KLP Skadeforsikring AS
annual report 2015

Coverphoto: Morten Larsen, Clear

In 2015 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.

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Fears of unsafe living conditions for asylum-seekers

The flow of refugees to Norway is creating a huge need for accommodation. The Norwegian Directorate for Civil Protection (DSB) stresses that fire safety in the asylum centres must be observed even in this demanding situation.

Last year, 31,145 people applied for asylum in Norway, almost 20,000 more than the year before. The Norwegian Directorate of Immigration expects up to 50-60,000 asylum-seekers in 2016.

There are three to three and a half times as many fires in asylum centres as in private homes, according to the operators and the Confederation of Norwegian Enterprise (NHO). This was one of the reasons why the fire safety requirements for Norwegian reception centres were tightened up a few years ago. The asylum centres are more vulnerable to fire than other types of premises, not least from arson, as we have seen in a number of recent cases in Sweden.

Measures to improve fire safety

An asylum centre provides accommodation for people seeking protection in Norway while their application for residence is being processed. People whose application is accepted can stay in an asylum centre until they are housed in a municipality. We have centralised and local reception centres, transit centres (for a limited stay), and centres for unaccompanied minors. In terms of insurance, the risks are considered to be greater in properties used for urgent temporary accommodation than in permanent reception centres. The insurance company has to conduct a comprehensive risk assessment of every single property, and is free to set whatever safety requirements are needed to make the risk acceptable for the individual local or centralised reception centre.

There are currently no fixed limits to the number of people who can be accommodated in each centre. It depends on the buildings and the surroundings. An average centralised reception centre has around 150 places, and centres for unaccompanied minors have around 40 places.

The individual municipality is the decision-making authority for new asylum centres under the Norwegian Planning and Building Act. The Directorate of Immigration requires the necessary permits to be obtained before the contract for a new centre is awarded, with the fire safety requirements applicable to centralised and local reception centres.

The most important measures initiated by DSB were requirements for automatic sprinkler systems and fire alarms in the centres. Needless to say, it can be difficult to install automatic sprinkler systems in temporary asylum centres. The systems take time to install and demand major investment by the owners, who run the centres on short-term contracts.

Responsibility rests with the owners

The authorities are now working to establish a sufficient number of beds for the refugees. The debate on fire safety is a hot topic in the media, and DSB has made it clear that fire safety in the asylum centres must be addressed. The responsibility for fire safety and the technical requirements that have been laid down does not change even though the situation that we face is acute. It is important for the owners of buildings now being used as asylum centres to be aware of this responsibility. There is no room for short cuts.

Considerable work and commitment are going into handling the flow of refugees to Norway. We must not forget fire safety in our efforts to give these people a roof over their heads. It is perfectly possible to provide places while taking care of fire safety.

Tore Tenold
CEO

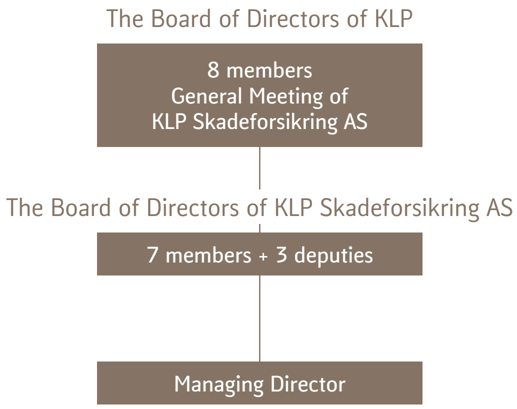
Corporate governance

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-up 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 aims to deliver risk products and provide a service that gives the Company a leading position in its market.

The governing bodies of the non-life Company



General Meeting

The Board of Directors of Kommunal Landspensjonskasse constitutes 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 are subject to its authority by law or in accordance with the Articles of Association.

The Board of Directors of KLP Skadeforsikring AS

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

The Board of Directors comprises Sverre Thornes (Chair), Marianne Sevaldsen, Lene Elisabeth Bjerkan, Jan Hugo Sørensen, Inger Østensjø, Steinar Haukeland (elected by the employees) and Mona Wittenberg (elected by the employees). Deputy members: Mette Selvaag, Marit Syversen Overrein (elected by the employees) and Eskil Tangerud (elected by the employees). From 2016, the Board of Directors has been expanded to include an additional employee representative with a personal deputy.

Governing bodies

All insurance companies are subject to control by the Financial Supervisory Authority of Norway which checks that the company is run in a satisfactory manner and in accordance with the legislation and regulations as well circulars provided by the FSA itself. The Company has the same external auditor as the holding company. Currently the accountancy firm PricewaterhouseCoopers AS audits the Company's accounts and procedures.

The Group has a central staff of internal auditors who also examine the Company's activities at an operational level. Internal Audit operates in accordance with instructions laid down by the Board of Directors and reports to the Board at least annually as well as providing an annual confirmation of the Company's internal control process. The Group Finance Section also has certain control functions in regard to the Company.

The Company 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.

The Group Risk Management unit fills the role of independent risk management and actuarial function.

As of 01.01.2016 the Company has established an internal Compliance function. This function reports directly to the Managing Director and the Board.

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

PAUL JACOBSEN, ESPEN FRANK OLSEN, ØIVIND GULBRANDSEN, ROBIN ØSTBY, ELIN EVJEN, TORE TENOLD OG ODD-ARNE HOEL

Good growth and satisfied customers in 2015

KLP Skadeforsikring AS is a solid insurance partner with healthy finances and a high level of customer satisfaction. The Company enters 2016 well equipped for the growth ambitions that it has for the future, and aims to use these to create value for its owners and customers and their employees.

In 2015, the Company achieved profits of NOK 173 million, growth in all segments and an increasing proportion of members among its retail customers. The Company has focussed heavily on its social engagement, both through loss-prevention activities and electronic self-service solutions for customers and through the Group's focus on ethical investments.

In the public-sector market, KLP Skadeforsikring AS picked up the most new customers for staff insurance in municipal and county administrations. In the corporate market, the full effect of our investment in electric power plants could be seen in 2015, with very good sales performance. Together, these two markets showed a 21 per cent increase in premium income to NOK 762 million.

In the retail market, the positive trend in sales continued through 2015, with a 20 per cent increase in premium income to NOK 356 million. The marketing activities are finding their target and bringing a growing number of members into the customer base. The proportion of members is now 80 per cent. 87 per cent of new customers in 2015 were members.

The Company's portfolios have seen significant growth in recent years:

NOK millions

Pr. 31.12.	Public sector	Corporate	Retail	Total
2013	387	225	227	839
2014	411	218	296	925
2015	504	258	354	1 117

The insurance year 2015

THE PUBLIC SECTOR MARKET

The Company had its highest tender volume for many years. The result was lower attrition rates and more contracts awarded than in previous years. Sales results were slightly better than expected, and repeat sales to existing customers were also good. Sales and customer activities were good, and the effectiveness of the tendering process was a priority area for the Company. The effect of this is more tenders in a shorter time and fewer errors in production. Net sales were NOK 51 million (excl. repeat sales). The implementation of group life in the Company was successful, and the product will be further enhanced.

THE CORPORATE MARKET

In the corporate market, the Company expanded its activities within some sectors where established products can be reused. The biggest growth has been in the energy sector, were sales were well over NOK 13 million. In the other industries, the Company is still in an expansion phase in terms of taking on new sales staff and building up expertise in all areas.

THE RETAIL MARKET

In the retail market the Company has priced its products and sharpened its marketing to make it even clearer that the target group is made up of members who have pension schemes with KLP via their employers. As a result of this, 87 per cent of new customers in 2015 were KLP members. The remaining new customers are mostly employees of municipalities that have their own pension funds.

The internet is increasingly the preferred sales channel for consumers, and this is also true of insurance. As a result, KLP has provided purchase facilities for all products via klp.no. 34 per cent of all new customers in 2015 bought their insurance through the online solutions. Moreover, more than 50 per cent of customers purchasing by telephone have previously worked out the price for themselves before contacting us.

DIGITALISATION

Digitalisation, automation and self-service are constantly developing. The Group's web pages are frequently used by the Company's customers, who say that they find relevant and useful information in the members' area. The Company has decided to invite customers to participate in the further development of the portal to ensure that it delivers added value.

CUSTOMER SATISFACTION

There have been several measures to improve the quality of contract production and to enable the units within the Company to respond more quickly to customer enquiries. Surveys show that customers are very satisfied. For the fifth year in a row, KLP Skadeforsikring AS came out top in the customer survey by EPSI (the European Performance Satisfaction Index). The Company is moving forward in all areas, but the greatest advance is in claims handling. Customers who have had a claim are more satisfied than those who have not.

In KLP's own customer satisfaction survey in the autumn of 2015, the Company was given a very good score by public sector, corporate and retail customers, all up on the previous year. In January 2015, KLP Skadeforsikring was also named as the best in the insurance category in TNS Gallup's large customer centre survey for 2014.

THE LOSS YEAR 2015

Despite a number of large property claims in the first quarter, the loss results were satisfactory. There were three major fires with claim amounts of over NOK 20 million in 2015. The Company's claim costs for these three fires totalled NOK 73.4 million. The occupational injury sector reported a result that was much better than budgeted. This is due to a big improvement in the risk situation in recent years.

The net insurance income for the year was affected by a number of natural events, including the autumn floods and several storms. In 2015, the Company has a loss related to natural perils of NOK 34 million.

Corporate social responsibility

LOSS PREVENTION INITIATIVES

The Company works closely and effectively with many players in our society. In collaboration with the Norwegian Fire Protection Association, information work is continuing to increase awareness of fire safety among high-risk groups in society. The project "Bry deg før det brenner" (Take care before there is a fire) focuses on older people because they are by far the greatest risk group, and one that will grow significantly in the coming decades. There has been a lot of work with the local fire brigades, major activity in social media and information films on TV.

The work on systematic safety management is well established in the Company and in many municipalities. The work on systematic HSE management is contributing to changes in attitude and culture, bringing a greater understanding of risk. The guidelines on systematic safety management and the computerised tool "IK-bygg" are helping to streamline and improve the work of analysing the condition and insurance risk of buildings. The Company's engagement has been a major factor in both development and implementation.

The main focus of the Company's loss-prevention work is fire risk, and how to reduce the risk of injury to people and damage to property and the environment. There has been an increase in the number of fires in municipal rented housing. Urgent measures have been initiated to reduce the risk of future fatal fires in municipal rented housing, and it is important to reduce the number of fires.

MUNICIPAL HOUSING AND ASYLUM CENTRES

There has been much discussion of the refugee situation and how to maintain safety for people living in municipal housing and asylum centres. The Company has sent letters to the country's municipalities to highlight the importance of focussing on personal safety and ensuring that the accommodation complies with safety requirements. There has been good dialogue with all our customers and partners. All of the information days that the Company has arranged on the subject of safety in municipal rented housing have been fully booked. The level of activity out in the municipalities was high throughout the year. The Company is continuing this work in 2016 and will be holding several regional meetings around the country.

COURSES AND CONFERENCES

The Company ran 395 activities, including 95 courses with over 2000 participants. The subjects were understanding risk and how to reduce the risk of injury and damage. Several major conferences were arranged in the KLP building for customers, insurance brokers and other partners.

There has also been an extra focus on measures and advice to customers with negative claims development. These have yielded good results, particularly in the corporate market.

FOCUS ON THE ENVIRONMENT

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 areas which the Company can influence. The aim is to minimise the use of paper, and there are collection systems and return schemes associated with the Company's use of office materials. Returned office materials and consumables are serviced and reused as far as possible.

Over several years the non-life company has developed electronic self-service solutions to reduce paper consumption, and now 90 per cent of the Company's customers receive their contracts electronically. Almost all customers receive their invoices and contracts electronically, and they are given access to the members' web-site via klp.no.

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.

ETHICS IN THE INVESTMENT PROCESS
The bulk of the Company's financial management is via holdings in investment funds administered by KLP Kapitalforvaltning. For many years the KLP Group has been a leading player in ethical and socially responsible investment activity. The UN conventions and norms for ethical evaluation criteria are fundamental to investment decisions in the funds. 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 KLP Group's corporate governance is in accordance with the Norwegian recommendations for good corporate governance wherever these are appropriate to the mutual company model. KLP Skadeforsikring AS follows the same rules.

About the organisation
At the end of 2015 the Company had 130 permanent employees (126.5 FTEs) and 6 individuals under contract. There are further personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

A GOOD WORKPLACE
A good working environment is essential to delivering good results and achieving set goals. That is why there is an annual survey of employee satisfaction. Other important indicators for the working environment are sickness absence and the number of employees who leave.

This year's employee satisfaction survey showed progress from 2014 and confirms that the Company has a high level of staff satisfaction, also compared to the rest of the industry. Concrete measures have been developed both to maintain the current level and, in certain areas, to improve it.

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.

To map the physical working environment, an HSE inspection (safety tour) 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 2015 no work-related injuries or accidents were reported among the staff. Quarterly liaison committee meetings are also held between management and the elected employee representatives.

In recent years, the Company has worked closely with the staff to improve its work processes. The aim has been to make the work processes as efficient as possible to avoid frustrating obstacles to getting the job done. This work has involved occasional organisational changes. The Company has a good relationship with the elected employee representatives and health and safety officers.

TURNOVER AND SICKNESS ABSENCE
During 2015, 3 individuals, corresponding to 2.5 (7.0) per cent of the staff, chose to leave KLP Skadeforsikring AS. During the same period 10 new employees were appointed. Total sickness absence was 4.3 (4.3) per cent, divided between 2.0 (1.8) per cent short-term absence and 2.3 (2.5) per cent long-term absence.In total this represents 1,317 days of absence. Long-term absence is down to 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.

EQUAL OPPORTUNITIES AND DIVERSITY
The KLP Group's established policy for equal opportunities and diversity is based on respect for the idea of equal worth and fairness. This includes awareness of gender equality, inclusion of people with reduced functional capability and other groups that have problems fitting into working life. The recruitment guidelines stress that one should be conscious of the desire for diversity in these processes too. The Company's premises are also laid out for persons with reduced functional capability – both employees and visitors.

New employees go through an induction programme where they are familiarised 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.

In the annual salary review, there is a clear intent on the part of the Company to provide for equal salary development for women and men. Analyses of salary tables throw highlight any discrepancies and ensure that historical imbalances are equalised over time.

The target of at least 40 per cent of each gender amongst KLP's managers has been achieved only at Level 2, where 5 out of 10 are women. We are striving to achieve the overall goal through activities like 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 encouraging department heads to take on greater responsibility. 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:

Position in the company	Women		Men		Total
	Number	Per cent	Number	Per cent	Number
Manager Level 1	1	16.7 %	5	83.3 %	6
Manager Level 2	5	50.0 %	5	50.0 %	10
Other employees	58	50.9 %	56	49.1 %	114
Temporary staff	2	33.3 %	4	66.7 %	6
Total employees	66	48.5 %	70	51.5 %	136

At the end of 2015, 3 out of 6 Board members (50 per cent) were women. The Company's Articles of Association were amended in 2016 so that the Company now has to have two Board members elected by the staff, one woman and one man. This means that, from 2016, the Board will be made up of 4 women and 3 men.

Income and allocation

Profit before tax was NOK 172.8 (304.2) million.

(NOK millions)	2015	2014
Premiums earned for own account	1 035.1	841.9
Other income	1.1	2.2
Financial and other income	168.4	235.0
Claims incurred, net of reinsurance	-804.2	-579.1
Contingency reserves etc.	-10.2	-2.6
Operating expenses	-218.0	-194.1
Operating profit/loss before tax	172.8	304.2
Cost of taxes	-46.6	-64.3
Net profit after tax	126.2	239.9
Other income components	19.3	-16.5
Total comprehensive income	145.6	223.4

As a result of profit allocation, retained earnings increased by NOK 145.6 million to NOK 906.4 million.

(NOK millions)	2015	2014
Total comprehensive income	145.6	223.4
allocated as follows:		
- to/from Natural Perils Fund (-/+)	32.5	-23.7
- to/from Guarantee Scheme (-/+)	-3.8	-3.8
- net Group contribution made	-99.4	-120.5
- transferred to other owners' equity	-74.9	-75.5
Total allocation and transfers	-145.6	-223.4

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 it satisfies the conditions for a going concern.

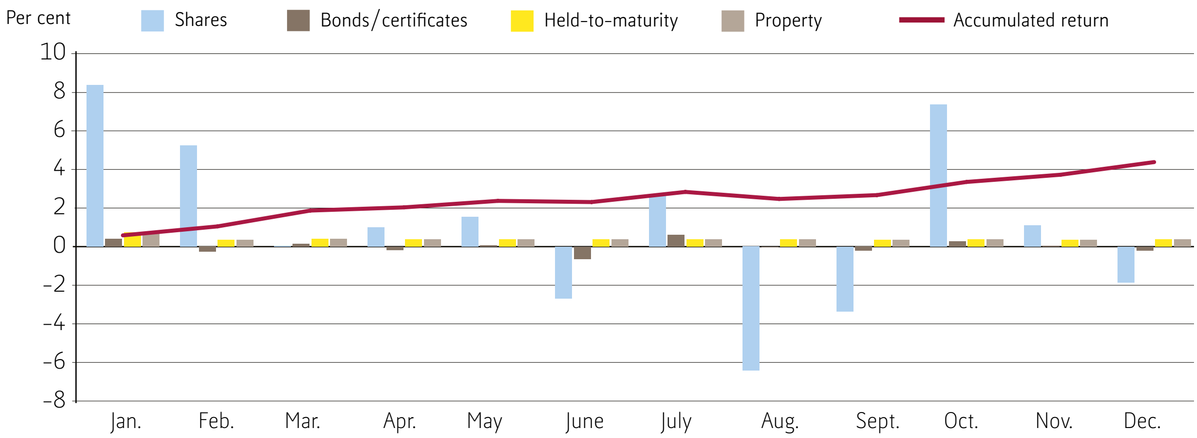
RETURN ON CAPITAL

The return on assets invested was also good in 2015 despite a very troubled equity market. All classes of assets contributed positively. Total return on assets managed was 4.4 (6.5) per cent. The equity portfolio had a total return of 3.8 per cent. Fixed-income investments in current assets and hold-to-maturity bonds produced 0.8 and 4.6 per cent returns respectively. The Company's property investments had a return of 17.5 per cent because of revaluation of the Company's property investments.

OPERATING EXPENSES

The cost ratio is continuing to fall, and was 21.1 (23.1) per cent in 2015. Although the retail market portfolio has grown to around 32 per cent of premium volume, the Company has further stepped up sales activity to generate growth. This means that the cost ratio remains high for this sub-portfolio. The cost ratio for the Company's principal investment in the public and corporate sectors was 17.6 (18.2) per cent in 2015.

RETURN ON CAPITAL



The cost ratio has been going down in recent years as a result of successful IT development and other efficiency measures. The operation is therefore well set for increased business volume without any corresponding growth in costs.

Solvency and owners' equity

The Company's owners' equity increased during the year by NOK 145.6 million to NOK 1,267.3 million. The Company has set aside NOK 539.9 million in contingency reserves, against a minimum requirement of NOK 254.9 million.

The Company's liquidity situation was satisfactory throughout the reporting year. Net cash flow from operations was positive by NOK 175 million. About half of the year's premium payments occur during the first quarter, while operating costs and claims are more evenly distributed through the year. Cash flow will also vary from year to year depending on the pace of payment of claims.

At the end of the year the Company's capital adequacy was 48.9 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.

SOLVENCY 2

New requirements for solvency capital are coming in from 01.01.2016 when the regulations associated with Solvency 2 are introduced. Earlier solvency capital and capital adequacy requirements are being replaced with new rules. The company's solvency capital under the new rules is more than twice the requirement.

The Company submitted its first Own Risk and Solvency Assessment (ORSA) report during the year. The Company's data warehouse and reporting procedures also provide a good basis for meeting Solvency 2 requirements regarding transparency and disclosure of information.

Solvency 2 also places qualitative requirements on the Company's governance and control. The Group's risk management unit will assume the independent Risk Management and Actuarial function, while the Company has chosen to employ its own Compliance manager.

Risk matters

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

INSURANCE RISK

In calculating the Company's risk premiums, large claim risk and reinsurance costs are taken into account.
The reinsurance programme limits the Company's 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 steadily increasing business volume and good solvency, the Company is very capable of bearing risk for own account. The Company's reinsurance programme is optimised on the basis of the Company's financial position and risk factors in the insurance portfolio. Premiums ceded to reinsurance represented 4.7 per cent of premiums due in 2015.

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 stabilise the Company's total risk results. In the same way, the expected gradual increase in the corporate segments will have a stabilising effect over time.

FINANCIAL RISK

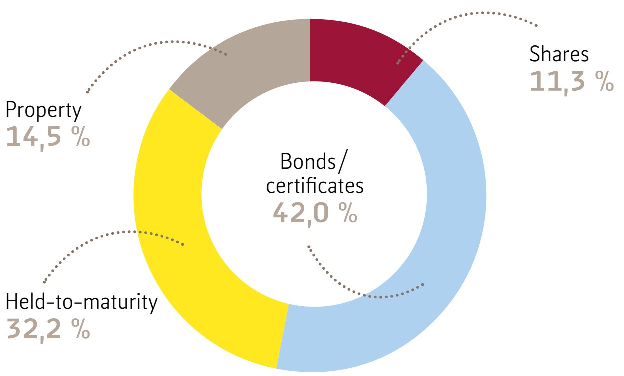
KLP Skadeforsikring AS has a large proportion of its business in sectors with personal injury claims where it normally takes many years before the compensation is finally determined and paid. Therefore substantial technical reserves are built up. Financial income thus represents a major proportion of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

At the end of the year KLP Skadeforsikring AS was managing NOK 3,835 (3,711) million. The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group. The Company also owns shares in two centrally located properties.

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

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

COMPOSITION OF ASSETS AS AT 31 DECEMBER 2015



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 in the event of financial turmoil. At no measurement point has the Company's risk exposure exceeded the limits set.

INTERACTION BETWEEN INSURANCE RISK 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 optimum financial allocation.

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

A large proportion of the Company's future claim payments is linked to inflation and the development of the National Insurance basic amount ('G'). To reduce the impact of any increase in 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 for these portfolios to increase over time.

COUNTERPARTY RISK

The largest single non-government exposure in the investment portfolio amounts to NOK 100.8 (100.8) million, corresponding to 2.6 (2.7) 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 has to have adequate liquidity to cover short-term debt. This is achieved through a large part of the Company's assets being liquid. The most liquid investment activities are administered through seven KLP-managed fixed-income funds.

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 safeguarding against and, if necessary, dealing with operational downtime in connection with the IT systems.

Emphasis is placed on good control procedures to ensure that the Company always meets the requirements and expectations the outside world has of the Company as an operator in the Norwegian financial markets. It is considered important to act as a safe business partner and for the representatives of the Company to satisfy strict ethical requirements.

The way forward

STRATEGIC PRIORITIES

The Company follows changes in public-sector structures, and has developed good insurance solutions for companies in the public sector. Its sales and risk expertise is growing and it places great stress on good coordination between the disciplines. There will be a continued focus on growth.

As part of the Group's overall efforts for the members of KLP, the Company is further increasing its efforts within the retail market. Among other things, this means that more staff will be deployed in this sales work. In order to succeed in this market, we want to enhance our competitiveness in the products and services that we deliver. At the same time, we aim to carry out targeted marketing activities to raise awareness of the benefits of beeing member of KLP.

Changes in customer behaviour mean that KLP is investing more resources in developing good online self-service solutions, for public sector, corporate and retail customers.

In this way the Company aims to make it easier for customers to establish a customer relationship, and to enable them to administer their customer relationship via good digital solutions.

KLP Skadeforsikring is committed to working with Lean methods and continuous improvement to streamline its work processes. The aim is that this should lead to greater customer and employee satisfaction, while also allowing the Company to operate more efficiently.

NEW REGULATORY FRAMEWORK

The new regulations for insurance companies, Solvency 2, take effect from 01.01.2016. There are still some unresolved areas related to the practical implementation of the framework, but the Company is well prepared to face the challenges that the changes will bring.

MARKET ASSESSMENT

The local government reform may have an impact on the Company in the structure and size of its contracts. The reform will take time, and the public procurement rules will govern the processes when it comes to buying insurance. We may therefore expect roughly the same number of tenders in the next few years. With more extensive automation and good system solutions, the Company is well prepared for this.

In line with the Company's ambition to strengthen its market position and growth in the corporate market, effort is being invested in an expanded corporate segment, including hotels, retail and other service industries.

Within the retail market, the Company sees great potential in the target group, which is made up of members and pensioners in KLP's pension schemes. The target group has also grown much larger in recent years with the great influx into KLP of municipalities with public-sector occupational pensions. KLP Skadeforsikring AS wants a large proportion of its members to choose the Company as their provider of insurance.

KLP Skadeforsikring AS is a solid insurance partner with healthy finances and a high level of customer satisfaction. The Company enters 2016 well prepared for the growth ambitions that it has for the future, and aims to use these to create value for its owners and customers and their employees.

Oslo, 19 February 2016

Sverre Thornes
Chair of the Board of Directors

Mette Selvaag

Inger Østensjø

Marianne Sevaldsen

Lene Elisabeth Bjerkan

Steinar Haukeland
Staff-elected representative

Mona Wittenberg
Staff-elected representative

Tore Tenold
Managing Director

THE BOARD OF DIRECTORS OF KLP SKADEFORSIKRING AS INGER ØSTENSJØ, MONA WITTENBERG, MARIANNE SEVALDSEN, SVERRE THORNES, STEINAR HAUKELAND, LENE ELISABETH BJERKAN AND METTE SELVAAG. JAN HUGO SØRENSEN WERE NOT PRESENT WHEN THE PHOTOGRAPH WAS TAKEN.

KLP Skadeforsikring AS Income statement

Note	NOK thousands	2015	2014
	TECHNICAL ACCOUNTS		
4	Gross premiums written	1 113 333	921 300
4	Reinsurance premiums ceded	-52 352	-50 511
	Change in provision for unearned gross premium	-26 550	-27 663
	Change in reinsurance share of unearned gross premium	619	-1 258
	Premium income for own account	**1 035 051**	**841 868**
	Allocated return on investments transferred from non-technical account	**21 300**	**41 755**
	Other insurance-related income	**2 279**	**2 210**
	Gross claims paid	-830 865	-651 125
	Reinsurance share of gross claims paid	18 190	54 931
	Change in gross provision for claims	-47 019	97 955
	Change in reinsurance share of gross claims reserves	55 468	-80 853
4	**Claims incurred, net of reinsurance**	**-804 225**	**-579 093**
19	Sales costs	-66 639	-58 097
	Insurance-related administration costs	-151 387	-136 001
20	**Insurance-related operating expenses**	**-218 026**	**-194 099**
	Other insurance-related operating expenses	**-1 180**	**0**
	Technical profit/loss before contingency reserve provisions	**35 200**	**112 642**
	Change in contingency reserves etc.	**-10 215**	**-2 596**
	Technical result	**24 985**	**110 046**
	NON-TECHNICAL ACCOUNT		
	Income from interest and dividends etc. on financial assets	83 284	91 504
	Unrealized gains and losses on investments	91 724	119 471
	Realized gains and losses on investments	-927	29 715
	Administration costs related to investments, including interest costs	-5 646	-5 737
6	**Net income from investments**	**168 435**	**234 952**
	Allocated return on investments transferred to technical account	**-21 300**	**-41 755**
	Other income	**725**	**941**
	Non-technical profit/loss	**147 860**	**194 138**
	Income before tax	**172 845**	**304 184**
22	**Cost of taxes**	**-46 603**	**-64 298**
	Income before other profit/loss components	**126 242**	**239 886**
	Other profit/loss components		
	Actuarial gains and losses on defined-benefit pension schemes - staff benefits	25 772	-22 577
	Change in deferred tax, other profit/loss components	-6 443	6 096
	TOTAL COMPREHENSIVE INCOME	**145 571**	**223 404**
	Of which:		
	Change in natural perils pool fund provision	32 542	-23 709
	Change in guarantee scheme	-3 794	-3 756
	Net Group contribution made	-99 383	-120 451
	Annual profit/loss allocations to(-) / from(+) other owners' equity	-74 937	-75 488
	Total	**-145 571**	**-223 404**

KLP Skadeforsikring AS Financial position statement

Note	NOK thousands	31.12.2015	31.12.2014
	ASSETS		
	Capitalized IT systems	17 621	10 137
15	**Intangible assets**	**17 621**	**10 137**
9	Investments held to maturity	303 220	350 234
9	Loans and receivables	930 925	848 241
7	**Financial assets recognized at amortized cost**	**1 234 145**	**1 198 476**
	Shares and units in equity funds	433 835	418 174
	Property company holdings	553 792	441 525
8,12	**Shares and units**	**987 627**	**859 699**
9,12	Units in fixed-income funds	1 608 362	1 634 774
	Other financial assets	5 172	18 832
7,9	**Financial assets recognized at fair value.**	**2 601 160**	**2 513 305**
	Total investments	3 835 305	3 711 781
	Reinsurance share of unearned gross premium	10 493	9 874
	Reinsurance share of gross claims reserve	74 203	18 735
4	**Reinsurance share of gross insurance liabilities**	**84 696**	**28 609**
	Receivables from policyholders	128 597	97 342
	Receivables related to reinsurance	1 721	9 614
	Receivables within the Group	0	20 248
	Other receivables	1 229	503
	Receivables	131 547	127 707
	Bank deposits	58 440	66 831
	Other assets	58 440	66 831
	TOTAL ASSETS	4 127 609	3 945 066

KLP Skadeforsikring AS Financial position statement

Note	NOK thousands	31.12.2015	31.12.2014
	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	145 539	178 082
	Guarantee scheme provision	39 737	35 943
14	**Funds etc.**	**185 277**	**214 025**
	Other retained earnings	**721 127**	**546 808**
14	**Retained earnings**	**906 404**	**760 833**
	Provision for unearned gross premium	282 502	246 480
	Gross provision for claims	1 859 295	1 778 902
	Contingency reserves	539 859	529 644
4	**Gross insurance liabilities**	**2 681 655**	**2 555 026**
21	Pension obligations etc.	53 975	70 555
22	Deferred tax	31 024	14 736
	Provision for liabilities	**84 999**	**85 291**
	Liabilities related to direct insurance	26 488	30 578
	Liabilities related to reinsurance	1 078	2 328
7	Liabilities to credit institutions	3	3
	Group contribution	36 758	120 451
	Liabilities within the Group	10 247	9 738
	Other liabilities	5 826	7 443
	Liabilities	**80 400**	**170 541**
	Other accrued costs and prepaid income	13 285	12 508
	Accrued costs and prepaid income	**13 285**	**12 508**
	TOTAL OWNERS' EQUITY AND LIABILITIES	4 127 609	3 945 066

Oslo, 19 February 2016

Sverre Thornes
Chair of the Board of Directors

Mette Selvaag

Inger Østensjø

Marianne Sevaldsen

Lene Elisabeth Bjerkan

Steinar Haukeland
Staff-elected representative

Mona Wittenberg
Staff-elected representative

Tore Tenold
Managing Director

KLP Skadeforsikring AS Statement of changes in owners' equity 31 December 2015

2015

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2015	360 866	760 833	1 121 699
Income	0	126 242	126 242
Other comprehensive income	0	19 329	19 329
Total comprehensive income	0	145 571	145 571
Transactions with owners			
Owners' equity contribution repaid	0	0	0
Group contribution paid net after tax	0	-99 383	-99 383
Group contribution received without tax effect	0	99 383	99 383
Total transactions with the owners	0	0	0
Owners' equity 31 December 2015	**360 866**	**906 404**	**1 267 270**

2014

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	360 866	613 368	974 234
Income	0	239 886	239 886
Other comprehensive income	0	-16 481	-16 481
Total comprehensive income	0	223 405	223 405
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

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2015	2014
CASH FLOWS FROM OPERATIONS		
Direct insurance premiums received	1 092 758	927 480
Reinsurance premiums paid	-52 352	-50 511
Direct insurance claims and benefits paid	-766 553	-631 004
Reinsurance settlement received for claims and insurance benefits	25 641	73 662
Payments to other suppliers for products and services	-119 920	-155 253
Payments to staff, pension schemes, employer's social security contribution etc.	-104 966	-94 956
Interest paid	-2 581	-2 514
Interest received	56 844	94 086
Tax and public charges paid	-11	-3
Receipts from securities	578 796	1 589 850
Disbursements relating to securities	-571 938	-1 689 552
Net cash flow from purchase/sale of other short-term securities	13 594	-11 333
Net receipts/payments of loans to customers etc.	25 987	24 941
NET CASH FLOW FROM OPERATIONS	175 300	74 893
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments on the purchase of shares	-51 440	0
Payments on the purchase of fixed assets etc.	-11 800	0
NET CASH FLOW FROM INVESTMENT ACTIVITIES	-63 240	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts on issue of owners' equity/preference share capital	0	0
Group contributions made	-120 451	-39 835
NET CASH FLOW FROM FINANCING ACTIVITIES	-120 451	-39 835
NET CHANGE IN BANK DEPOSITS	-8 391	35 058
HOLDINGS OF BANK DEPOSITS AT START OF PERIOD	66 831	31 773
HOLDINGS OF BANK DEPOSITS AT END OF PERIOD	58 440	66 831

Note 1 General information

KLP Skadeforsikring AS provides non-life insurance to municipal and county administrations, health enterprises and businesses in the public and private sectors. The Company also supplies insurance products to 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 at Dronning Eufemias gate 10, 0191 Oslo.

The Company's annual financial statements for 2015 were adopted by the Company's Board of Directors on 19 February 2016.

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 statements. 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: "Regulation on annual accounts etc. for insurance companies" (the Annual Accounts Regulation). This means that the Company's annual financial statements have been prepared in accordance with international accounting standards (EU-approved IFRS/IAS) with the additions and exceptions that result from the Norwegian Annual Accounts Regulation.

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 by 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 Regulation, 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.

The were no changes in the accounting principles in 2015.

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 presentation 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 monetary 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

The Company's intangible assets basically comprise capitalized IT systems, and its portfolio of group life assurance contracts.

Directly attributable costs capitalized on the purchase of a new IT system comprise those paid to the system supplier, 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 original lifetime unless the expenditure increases the total expected life of the system.

The portfolio of group life assurance contacts was purchased from the parent company KLP in 2015. The contracts were transferred at fair value and will be amortized over 10 years.

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 provide a profit from short-term price fluctuations. 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.

The principles for calculating the fair value of the various instruments are described in Note 7.

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".

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 which the Company has the intention and the ability to hold to maturity with the exception of:

a) those which the business on first recognition earmarks at fair value through profit or loss;
b) those which 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 dividends 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 by the equity 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.

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 "Gross insurance funds" with deduction for the item "Other technical provisions". The item "Reinsurance share of gross liabilities" is also 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 2014 and 2015 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 2015 has been calculated by the Financial Supervisory Authority of Norway at 0.76 per cent. For 2014 it was calculated at 1.55 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 accounts is proportionate to the insurance customers' contractual entitlements. The Company's provisions satisfy the requirements of this test and IFRS 4 imposes no further requirements for reserves. The Company has therefore used applicable Norwegian regulations to account for insurance contracts.

2.10 PRODUCTS

In non-life insurance the following products are offered:

Occupational/Industrial Injury (workers' compensation) and Personal Accident

Insurance 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. Insurance contracts are also written to cover 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 taken out covering school pupils during school time.

Property

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

Group life

Insurance contracts that cover the customer for death and disability.

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. In all cases and at all times, the Group's reserves must satisfy the minimum requirements for reserves pursuant to the regulations or from decisions and rules laid down pursuant to the "Regulation concerning technical provisions and risk statistics in non-life insurance" of 10 May 1991, No. 301, and the "Supplementary regulation concerning technical provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242, as updated.

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 requirements under insurance legislation 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.

1) **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.

2) **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.

3) **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

The Group's pension obligations are partially insurance-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-benefit 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 administration costs", 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".

The "Fellesordningen" is a multi-undertaking scheme, which means that the actuarial risk is distributed across all the municipalities and companies included in the scheme. The financial and actuarial assumptions underlying the calculation of net pensions liabilities are thus based on assumptions that are representative of the whole group.

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 marketplace.

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

Attention is also drawn to the description in section 2.11, which 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

a) **Premium income**
   Premium income is taken to income in the amount falling due during the accounting 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 costs in the income statement comprise tax payable and changes in deferred tax. Tax is charged to the income statement, apart from tax relating to items reported under "Other comprehensive income". Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax assets are capitalized where it can be shown to be probable that the companies in the Group will have sufficient taxable profit to exploit the tax asset.

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 may 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 claim provisions are assessed at the expectation level, i.e. they contain no safety margins. Claim provision is not discounted, so the discounting effect constitutes a safety margin.

The claims reserve includes a provision for future indirect claims 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 laid down by the Financial supervisory Authority of Norway. The actual provisions exceed the minimum requirements.

3.2 PROPERTY COMPANY HOLDINGS

The Company has holdings in property companies organized as general partnerships (ANS), see Note 2, section 2.6. The ANS holdings are not traded on 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 2015 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 2015, 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 assumed market rent
- Vacant areas with assumed 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 shared 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
- Assumed final value Year 20
- Nominal return requirement

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

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

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

	Change in parameter	Change in value
Return requirement	+100 bps	-12%
	-100 bps	14%
Market rent	+10%	10%
	-10%	-9%
Exit yield	+100 bps	-8%
	-100 bps	12%
Inflation	+50 bps	7%
	-50 bps	-6%

3.3 PENSION OBLIGATIONS - OWN EMPLOYEES

The present value of the Company's net pension 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 5 January 2016 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2015.

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 approximations. 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 2015, a discount rate of 2.7 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 2.5 per cent (salary growth) and 2.25 per cent (G and pensions adjustment) respectively. The pension adjustment for the local government pension scheme should be the same as the G adjustment.

Mortality table K2013BE has been used to measure accrued pension obligations (best estimate) as at 31 December 2015. K2013BE is based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Future take-up in the 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 on 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 that the observable market price is not representative of the fair value of the asset or the security is not traded on a listed market, the market price 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	89 646	61 919	278 516	107 911	46 115	584 109	10 369	101 733
Premiums ceded	1 228	901	35 854	662	263	38 908	83	150
Premiums for own account	**88 418**	**61 019**	**242 663**	**107 249**	**45 852**	**545 200**	**10 286**	**101 583**
Gross business								
Gross premiums earned	89 791	62 325	275 747	114 044	45 359	587 265	9 956	93 588
Gross claims incurred	-65 074	64 119	317 651	98 265	25 216	440 177	3 130	74 307
Gross insurance-related operating expenses	16 203	10 184	45 571	18 335	6 844	97 137	2 346	26 799
Gross technical profit/loss	**138 661**	**-11 978**	**-87 474**	**-2 556**	**13 299**	**49 952**	**4 480**	**-7 517**
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium..								
Ceded business								
Premiums earned	1 275	904	35 290	646	272	38 386	94	148
Reinsurance share of claims incurred	1 105	0	72 882	0	0	73 987	0	0
Technical profit/loss	**169**	**904**	**-37 592**	**646**	**272**	**-35 601**	**94**	**148**
Own account								
Technical profit/loss	**138 491**	**-12 882**	**-49 882**	**-3 202**	**13 027**	**85 553**	**4 386**	**-7 665**
Financial income	40 900	18 613	20 304	5 993	6 323	92 134	1 323	5 395
Income	**179 391**	**5 731**	**-29 578**	**2 792**	**19 350**	**177 686**	**5 709**	**-2 270**
Financial income is calculated as "financial income achieved".								
Claims incurred gross								
Claims for the year	76 747	51 239	320 155	95 406	24 370	567 917	6 732	82 041
Run-off losses for previous years	-141 821	12 879	-2 505	2 859	846	-127 741	-3 602	-7 734
Claims incurred gross	**-65 074**	**64 119**	**317 651**	**98 265**	**25 216**	**440 177**	**3 130**	**74 307**
Claims incurred for own account								
Claims for the year	76 747	51 239	248 023	95 406	24 370	495 785	6 732	82 041
Run-off losses for previous years	-142 926	12 879	-3 254	2 859	846	-129 595	-3 602	-7 734
Claims incurred for own account	**-66 179**	**64 119**	**244 769**	**98 265**	**25 216**	**366 189**	**3 130**	**74 307**

Note 4 Premiums, claims and provisions, continued

RETAIL (B2C)							Total				
Motor insurance	Leisure craft insurance	Travel insurance	Total B2C insurance	Natural perils insurance	Other pool schemes etc.	Life insurance	2015	2014	2013	2012	2011
216 904	7 064	23 295	359 365	52 990	920	115 950	1 113 333	921 300	832 248	750 279	650 287
1 157	17	49	1 457	11 890	0	96	52 352	50 511	57 842	58 992	43 560
215 747	**7 046**	**23 245**	**357 907**	**41 100**	**920**	**115 854**	**1 060 982**	**870 789**	**774 406**	**691 287**	**606 727**
199 341	6 311	21 517	330 713	52 395	920	115 490	1 086 784	893 637	786 750	717 181	643 903
147 102	5 330	12 631	242 500	72 718	2 402	120 086	877 883	553 171	557 306	557 938	506 397
55 938	1 767	5 598	92 448	11 055	134	17 253	218 026	194 099	190 833	174 237	158 893
-3 700	**-786**	**3 288**	**-4 235**	**-31 378**	**-1 615**	**-21 849**	**-9 126**	**146 368**	**38 611**	**-14 994**	**-21 387**
1 080	13	50	1 384	11 890	0	72	51 733	51 769	58 571	58 233	45 072
0	0	0	0	-329	0	0	73 658	-25 922	-6 813	21 911	-41 962
1 080	**13**	**50**	**1 384**	**12 219**	**0**	**72**	**-21 926**	**77 691**	**65 384**	**36 322**	**87 034**
-4 779	**-799**	**3 238**	**-5 619**	**-43 597**	**-1 615**	**-21 921**	**12 800**	**68 677**	**-26 773**	**-51 316**	**-108 421**
9 401	382	699	17 200	9 518	2 023	901	121 775	176 496	174 861	170 877	115 812
4 622	**-417**	**3 938**	**11 581**	**-34 079**	**407**	**-21 020**	**134 575**	**245 172**	**148 088**	**119 561**	**7 392**
155 165	5 011	13 701	262 650	74 610	2 256	119 493	1 026 926	727 214	636 415	571 272	599 201
-8 063	319	-1 070	-20 149	-1 892	146	593	-149 043	-174 044	-79 108	-13 334	-92 806
147 102	**5 330**	**12 631**	**242 500**	**72 718**	**2 402**	**120 086**	**877 883**	**553 171**	**557 306**	**557 938**	**506 395**
155 165	5 011	13 701	262 650	74 610	2 256	119 493	954 794	727 214	636 415	571 272	599 201
-8 063	319	-1 070	-20 149	-1 563	146	593	-150 569	-148 122	-72 295	-35 245	-50 844
147 102	**5 330**	**12 631**	**242 500**	**73 047**	**2 402**	**120 086**	**804 225**	**579 093**	**564 120**	**536 027**	**548 357**

Note 4 Premiums, claims and provisions, continued

NOK thousands		BUSINESS (B2B) Occupat. injury insurance	Personal injury insurance	Property insurance	Motor insurance	Third-party insurance	Total B2B insurance
Technical provisions							
Premium reserve, unearned gross	**31.12.2014**	**9 146**	**12 074**	**32 841**	**21 352**	**5 973**	**81 386**
FSA of N minimum requirement gross		*9 146*	*12 074*	*32 841*	*21 352*	*5 973*	*81 386*
Premium reserve, 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 requirement f.o.a.		*8 793*	*11 845*	*24 048*	*21 203*	*5 914*	*71 803*
Premium reserve, unearned gross	**31.12.2015**	**9 002**	**11 668**	**35 610**	**15 220**	**6 729**	**78 229**
FSA of N minimum requirement gross		*9 002*	*11 668*	*35 610*	*15 220*	*6 729*	*78 229*
Premium reserve, reinsurance share		307	225	9 356	166	50	10 105
Premium reserve, unearned f.o.a.		**8 695**	**11 443**	**26 254**	**15 055**	**6 679**	**68 125**
FSA of N minimum requirement f.o.a.		*8 695*	*11 443*	*26 254*	*15 055*	*6 679*	*68 125*
Claims reserve, gross	**31.12.2014**	**833 171**	**342 287**	**256 482**	**75 590**	**89 456**	**1 596 985**
FSA of N minimum requirement 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 requirement f.o.a.		*581 302*	*308 250*	*202 464*	*74 683*	*58 019*	*1 224 718*
Claims reserve, gross	**31.12.2015**	**730 741**	**370 008**	**357 752**	**80 379**	**83 077**	**1 621 958**
FSA of N minimum requirement gross		*532 741*	*332 258*	*294 549*	*80 379*	*59 577*	*1 299 504*
Claims reserve, reinsurance share		125	0	72 176	0	0	72 301
Claims reserve, f.o.a.		**730 616**	**370 008**	**285 577**	**80 379**	**83 077**	**1 549 657**
FSA of N minimum requirement f.o.a.		*522 122*	*331 436*	*222 056*	*79 948*	*58 828*	*1 214 389*
Contingency reserve	**31.12.2014**	**138 741**	**53 984**	**171 475**	**40 027**	**50 690**	**454 916**
FSA of N minimum requirement		*58 741*	*28 984*	*66 475*	*20 027*	*20 690*	*194 916*
Contingency reserve	**31.12.2015**	**134 852**	**54 573**	**173 062**	**39 555**	**50 928**	**452 970**
FSA of N minimum requirement		*54 852*	*29 573*	*68 062*	*19 555*	*20 928*	*192 970*
Provisions for pooling schemes and other special schemes							
Natural Perils Pool	**31.12.2014**						
Guarantee Scheme							
Natural Perils Pool	**31.12.2015**						
Guarantee Scheme							

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.	Life insurance	Total 2015
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*
2 820	**52 785**	**115 589**	**3 728**	**10 053**	**184 974**	**8 986**	**0**	**10 312**	**282 502**
2 820	*52 785*	*115 589*	*3 728*	*10 053*	*184 974*	*8 986*	*0*	*10 312*	*282 502*
21	37	289	4	12	364	0	0	24	10 493
2 799	**52 747**	**115 300**	**3 723**	**10 041**	**184 610**	**8 986**	**0**	**10 288**	**272 009**
2 799	*52 747*	*115 300*	*3 723*	*10 041*	*184 610*	*8 986*	*0*	*10 288*	*272 009*
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*
21 289	**51 311**	**73 488**	**1 597**	**4 630**	**152 315**	**52 665**	**6 723**	**25 634**	**1 859 295**
21 289	*36 011*	*73 488*	*1 472*	*4 630*	*136 890*	*52 665*	*6 723*	*25 634*	*1 521 416*
0	0	0	0	0	0	1 902	0	0	74 203
21 289	**51 311**	**73 488**	**1 597**	**4 630**	**152 315**	**50 763**	**6 723**	**25 634**	**1 785 092**
21 285	*36 010*	*73 214*	*1 472*	*4 630*	*136 611*	*50 763*	*6 723*	*25 634*	*1 434 120*
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*
7 007	**26 549**	**42 157**	**3 668**	**2 867**	**82 247**	**0**	**965**	**3 677**	**539 859**
7 007	*16 549*	*27 157*	*3 668*	*2 867*	*57 247*	*0*	*965*	*3 677*	*254 859*
						178 082			178 082
							35 943		35 943
						145 539			**145 539**
							39 737		**39 737**

Note 5 Fair value hierarchy

31.12.2015 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed-income securities	1 608 362	0	0	1 608 362
Certificates	0	0	0	0
Bonds	0	0	0	0
Fixed-income funds	1 608 362	0	0	1 608 362
Shares and holdings	433 835	0	553 792	987 627
Equity funds	433 835	0	0	433 835
General partnership (ANS) holdings	0	0	553 792	553 792
Other financial assets	5 172	0	0	5 172
Total financial assets recognized at fair value.	**2 047 368**	**0**	**553 792**	**2 601 160**

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

Changes in Level 3 shares, unlisted	2015	2014
Opening balance	441 525	419 326
Sold	0	0
Bought	51 440	0
Unrealized changes	86 814	47 139
Other	-25 987	-24 941
Closing balance	553 792	441 525

Fair value is a representative price based on what a corresponding asset or liability would have been traded for under 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 listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments on 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 on Level 1 are stock market listed securities.

Level 2: Instruments on 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 not therefore 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 on 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, section 3.2 Property company holdings

Note 6 Net income from investments

NOK thousands	2015	2014
Interest bank	483	1 346
Interest bonds fair value	25 652	26 783
Total interest income financial instruments at fair value	26 135	28 129
Interest bonds amortized cost	57 149	63 375
Interest lending	0	0
Total interest income financial instruments at amortized cost	57 149	63 375
Dividend/interest shares and units	0	0
Total income from interest and dividend etc. on financial assets	**83 284**	91 504
Value changes shares and holdings	91 724	130 121
Value change bonds	0	-10 651
Total value change financial instruments at fair value	91 724	119 471
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	**91 724**	119 471
Realized shares and holdings/units	242	13 296
Realized bonds	-1 102	16 906
Realized derivatives	0	-453
Realized other	-67	-55
Total realized financial instruments at fair value	-927	29 694
Realized bonds at amortized cost	0	71
Total realized financial instruments at amortized cost	0	71
Other financial costs and income	0	-50
Total realized gains and losses on investments	**-927**	29 715
Transaction-related costs	-515	-306
Management fees	-2 550	-2 917
Interest costs	-330	-142
Pension costs, own employees	-2 251	-2 373
Total management costs related to investments, including interest costs	**-5 646**	-5 737
Total net income from investments	**168 435**	234 952

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 of financial assets
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
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 that:

The last traded price has the highest priority. If the last traded price lies outside the bid/ask spread in the market, the price is adjusted accordingly. So if the last traded price is below bid, the price is adjusted up to bid. If it is above ask, it is adjusted down to ask. If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Børs Small Cap Index (OSESX) as an approximation 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 price source, BVAL. 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, as Reuters does not provide prices over 10 years. The reason Bloomberg is not used for the whole curve is that Reuters is generally considered better than Bloomberg for most Scandinavian prices.

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

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

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 as to 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, continued

NOK thousands	31.12.2015 Book value	31.12.2015 Fair value	31.12.2014 Book value	31.12.2014 Fair value
Assets at amortized cost				
Investments held to maturity - at amortized cost				
Norwegian hold-to-maturity bonds	193 385	202 309	209 445	226 775
Accrued not due interest	2 455	2 455	2 801	2 801
Foreign hold-to-maturity bonds	104 981	116 764	134 979	154 573
Accrued not due interest	2 399	2 399	3 009	3 009
Total investments held to maturity	**303 220**	**323 927**	350 234	387 158
Bonds classified as lending and receivables – at amortized cost				
Norwegian bond loans	407 878	454 218	435 829	486 800
Accrued not due interest	8 820	8 820	9 949	9 949
Foreign bond loans	504 521	527 740	394 527	434 079
Accrued not due interest	9 706	9 706	7 937	7 937
Total bonds classified as lending and receivables	**930 925**	**1 000 483**	848 241	938 765
Total financial assets at amortized cost	**1 234 145**	**1 324 411**	1 198 476	1 325 923
Assets measured at fair value				
Property company holdings	553 792	553 792	441 525	441 525
Norwegian equity funds	433 835	433 835	418 174	418 174
Total shares and holdings	**987 627**	**987 627**	859 699	859 699
Norwegian fixed-income funds	1 608 362	1 608 362	1 634 774	1 634 774
Total fixed-income fund units	**1 608 362**	**1 608 362**	1 634 774	1 634 774
Total other financial assets	**5 172**	**5 172**	18 832	18 832
Total financial assets at fair value	**2 601 160**	**2 601 160**	2 513 305	2 513 305
Total investments	**3 835 305**	**3 925 570**	3 711 781	3 839 228

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 takes the role of independent risk management body.

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 where the portfolio has geographic dispersion and is spread over different insurance products. There is also a risk that the claims reserve, i.e. the sum set aside for claims, 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:

Gain/loss effect	
1% change in costs	MNOK 2.2
1% change in premium level	MNOK 10.4
1% change in claim payments	MNOK 8.1
1% change in claims reserve	MNOK 17.9

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 that 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. Each individual reinsurance contract is also divided between several independent reinsurers.

8.2 Financial risk

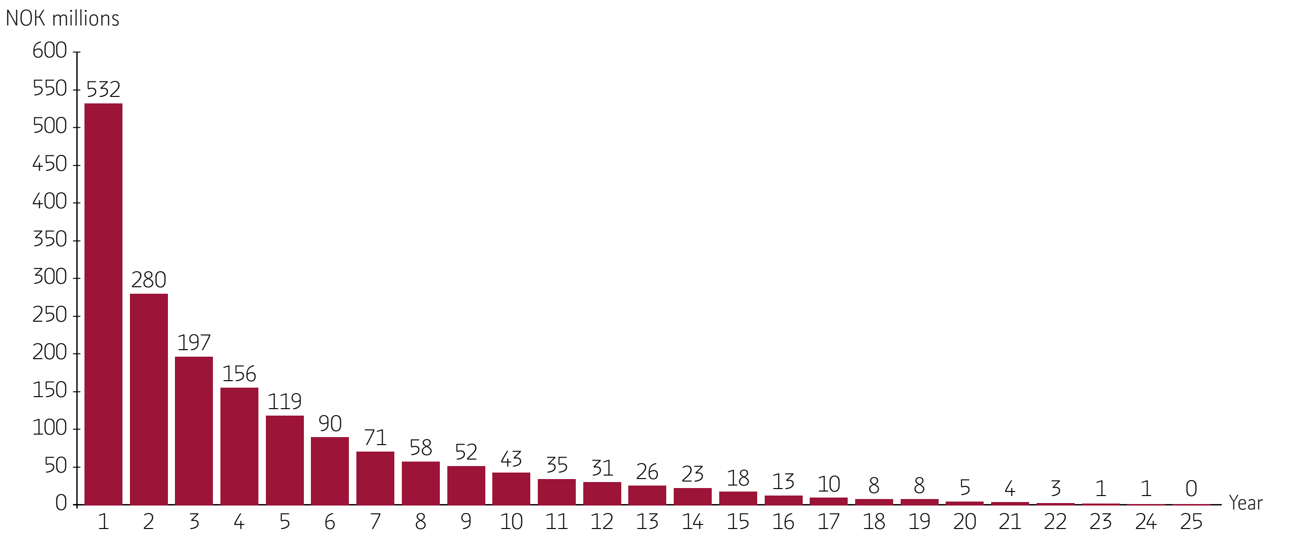
The Company's financial risk comprises liquidity risk, market risk and credit risk.

a) Liquidity risk

The Company needs liquidity to pay out claims settlements related to the insurance business. Liquidity is also needed to handle the Company's current operating liabilities.

The company's claims reserve as at 31 December 2015 is expected to have the following decay profile:

Claims reserve, as at 31.12.2015



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 2015 the Company's Board adopted an asset management strategy for 2016. It includes 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 Norwegian and international securities markets generally have a major impact on 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 to measure 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 11.4 per cent, of which approx. 1.2 percentage points were exposure to Norwegian shares. Property company holdings represented approx. 13.9 per cent.

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

Market risk	31.12.15	31.12.14	31.12.13
KLP Skadeforsikring AS	488 MNOK	489 MNOK	439 MNOK

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 agencies' rankings. In the portfolio of hold-to-maturity and long-term bonds of approx. NOK 1.2 billion, 12.5 per cent are rated AAA. The Company has approx. NOK 728 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) almost always means that 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

31.12.2015 NOK thousands	Investment grade AAA to BBB	Lower rating	Public sector guarantee	Banking and finance	Other	Total
Other financial assets	5 172	0	0	0	0	5 172
Investments held to maturity	303 220	0	0	0	0	303 220
Loans and receivables	621 987	0	11 714	0	297 224	930 925
Units in fixed-income funds	649 750	0	86 263	0	872 348	1 608 362
Total	1 580 129	0	97 977	0	1 169 572	2 847 678

Specification of investment grade	AAA	AA	A	BBB	Total Investment grade
Other financial assets	0	184	4 988	0	5 172
Investments held to maturity	121 486	70 581	51 020	60 132	303 220
Loans and receivables	32 639	151 795	401 935	35 618	621 987
Units in fixed-income funds	0	0	649 750	0	649 750
Total	154 125	222 560	1 107 693	95 750	1 580 129

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	330 208	0	0	0	20 027	350 234
Loans and receivables	565 024	0	11 601	0	271 616	848 241
Units in fixed-income funds	557 687	0	94 472	0	982 615	1 634 774
Total	1 471 751	0	106 073	0	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	152 644	59 836	330 208
Loans and receivables	216 831	51 430	296 763	0	565 024
Units in fixed-income funds	0	0	557 687	0	557 687
Total	277 816	126 531	1 007 569	59 836	1 471 751

Ratings from Standard and Poor's, Moody's Investor Services and Fitch Ratings have been used in the Note grouping. All three rating agencies are considered equal as a basis for investments in fixed-income securities. The table shows exposure against the rating categories that the rating agencies use, converted to the S&P scale, where AAA is linked to securities with the highest creditworthiness. The lowest of the three ratings is used in the breakdown in the Note. 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	**31.12.2015**	31.12.2014
Counterparty 1	100 776	105 607
Counterparty 2	100 380	85 564
Counterparty 3	70 860	70 878
Counterparty 4	60 132	59 836
Counterparty 5	55 895	56 953
Counterparty 6	52 121	55 870
Counterparty 7	51 845	52 288
Counterparty 8	51 415	51 547
Counterparty 9	50 851	51 430
Counterparty 10	50 716	50 867
Total	644 991	640 840

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 financial institutions or counterparties covered by a public sector guarantee (central or local government guarantee). Previously reported 2014 figures have modified rating information. Now the figures from Moody's, Fitch and S&P are compared, as against just one of the agencies before.

Note 10 Interest rate risk

31.12.2015 NOK thousands	Up to 3 mths	From 3 mths to 12 mths	From 1 yr to 5 yrs	From 5 yrs to 10 yrs	Over 10 yrs	Change in cash flows	Total
Equity fund units [1]							
Bonds and other fixed-income securities	16	0	0	0	0	161	177
Fixed-income fund units	0	0	0	0	0	0	0
Loans and receivables	-47 384	0	0	0	0	6 546	-40 838
Total	0	0	0	0	0	228	228
Sum	**-47 368**	**0**	**0**	**0**	**0**	**6 935**	**-40 433**

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

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 interest rates.

The note shows the effect on income of a 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 sum 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 cover that part of the fund that is not shares, but comprises assets covered by interest rate risk: surplus liquidity in the form of bank accounts and derivatives used for hedging purposes.

Note 11 Exchange rate risk

31.12.2015 NOK thousands	Balance sheet items, excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 659	0	31	-1 484	6,440	1 691	-1 484	1 334
CAD	4 406	0	68	-4 155	6,372	4 474	-4 155	2 035
CHF	1 702	0	25	-1 611	8,843	1 727	-1 611	1 031
DKK	5 382	0	12	-2 064	1,288	5 394	-2 064	4 291
EUR	20 332	0	314	-20 331	9,615	20 645	-20 331	3 022
GBP	4 917	0	60	-4 817	13,046	4 977	-4 817	2 087
HKD	3 721	0	158	-3 703	1,142	3 879	-3 703	201
ILS	562	0	0	-403	2,275	562	-403	363
JPY	467 186	0	14 089	-466 632	0,074	481 275	-466 632	1 077
NZD	36	0	0	-36	6,060	36	-36	1
SEK	11 247	0	219	-4 046	1,050	11 466	-4 046	7 790
SGD	329	0	13	-277	6,239	342	-277	406
USD	75 593	0	738	-75 447	8,851	76 330	-75 447	7 816
Total currency positions								**31 454**

31.12.2014 NOK thousands	Balance sheet 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

The note shows gross exposure to currency on the asset and liability sides, broken down by 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 in securities funds and general partnerships (ANS)

31.12.2015 NOK thousands	Number	Acquisition cost	Market value
EQUITY FUNDS			
KLP Aksjeglobal Indeks II	189 553	202 875	351 117
KLP Aksjeglobal Lavbeta I	12 916	16 983	20 275
KLP Aksjenorden Indeks	4 186	7 461	15 662
KLP AksjeNorge	9 718	21 253	46 781
Total equity funds		**248 572**	**433 835**
FIXED-INCOME FUNDS			
KLP FRN	563 705	583 384	573 673
KLP Pengemarked	31 330	31 391	31 184
KLP Obligasjon 1 yr	38 106	38 331	38 153
KLP Kredittobligasjon	130 779	139 467	139 899
KLP Obligasjon 3 yrs	40 643	42 387	41 625
KLP Obligasjon 5 yrs	37 068	48 403	47 814
KLP Obligasjon Global I	572 674	588 649	649 750
KLP Statsobligasjon	82 803	84 620	86 263
Total fixed-income funds		**1 556 632**	**1 608 362**
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			309 243
Holdings in Frydenlund Eiendom ANS			244 549
Total property company holdings			**553 792**

31.12.2014 NOK thousands	Number	Acquisition cost	Market value
EQUITY FUNDS			
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

Note 13 Share capital

NOK thousands	31.12.2015	31.12.2014
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	**2 117**	3 250

The Company has one share class divided into 68,750 shares @ NOK 3,200.00. There are no provisions in the Articles of Association about 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 can be obtained from there on request. They are also available at www.klp.no.

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

NOK thousands	2015	2014
Owners' equity contributed	220 000	220 000
Retained earnings	861 994	687 674
Minus intangible assets	-17 621	-10 137
Deferred tax assets	0	0
Minimum requirement for reinsurance reserve	-4 485	-2 169
Net own funds (eligible Tier 1 and Tier 2 capital)	**1 059 887**	895 368
Assets and off-balance sheet items by risk category		
Risk weight 0%	388 735	336 406
Risk weight 10%	147 169	147 204
Risk weight 20%	1 359 234	1 374 374
Risk weight 35%	0	0
Risk weight 50%	669 869	665 790
Risk weight 100%	1 544 981	1 411 154
Risk weight 150%	0	0
Off-balance sheet items (currency-related contracts)	0	0
Weighted sum assets in fin. pos. stmt (balance sheet)	2 166 479	2 033 645
Weighted sum off-balance sheet items	0	0
Risk-weighted calculation base	**2 166 479**	2 033 645
Capital adequacy ratio	**48.92 %**	44,03 %
Solvency margin pursuant to regulations issued by the Norwegian Ministry of Finance	**743 %**	767 %
Solvency margin requirement	201 235	173 852
Solvency capital	1 495 958	1 333 921
- of which own funds (eligible Tier 1 and Tier 2 capital)	1 059 887	895 368
- of which security reserves exceeding 55% of min. requirement	399 686	395 090
- of which share of Natural Perils Fund	36 385	44 521
- of which deduction from solv. capital i.a.w. Section 8a	0	-1 057

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	**185 277**	214 025
Other retained earnings	716 642	544 639
Minimum requirement for reinsurance reserve	4 485	2 169
Other retained earnings, total	**721 127**	546 808
Equity contributions and retained earnings	**1 267 270**	1 121 699

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

Solvency 2 was introduced from 01.01.2016, and the calculation of the solvency margin has been completely changed, while requirements for capital adequacy and Tier 1 capital adequacy have been dropped. The Solvency 2 balance includes assets and liabilities at fair value. For assets that have a lower/higher value in the accounts, an adjustment is therefore made for the difference. For KLP Skadeforsikring AS's insurance obligations, there are no observable market values. These are therefore calculated using a best estimate based on actuarial assumptions. There is also a risk margin to reflect the capital costs incurred by a third party in assuming these obligations.

Base capital (capital group 1) is taken from the Solvency 2 balance. Supplementary capital (capital group 2) comprises provisions for the Natural Perils Fund and the Guarantee Fund. Our provisional calculations show the following results for Solvency 2:

Simplified Solvency 2 balance

NOK millions			
Assets, capitalized	4 128	1 985	Best estimate
Added value HTM	90	136	Risk margin
Other value changes	-22	58	Deferred tax liabilities
		365	Other liabilities
Total assets	**4 196**	**2 544**	**Total liabilities**
		1 652	**Base capital - capital group 1**
		40	Provision for Guarantee Fund
		146	Provision for Natural Perils Fund
		186	**Base capital - capital group 2**
		1 838	**Own funds under Solvency 2**
		812	Solvency capital requirement (SCR)
		353	Minimum capital requirement (MCR)
		Capital adequacy, Solvency 2	**226 %**

Notes
- Other value changes comprise:
  Intangible assets -17
  Revaluation of reinsurers' share of the insurance liabilities - 5

- No deferred tax liability has been included in the contingency reserve
  This could amount to 25% * 540 = 135

- Natural Perils provision of 146 raised as own funds in capital group 2.
  It has not been finally decided whether this provision can be included in equity and subordinated loan capital under Solvency 2.

- Guarantee provision of 40 raised as own funds in capital group 2.
  It has not been finally decided whether this provision can be included in equity and subordinated loan capital under Solvency 2.

- Worst Case scenario for all unresolved issues would produce a Solvency 2 capital adequacy figure of 203 %.
  In any event, the solvency situation is very satisfactory.

Note 15 Intangible assets

NOK thousands	**31.12.2015**	31.12.2014
Book value 01.01	10 137	13 912
Acquisition cost 01.01	45 368	45 368
Additions during the year	11 800	0
of which internally developed	0	0
of which bought	11 800	0
Disposals	0	0
Acquisition cost 31.12	57 168	45 368
Accumulated depreciation previous years	-35 231	-31 456
Ordinary depreciation for the year, straight line	-4 316	-3 775
Annual depreciation	0	0
Book value 31.12	**17 621**	10 137

Depreciation period 3 to 12 yrs

Note 16 Benefits for leading individuals etc.

2015	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	Loan	Salary, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefit	Loan	Interest rate as at 31.12.2015	Payment plan [1]
Senior employees												
Tore Tenold, Managing Director	2 752	144	1 103	-	-	-	-	-	-	2 018	2.25	Fleksilån
Board of Directors												
Sverre Thornes, Chair	-	-	-	-	-	3 694	167	1 509	-	10 017	2.25	A45
Jan Hugo Sørensen	80	-	-	-	-	-	-	-	-	3 679	2.45-3.90	A34/A43
Inger Østensjø	80	-	-	-	-	-	-	-	-	-	-	-
Steinar Haukeland, elected by and from the employees	80	-	-	-	-	-	-	-	-	-	-	-
Toril B. Ressem [2]	32	-	-	-	-	-	-	-	-	-	-	-
Marianne Sevaldsen	-	-	-	-	-	2 520	158	1 192	-	4 439	2.25	A43
Reidun W. Ravem [2]	-	-	-	-	-	-	-	-	-	-	-	-
Lene Elisabeth Bjerkan	-	-	-	-	-	-	-	-	-	-	-	-
Control Committee												
Ole Hetland, Chair	-	-	-	-	-	98	-	-	-	-	-	-
Bengt P. Johansen	-	-	-	-	-	83	-	-	-	-	-	-
Berit Bore	-	-	-	-	-	86	-	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	-	83	-	-	-	-	-	-
Thorvald Hillestad	-	-	-	-	-	83	-	-	-	-	-	-
Supervisory Board												
Total Supervisory Board	39	-	-	-	-	541	-	-	-	28 811	-	-
Employees												
Total loans to employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	-	-	177 241	-	-

Note 16 Benefits for leading individuals etc., continued

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	Payment plan [1]
Senior employees												
Tore Tenold, Managing Director	2 628	138	1 020	-107	-	-	-	-	-	2 397	2.90	Flexi-loan
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	-	-	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from the employees	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	-	-

[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	2015	2014
Statutory financial audit	332	421
Other certification services	0	0
Tax advisory services	0	0
Non-audit services	0	45

The sums above include VAT.

Note 18 Number of employees

	2015	2014
Number of employees as at 31.12	130	118
Average number of employees	124.0	118.0

Note 19 Sales costs

NOK thousands	2015	2014
Employees' salaries	38 522	33 096
Other personnel costs	12 163	10 186
Agents' commission	8 017	5 616
Other costs	7 937	9 199
Total	**66 639**	58 097

Note 20 Operating costs

NOK thousands	2015	2014
By class:		
Personnel costs	120 383	97 365
Depreciation	3 136	3 775
Other operating expenses	94 507	92 958
Total operating expenses	**218 026**	194 099

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-benefit pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenestepension", or OTP). The Company has a contract pension (AFP) scheme.

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

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Pension costs						
Present value of accumulation for the year	13 981	1 747	15 728	11 305	1 601	12 906
Administration cost	362	0	362	330	0	330
Social security contributions - Pension costs	2 022	246	2 269	1 641	226	1 866
Plan change taken to profit/loss	0	0	0	-10 203	-857	-11 060
Pension costs incl. social security and administration costs taken to income	16 366	1 993	18 360	3 073	969	4 042
Net financial costs						
Interest costs	3 380	302	3 683	4 508	400	4 908
Expected return	-2 006	0	-2 006	-3 126	0	-3 126
Management costs	296	0	296	297	0	297
Net interest costs	1 670	302	1 972	1 679	400	2 079
Social security contributions - Net interest cost	235	43	278	237	56	293
Net interest cost including social security contributions	1 906	345	2 251	1 916	457	2 373
Estimate difference, pensions						
Actuarial losses (gains)	-20 872	-1 715	-22 588	18 711	1 076	19 787
Social security contributions	-2 943	-242	-3 185	2 638	152	2 790
Actuarial losses (gains) incl. social security contributions	-23 815	-1 957	-25 772	21 350	1 228	22 577
Total pension costs including interest costs and estimate difference	**-5 544**	**381**	**-5 162**	**26 338**	**2 653**	**28 992**

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Pension obligations						
Gross accrued pension obligation	129 360	11 662	141 021	133 755	11 466	145 222
Pension assets	93 717	0	93 717	83 386	0	83 386
Net liability before SSC	35 643	11 662	47 305	50 369	11 466	61 836
Social security contributions	5 026	1 644	6 670	7 102	1 617	8 719
Gross accrued obligations incl. social security costs	134 385	13 306	147 691	140 857	13 083	153 940
Net liability incl. social security costs	40 669	13 306	53 975	57 471	13 083	70 555

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Reconciliation of pension obligations						
Capitalized net liability/(asset) 01.01	57 471	13 083	70 555	41 609	10 457	52 066
Pension costs taken to profit/loss	16 366	1 993	18 360	3 073	969	4 042
Finance costs taken to profit/loss	1 906	345	2 251	1 916	457	2 373
Actuarial gains and losses incl. social security contributions	-23 815	-1 957	-25 772	21 350	1 228	22 577
Social security contributions paid in premiums/supplement	-1 391	-20	-1 411	-1 295	-3	-1 298
Premium/supplement paid-in including admin	-9 868	-139	-10 007	-9 181	-24	-9 205
Capitalized net liability/(asset) 31.12 this year	40 669	13 306	53 975	57 471	13 083	70 555

Plan change

In 2009 it was decided to introduce longevity adjustment in public sector occupational pensions 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 the harmonization of public sector occupational pensions with pensions accumulated through National Insurance was not determined. It was therefore impossible to give a good estimate of the consequences of these changes when estimating the Company's pension obligation towards its employees, so it has been excluded from the calculation of this. 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 consequences of this even though the harmonization rules are yet to be determined. Based on this, the longevity adjustments have been taken into account in the obligation as at 31 December 2014. The longevity adjustment has been incorporated as a plan change.

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 31.12.2014. This produces a reduced pension obligation, as National Insurance will generally cover a greater part of the disability pension benefits.

Note 21 Pension obligations – own employees, continued

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Plan changes in the period						
Plan changes in the period	0	0	0	-8 942	-752	-9 694
SSC on plan changes	0	0	0	-1 261	-106	-1 367
Plan changes during the period taken to profit/loss	0	0	0	10 203	857	11 060
Plan change not taken to profit/loss 31.12	0	0	0	0	0	0

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Change in pension obligations						
Gross pension assets 1 January before plan change	140 857	13 083	153 940	115 853	10 457	126 310
Plan change	0	0	0	-10 203	-857	-11 060
Gross pension obligation after plan change	140 857	13 083	153 940	105 650	9 600	115 249
Present value of accumulation for the year	13 981	1 747	15 728	11 305	1 601	12 906
Interest costs	3 380	302	3 683	4 508	400	4 908
Actuarial losses (gains) gross pension obligation	-23 180	-1 957	-25 137	19 559	1 228	20 786
Social security contributions – pension costs	2 022	246	2 269	1 641	226	1 866
Social security contributions – net interest costs	235	43	278	237	56	293
Social security contributions paid in premiums/supplement	-1 391	-20	-1 411	-1 295	-3	-1 298
Payments	-1 520	-139	-1 659	-747	-24	-771
Gross pension obligation 31.12	134 385	13 306	147 691	140 857	13 083	153 940

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Change in pension assets						
Pension assets 01.01	83 386	0	83 386	74 244	0	74 244
Expected return	2 006	0	2 006	3 126	0	3 126
Actuarial (loss) gain on pension assets	636	0	636	-1 791	0	-1 791
Administration cost	-362	0	-362	-330	0	-330
Financing cost	-296	0	-296	-297	0	-297
Premium/supplement paid-in including admin	9 868	139	10 007	9 181	24	9 205
Pension assets 31.12	93 717	0	93 717	83 386	0	83 386

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Over/under-financing of the pension scheme						
Present value of the defined-benefit pension obligation	134 385	13 306	147 691	140 857	13 083	153 940
Fair value of the pension assets	93 717	0	93 717	83 386	0	83 386
Net pension obligation	40 669	13 306	53 975	57 471	13 083	70 555

NOK thousands	Joint scheme	Via operation	2015	Joint scheme	Via operation	2014
Return on pension assets						
Expected return on pension assets	2	0	2	3	0	3
Actuarial loss/gain on pension assets	1	0	1	-2	0	-2
Actual return on pension assets	3	0	3	1	0	1

	31.12.2015	31.12.2014
Financial assumptions (common to all pension schemes)		
Discount rate	2.70 %	2.30 %
Salary growth	2.50 %	2.75 %
National Insurance basic amount (G)	2.25 %	2.50 %
Pension increases	1.48 %	1.73 %

The assumptions as at 31 December 2014 have been applied to measurement of the cost of pensions for 2015, whilst for calculation of the pension obligation on 31 December 2015, the assumptions and membership numbers as at 31 December 2015 have been applied. The assumptions are based on the market situation as at 31 December 2015 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 2015 (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 until they retire who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning in 2015 (in %)

Age (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/early 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	2015	Joint scheme	Via operation	2014
Membership status						
Number active	124	8	132	115	8	123
Number deferred (previous employees with deferred entitlements)	75	0	75	66	0	66
Number of pensioners	13	1	14	9	1	10

	2015	2014
Composition of the pension assets:		
Property	12.8 %	11.1 %
Lending	12.3 %	10.9 %
Shares	19.8 %	20.4 %
Long-term/HTM bonds	26.9 %	27.6 %
Short-term bonds	20.6 %	21.4 %
Liquidity/money market	7.6 %	8.7 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 3.6 per cent in 2015 and 6.9 per cent in 2014.

Expected payment into benefit plans after cessation of employment for the period 1 January 2016 – 31 December 2016 is NOK 14.3 million.

Sensitivity analysis as at 31 December 2015	
Discount rate reduced by 0.5%	Increase
Gross pension obligation	9.9 %
Accumulation for the year	13.5 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.3 %
Accumulation for the year	3.1 %
Mortality increases 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 statement position.

The duration in the joint scheme is estimated at 17.1 years.

Note 22 Tax

NOK thousands	2015	2014
Accounting income before taxes	**172 845**	304 184
Other income components	25 772	-22 577
Income before change in reserves	**198 617**	281 607
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	557	880
Reversal of value increase, financial assets	-94 671	-122 677
Book gain on realization of shares and other securities	-242	-13 296
Tax gain on realization of shares and other securities		2 289
Tax loss on realization of shares and other securities	-2 852	
Share of taxable income in partnerships	22 914	20 707
Share of accounting income in partnerships		
Other permanent differences	1 965	1 010
Change in differences affecting relationship between book and taxable income	9 852	-5 661
Taxable income (basis for tax)	**136 141**	164 859
Group contribution received with tax effect		
Group contribution made	-136 141	-164 859
Base for tax payable	-	-
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Other differences	189 762	216 194
Securities	51 730	62 481
Income differences in holdings in partnership companies	126 341	62 652
Total tax-increasing temporary differences	367 833	341 327
Tax-reducing temporary differences:		
Pension liability	-53 975	-70 555
Total tax-reducing temporary differences:	-53 975	-70 555
Net temporary differences:	313 858	270 772
Differences not included in the calculation of deferred tax/tax assets	-189 762	-216 194
Basis for deferred tax/deferred tax assets	124 096	54 578
Capitalized deferred tax	**31 024**	14 736
Change in deferred tax benefit	12 327	0
Change in deferred tax benefit as a result of changed tax rate	-2 482	0
Change in deferred tax taken to profit/loss	9 845	19 786
Change in deferred tax, other income components	6 443	-6 096
Summary of tax expense for the year		
Group contribution made	-136 141	-164 859
Tax payable on Group contribution taken to profit/loss	-36 758	-44 512
Change in deferred tax taken to profit/loss	-9 845	-19 786
Total taxes	**-46 603**	-64 298

Note 23 Transactions with related parties

NOK thousands	2015	2014
Income		
Insurance premium		
KLP Eiendom AS	11 950	8 983
Kommunal Landspensjonskasse (KLP)	9 466	9 050
KLP Banken AS	9	8
TOTAL	**21 425**	18 041
Income		
KLP Kapitalforvaltning AS, management fee	1 549	2 010
KLP Eiendom AS, management fee	1 002	906
Kommunal Landspensjonskasse (KLP), rent	13 504	13 010
Kommunal Landspensjonskasse (KLP), pension premium	9 868	9 181
Kommunal Landspensjonskasse (KLP), staff services (at cost)	84 110	83 945
KLP Banken AS, interest-subsidized employee loans	304	626
TOTAL	**110 335**	109 679
Balance		
Kommunal Landspensjonskasse (KLP), purchase of group life portfolio	-11 800	
Kommunal Landspensjonskasse (KLP), receivables		20 248
Kommunal Landspensjonskasse (KLP), Group contribution	-37 778	-120 451
Kommunal Landspensjonskasse (KLP), net internal accounts	-9 712	-9 149
KLP Bedriftspensjon AS, net internal accounts		-8
KLP Kapitalforvaltning AS, net internal accounts	-315	-329
KLP Banken AS, net internal accounts	-200	-237
KLP Boligkreditt AS, net internal accounts	-21	-15
TOTAL	**-59 825**	-109 941

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
- at year-end	390 521	428 760	441 592	465 393	525 859	514 663	521 902	538 278	692 194	835 230
- one year after	390 032	410 918	427 127	488 873	546 184	532 073	527 589	516 815	705 234	
- two years after	367 282	383 794	406 535	463 095	522 220	520 459	511 896	498 662		
- three years after	344 928	363 403	393 013	456 964	509 507	499 052	506 639			
- four years after	332 575	340 499	383 346	442 901	497 530	471 519				
- five years after	311 561	331 622	365 317	420 149	477 659					
- six years after	312 078	323 249	353 512	403 945						
- seven years after	306 997	315 549	340 890							
- eight years after	299 979	303 824								
- nine years after	292 124									
Present claims estimate	292 124	303 824	340 890	403 945	477 659	471 519	506 639	498 662	705 234	835 230
Claims paid	239 615	244 672	274 603	327 527	402 627	364 926	372 637	345 480	452 651	426 828
Remaining reserves	52 509	59 153	66 287	76 418	75 032	106 593	134 002	153 182	252 583	408 402

	As at 31.12.2015	As at 31.12.2014
Claims reserves excluding pool schemes and indirect claim handling costs:	1 646 535	1 668 728
Claims reserves for pool schemes excluding indirect claim handling costs:	57 196	46 906
Reserves for indirect claim handling costs:	81 361	77 908
Total claims reserves:	1 785 092	1 793 542

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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 2015, and the income statement, showing a profit of NOK 145 571 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 2015, 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.

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T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Oslo, 19 February 2016
PricewaterhouseCoopers AS

Erik Andersen
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 2015 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, 19 February 2016

Espen F. Olsen
Chief Actuary

Skadeforsikring

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