420 149					
- six years after	344 852	312 078	323 249	353 512						
- seven years after	338 710	306 997	315 549							
- eight years after	332 877	299 979								
- nine years after	331 136									
Present claims estimate	331 136	299 979	315 549	353 512	420 149	497 530	499 052	511 896	516 815	658 820
Claims paid	266 810	234 946	240 665	268 390	319 781	389 944	352 993	358 289	324 664	264 101
Remaining reserves	64 326	65 033	74 884	85 122	100 367	107 586	146 059	153 607	192 152	394 718

	As at 31.12.2014	As at 31.12.2014
Claims reserves excluding pool schemes and indirect claim handling costs:	1 635 353	1 620 302
Claims reserves for pool schemes excluding indirect claim handling costs:	46 906	77 482
Reserves for indirect claim handling costs:	77 908	79 485
Total claims reserves:	1 760 168	1 777 269

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 2014, and the income statement, showing a profit of NOK 223 404 thousand, 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 2014, 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.

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 2015
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 2014 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 2015

Espen F. Olsen
Chief Actuary

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

THE CONTROL COMMITTEE'S STATEMENT FOR 2014

In accordance with Section 9 of its instructions the Control Committee has reviewed the Board of Directors' draft annual financial statements, comprising the statement of income, the statement of financial position, the statement of cash flows, the statement of changes in owners' equity, and the notes. In addition the actuary's statement and the audit report have been submitted and examined.

The Control Committee recommends the Supervisory Board and the General Meeting to adopt the Company's and the Group's annual financial statements and Directors' report for 2014 in accordance with the recommendation of the Board of Directors.

Oslo, 27 March 2015

Ole Hetland
(Chair)

Bengt P. Johansen

Dordi Flormælen

Berit Bore

Evy-Anni Evensen

To the General Meeting of
KLP Skadeforsikring AS

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

The Supervisory Board recommends that the General Meeting adopt the Company's and the Group's annual financial statements and annual report for 2014 as proposed by the Board of Directors.

Oslo, 14 April 2015

Nils A. Røhne
Chair of the Supervisory Board

Skadeforsikring

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