KLP Skadeforsikring AS
annual report 2012

Coverphoto: Anders Eidsnes

In 2012 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values. Open, Clear, Responsible and Committed. Olav Storm, photographer, was head of the jury.

CONTENT

A good year for non-life insurance at KLP

KLP Skadeforsikring AS grew by NOK 60 million in net premium income compared to the previous year and the Company had a pre-tax profit of NOK 106 million. The Company's net premium income was NOK 659 million.

As part of the Group's overall investment in the members of KLP, the Company will reinforce its investment within the retail market during the next few years. Competition is still strong in the public sector market and during 2012 we saw a great deal of tendering activity, something we also expect to continue through 2013.

Growth in the retail market

The four largest companies in the Norwegian market have a market share in excess of 75 per cent. Over recent years the remaining operators in the market have been responsible for substantial growth and now have a total market share in excess of 24 per cent. KLP Skadeforsikring has a modest market share of 1.5 per cent of the Norwegian insurance market, but has clear growth ambitions.

Notwithstanding a great deal of bad weather and much water damage, it is expected that the non-life insurance companies are going to deliver good results in the retail market for 2012. There has been a strong reduction in the cost ratio over the period 1998 - 2012. Rationalisation and efficiency efforts in the industry have contributed to the reduction of the insurance companies' operating costs as a proportion of premium income for the retail market from 30 per cent to something just over 20 per cent at the end of 2012.

Climate changes

The climate changes mean that we must take both short and long-term preventive measures at the same time as we adjust to the situation in which we find ourselves. Thus we must for example build smarter and better, and re-examine the regulations covering these challenges.

Norway has experienced several major natural disasters in recent years. The largest was the Dagmar storm which struck in the Christmas holiday in 2011. The ravages of Dagmar led to 19,773 claim reports and NOK 1.3 billion in estimated claim compensation from the non-life insurance companies in Norway. Natural disaster claims compensation for the whole of 2011 was NOK 2.6 billion, with the storm as the largest cause of the damage wreaked. For 2012, the compensation totals are just under NOK 500 million, and flooding is the largest cause of the damage. KLP's share of the costs following the Dagmar storm amounts to about NOK 48 million.

New regulation of occupational injury (workers' compensation) insurance

The question of a new occupational injury insurance scheme has been discussed for many years. Both the Kjønstad Committee, which published a NOU (Official Norwegian Report) in 2004 on Arbeidsskadeforsikring ("Industrial Accident Insurance"), and the consultation from the Ministry of Labour from 2008, "Forslag til ny framtidig arbeidsskadeforsikring – organisering og yrkessykdommer" (Draft new future occupational injury insurance - organisation and occupational illness), have been thoroughly discussed in the fora of Finance Norway and the respective companies.

Somewhat surprisingly the proposed new occupational injury reform was put forward in the Revised National Budget 2012. This involved the proposal of a single track, that is to say to combine the current statutory compensation schemes - National Insurance (social security) and insurance - into a combined rights statute. Furthermore a central settlements office and expansion of the "list" of occupational illnesses were recommended. It is planned to move the bill in due course in the Storting in spring 2013. KLP Skadeforsikring is a major player in occupational injury insurance and is following the work on the new bill closely.

Tore Tenold
Managing Director

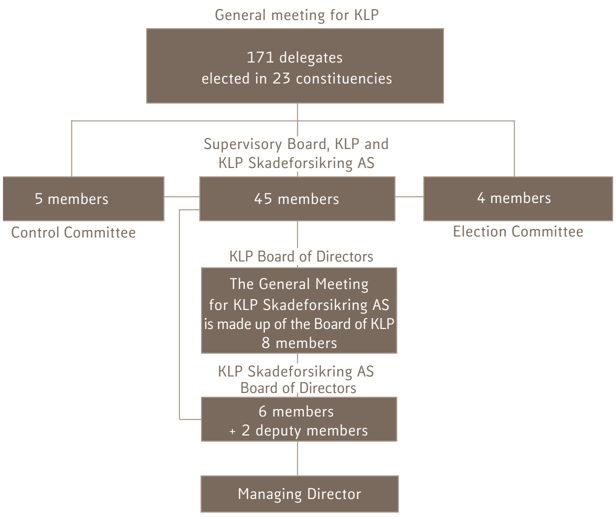
Corporate governance

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

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

KLP Skadeforsikring AS works on the basis of explicit profitability requirements, aiming to deliver risk products and provide a service that gives the Company a leading position in its market.

The governing bodies of the non-life company



General meeting

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

The Supervisory Board

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

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

Board of Directors

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

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

Control Committee

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

The Control Committee supervises the Company's activities. One of the Control Committee's members must satisfy the requirements to be a judge (the Courts of Justice Act Section 54) and be approved by the Financial Supervisory Authority of Norway (FSA). The Control

Committee's activities are governed by the Insurance Activity Act and separate instructions adopted by the General Meeting.

Other governing and supervisory organs

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

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

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

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

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

Organisation of the non-life company

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

PHOTO: OLAV STORM

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- Income before tax for 2012 was NOK 105.6 million
- Gross premiums written increased by NOK 100 million, of which NOK 59.1 million within the public and corporate sector and NOK 40.9 million in the retail (personal customer) market
- Few major claims during the year: the five largest claims total only NOK 99 million
- Financial returns of 6.5 per cent: generally good returns in all classes of assets

Income and allocation

Income before tax for 2012 was NOK 105.6 million (25.2)*.

	2012	2011
Gross premiums written (MNOK)	750.3	650.3
Income after tax (MNOK)	88.2	-3.7
Owners' equity (MNOK)	824.6	719.0
Total assets (MNOK)	3 606.7	3 440.0
Financial return (%)	6.5	4.5
Capital adequacy (%)	34.1	31.8
Claims ratio (%)	81.3	91.6
Costs ratio (%)	26.4	26.5

Key figures from the financial statements

The total claims ratio for own account for all sectors was 81.3 per cent (91.6) and combined ratio was 107.7 per cent (118.1).

The company's investment in the retail market continues to show good development. Sales in the public sector during 2012 also showed good progress and the Board is pleased with the growth in business volume.

(In NOK million)	2012	2011
Accrued premium for own account	658.9	598.8
Other income	2.9	2.6
Financial income	210.1	138.9
Claims incurred, net of reinsurance	**-536.0**	**-548.4**
Contingency reserves etc.	-56.0	-7.9
Operating expenses	-174.2	-158.9
Operating income before tax	**105.6**	**25.2**
Tax	-17.4	-28.8
Income after tax	88.2	-3.7
Change in provision to OE fund	8.0	34.4
Net Group contribution made	**17.4**	**-30.7**

* 2011 figures in brackets.

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

Allocation of income for the year

(In NOK million)	2012
Income for the year	88.2
is allocated as follows:	
- from natural perils pool fund	9.7
- to the guarantee scheme	-1.7
- net Group contribution	17.4
Allocated to other equity	-113.6
Total allocation and transfers	**-88.2**

The Company receives a group contribution from the Group of NOK 62.2 million, corresponding to the group contribution made and estimated tax.

Solvency and owners' equity

After net Group contribution of NOK 17.4 million, the Company's owners' equity increased by NOK 105.6 million to NOK 824.6 million. Share capital received was NOK 220 million. The Company has set aside NOK 520 million in contingency reserves against a minimum requirement of NOK 235 million.

As a result of the insurance portfolio having developed towards a more balanced structure between short and long-tail business, the Company is experiencing a levelling off of financial position growth. Total investments increased by NOK 159 million to NOK 3250 million. Net claims reserves showed only a marginal change and were NOK 1748 million at the end of the year.

The Company's liquidity situation has been satisfactory throughout the reporting year. Net cash flows were positive at NOK 35 million. About half of the premium payments occur during the first quarter. Cash flow will vary from year to year depending on the pace of payment of claims incurred.

At the end of the year the Company had capital adequacy of 34.1 per cent compared to the 8.0 per cent required by the regulations. KLP Skadeforsikring also satisfies the requirements for solvency capital by a good margin.

Risk matters

KLP Skadeforsikring offers non-life insurance solutions for the public sector, enterprises related to this sector and their employees. Insurance business is built on the ability and willingness to accept risk. Professional analysis of portfolios - and the interplay between them - is the central element of the Company's risk management. The analyses help to monitor and control the Company's risk and the uncertainty upon which estimates of the Company's reserves are built.

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

To ensure comprehensive risk control the Company set up a Risk Management Committee in the course of the year, 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

Major claims risk and reinsurance costs are taken into account when calculating the Company's risk premiums. The reinsurance programme limits the Company's own account risk per claim event.

Since the Company now has a stable high volume of business and good solvency, the Company has good capacity to bear risk for own account. The Company's reinsurance programme is optimised on the basis of the Company's financial position and risk factors in the insurance portfolio. Premiums ceded to reinsurance represent 7.9 per cent of gross premiums written.

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

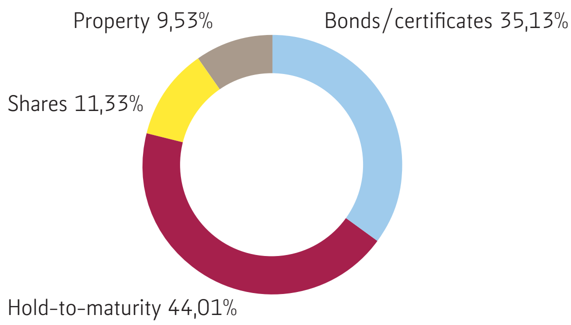
Financial risk

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

At the end of the year KLP Skadeforsikring was managing NOK 3250 million (NOK 3091 million). The Company's financial investments are handled by KLP Kapitalforvaltning AS, a sister company in the KLP Group. In addition the Company owns holdings in two centrally located property general partnerships.

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

Asset composition as at 31 December 2012



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

The Company continuously measures its risk exposure in the investment portfolio. The risk parameters are related directly to the Company's buffer capital. These parameters are reviewed at least monthly but will be monitored more closely should financial disquiet arise. At no measurement point has the Company's risk exposure exceeded the limits set.

The interaction between insurance and financial risk

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

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

A large proportion of the Company's future claims payments is linked to inflation and the development of the National Insurance basic sum - "G". To reduce the consequence of any increased inflation and high G-growth the Company has built up property investments and a portfolio of bonds on which the return is linked directly to the consumer price index. It is desirable that these portfolios increase over the course of time.

Counterparty risk

The largest single non-government exposure in the investment portfolio amounts to NOK 106 (134) million, corresponding to 3.3 (4.4) per cent of total investment assets.

The Company has one investment in institutions in the PIIGS countries, nominally NOK 30 million. The investment is guaranteed by the Spanish state and is not considered to be doubtful.

In its choice of reinsurers the Company endeavours to spread ceded liability over a wide selection of reinsurers. No reinsurer had a credit rating weaker than A- when entering into an agreement. As a result of the financial crisis certain states in Europe have had their ratings downgraded, resulting in two reinsurers having been downgraded to BBB. Total theoretical exposure to these two companies is NOK 40.6 million. At the end of the reporting period the Company had no outstanding claims against them.

Liquidity risk

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

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

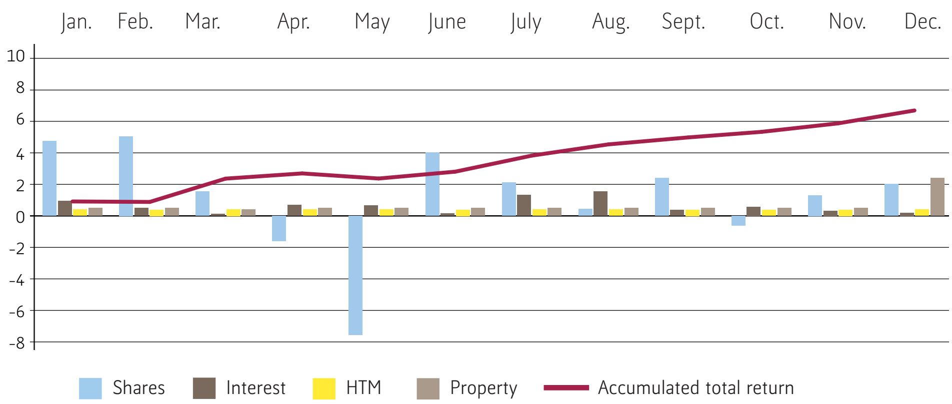
The liquidity risk for the Company is therefore primarily associated with the costs of releasing assets to meet maturity liabilities.

Operating risk

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

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

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



Return on capital

The return on assets invested was extremely good in 2012. All classes of assets contributed positively, but in particular the equity investments produced good returns.

Total return on assets managed was 6.5 per cent (4.5). Interest-bearing investments in current assets and hold-to-maturity produced 6.5 and 4.9 per cent returns respectively. The Company's property investments had a return of 5.9 per cent. Marginal changes only have been made to 4007 the properties' market value during the year.

Operating expenses

Measured against premium accrued for own account, the costs ratio was 26.4 per cent (26.5). Since the retail market activities are still in a development phase, the costs share linked to this portfolio will be high. The costs share for the Company's principal investment in Public Sector and Corporate was 22.7 per cent. The Company's planned development of insurance solutions means that again this year comprehensive development costs have been charged against income.

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

Solvency II

The final scope and the implementation date of the rules associated with Solvency II have not yet been determined. Analyses show that the Company's solvency will still be good after the quantitative solvency requirements that are expected to be introduced.

Solvency II also places qualitative requirements on the Company's governance and control. The Company's current procedures form a good basis for meeting these requirements when they are introduced. As an element of this process the Company established a special Risk Management Committee in 2012.

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

Ethics in the investment process

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

Corporate governance

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

Loss prevention initiatives

During 2012 KLP Skadeforsikring has carried out more than 185 activities in which 1480 individuals have participated in one or more activities. The work has a positive effect on the Company's claim results, its customers' finances through claim reduction, and the working environment. From the point of view of the Company, major emphasis is also placed on the social responsibility perspective.

The Company has participated in several nationwide projects such as:

- safe school routes
- improvement of the internal environment in the schools
- a safer working environment for the home-based services
- improvement in safety in rented municipal housing
- systematic safety management in local government buildings
- collaboration with the Norwegian Association of Municipal Engineers(Norsk Kommunalteknisk Forening) and the supervisory authorities to increase safety in municipal and county administration buildings.

KLP Skadeforsikring has co-operated closely with external centres of expertise in order that all parties should achieve the greatest possible effect from the projects. The company's partners include Trygg Trafikk - the Norwegian Council for Road Safety, Kommunal Kompetanse (now: Fagakademiet), (providing courses and conferences for local government and the public sector) , NAAF (the Norwegian asthma and allergy association), the Norwegian Association of Municipal Engineers and the Norwegian Fire Protection Association.

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

The initiative on visits by schools for guidance and information concerning fire safety and fire prevention activities was continued during 2012. In addition there have been further measures aimed at customers with unfortunate claims histories. It has been found that generally there is great awareness amongst our customers about fire and claims risk but that the fire risk can still be reduced through simple measures.

Environment

The public sector wants suppliers who take the environment seriously. Since 2008 KLP Skadeforsikring has been accredited as a "Miljøfyrtårnbedrift" (Eco-Lighthouse Company). In recent years the entire KLP Group has been Eco-Lighthouse accredited. This accreditation was confirmed in 2012.

A strong environmental focus is in line with the Company's values and social responsibility. The Company endeavours to implement measures to improve the environment in those areas the Company can influence. The Group aims to minimise the use of paper. There are collection systems and return schemes associated with the Company's use of office materials. Returned office material and consumables are serviced and reused as far as possible.

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

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

Organisation

Tore Tenold took over as Managing Director of KLP Skadeforsikring on 1 October.

At the end of 2012 the Company had 97 permanent employees and five individuals under contract. In addition there are personnel resources associated with services bought from the parent company. The Company has offices in Oslo.

Staff turnover in 2012 was 6.1 per cent (6 individuals). During the same period 9 new employees were appointed. Total sickness absence was 5.1 per cent (5.5), divided between 2.1 per cent short-term absence and 3.0 per cent long-term absence. In total this represents 1213 days of absence. Long-term absence fell by 0.5 percentage points compared to 2011. Short-term absence was at the same level as the previous year. Long-term absence resulted from a few non-job-related absences. In efforts to reduce sickness absence emphasis is placed on active monitoring and adapting the workplace for staff who have had lengthy sickness absence. If possible gradual reintroduction to work is attempted.

Quarterly cooperation committee meetings are held between management and the elected employee representatives in the Company. Health and safety work is also discussed at these meetings. During 2012 no work-related injuries or accidents were reported among the staff.

A good workplace

Employee satisfaction surveys are conducted annually in order to obtain feedback from employees on the working environment. The survey for the year confirms that the environment is perceived positively. Concrete measures have been developed both to maintain the current level - and in certain areas to improve it. High satisfaction is an essential prerequisite to attracting, developing and retaining highly qualified co-workers. Changed external requirements require adjustment of employees' job descriptions and competencies in line with what the Company should be delivering at all times to our customers. Human resources and salary policies must therefore be balanced between cost-effectiveness primarily, and matching the market and flexibility.

Equal opportunities and diversity

The KLP Group has established a policy for equal opportunities and diversity based on respect for the idea of equality and fairness. KLP Skadeforsikring has adopted this policy. During 2012, the policy and targets for equal opportunities and diversity have been continued.

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.

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

The target of at least 40 per cent of each gender amongst KLP's managers has been achieved only at Level 2.

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

Function in	Women		Men		Total
the Company	Number	Per cent	Number	Per cent	Number
Management Level 2	4	44.4%	5	55.6%	9
Management Level 1	1	16.7%	5	83.3%	6
Other	52	65.5%	35	34.5%	87
Total employees	57	55.9%	45	44.1%	102

At the end of the year 2 out of 6 (33.3 per cent) Board members were women.

Guidelines for recruiting require that at least one person with another ethnic background as well as one with reduced functional capability are to be shortlisted provided they are qualified.

Targets and initiatives for 2013

Extant policy will be revised in 2013 to emphasise more clearly KLP's beliefs in this area.

The long-term aim of a minimum 40% of both genders at each management level, as well is on the Board, will be maintained. To achieve these goals on a Group basis women and men are to be given the same career and development opportunities. This is to be monitored through reporting for example on educational support and internal recruiting to management positions. Active efforts are also to be made to find women candidates for new appointments by shortlisting a majority of women for interview, as well as actively endeavouring to motivate departmental heads for greater assignments. We shall also work towards good gender distribution in new elections to the Board.

Any gender-based salary differences are to be equalized at all levels. As an element of this, improved statistics and bases for analysis are to be prepared in advance of the pay settlement for 2013.

The Company will continue to offer flexible work arrangements, home offices etc, where this is possible with regard to the content of the job, in order to reduce inequalities in the adjustment between working life and private life. To measure this, gender distribution statistics are to be prepared on leave of absence and absence because of sick children.

KLP wishes to reflect the diversity of society generally and to be conscious of this in every recruiting process. The Group will continue to have diversity formulation on its career pages as one measure. At least one qualified candidate from ethnic minorities is to be invited to interview, where present amongst applicants. In order that in the future we shall more closely reflect the diversity of society, efforts are to be made to expose the need to recruit such candidates based on the expertise they have and this will be of significance to our business operations. An example of this is language skills reflecting the diversity within our customers with a view to providing even better customer service.

Future prospects

Public procurement rules dictate that about every fourth local government authority will come up for tender each year.

The indications are also that very many of the Company's public sector customers will be going out to tender during the year. The company sees this as an opportunity for further growth within its core markets.

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

As part of the Group's overall investment in the members of KLP, in 2013 the Company will further increase its investment within the retail market.

Even though the technical result for 2012 was satisfactory, the premium level within several of the sectors has been found to be too low, which can be explained in part by strong competition. It will therefore be a challenge to achieve the desired growth at the same time as a necessary price increase.

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

In 2012 the Group launched a new Kundeside (customer page) aimed at the local government customers. Here our customers are able to review all their customer relationships with the Group and will, in due course, gain access to a range of self-service solutions. A new online customer page for the retail market was launched on 6 January 2013. Once this is further developed with claim reporting functionality in the course of the year, the Company's customers will have an effective portal to service their insurance needs.

The annual customer survey carried out by EPSI (European Preformance Satisfaction Index) shows that customer satisfaction in the insurance industry has advanced. It is particularly pleasing that the main conclusions in the corporate market show that KLP Skadeforsikring is achieving the best customer satisfaction for the second consecutive year and scores uniformly high in all the measurement parameters.

Oslo, 13 March 2013

Sverre Thornes, Chair Chair of the Board of Directors	Kjell Arvid Svendsen	Reidar Mæland
Toril B. Ressem	Reidun W. Ravem	Bengt K. Hansen Staff-elected representative
	Tore Tenold Managing Director	

REIDUN W. RAVEM

TORIL B. RESSEM

SVERRE THORNES

PHOTO: OLAV STORM

BENGT K. HANSEN

REIDAR MÆLAND

KJELL ARVID SVENDSEN

KLP Skadeforsikring AS Income Statement

Notes	NOK thousands	2012	2011
	TECHNICAL ACCOUNTS		
4	Gross premiums written	750 279	650 287
4	Reinsurance premiums ceded	-58 992	-43 560
	Change in provision for unearned gross premium	-33 098	-6 384
	Change in reinsurance share of unearned gross premiun	758	-1 512
	Premium income for own account	**658 948**	**598 831**
	Allocated return on investments transferred from non-technical account	**37 027**	**53 947**
	Other insurance-related income	**2 885**	**2 629**
	Gross claims paid	-588 420	-585 796
	Reinsurance share of gross claims paid	52 532	61 916
	Change in gross provision for claims	30 438	79 402
	Change in reinsurance share of gross claims provisions	-30 576	-103 878
4	**Claims incurred, net of reinsurance**	**-536 027**	**-548 356**
19	Sales costs	-44 562	-39 864
	Insurance-related administration costs	-129 675	-119 030
20	**Insurance-related operating expenses**	**-174 237**	**-158 893**
	Technical profit/loss before contingency reserve provisions	**-11 404**	**-51 844**
	Change in contingency reserves etc.	**-56 048**	**-7 902**
	Technical result	**-67 452**	**-59 746**
	NON-TECHNICAL ACCOUNT		
	Income from interest and dividends etc on financial assets	121 735	139 427
	Value changes on investments	91 583	-2 246
	Gains and losses realized on investments	258	5 243
	Administration costs related to investments, including interest costs	-3 502	-3 546
6	**Net income from investments**	**210 074**	**138 877**
	Allocated return on investments transferred to technical account	**-37 027**	**-53 947**
	Non-technical profit/loss	**173 047**	**84 931**
	Income before tax	**105 595**	**25 185**
22	**Cost of taxes**	**-17 420**	**-28 848**
	Income before other profit/loss components	**88 175**	**-3 663**
	Other profit/loss components	0	0
	COMPREHENSIVE INCOME	88 175	-3 663
	Of which:		
	Change in natural perils pool fund provision	*9 696*	*35 667*
	Change in guarantee scheme	*-1 686*	*-1 264*
	Net Group contribution made	*17 404*	*-30 740*
	Annual profit/loss allocations to(-)/from(+) other owners' equity	*-113 590*	*0*
	Total	-88 175	3 663

KLP Skadeforsikring AS Financial Position Statement

Notes	NOK thousands	2012	2011
	ASSETS		
	Capitalized IT systems	18 171	19 206
15	**Intangible assets**	**18 171**	**19 206**
9	Investments held to maturity	748 126	853 858
9	Loans and receivables	682 512	634 845
7	**Financial assets valued at amortized cost**	**1 430 638**	**1 488 703**
	Shares and units equity funds	368 181	303 856
	Property company holdings	309 684	319 312
8,12	**Shares and units**	**677 864**	**623 168**
9	Bonds and other fixed income securities	680 564	594 136
9,12	Units fixed income funds	433 136	325 342
	Other financial assets	28 171	59 577
7,9	**Financial assets valued at fair value**	**1 819 735**	**1 602 222**
	Total investments	3 250 373	3 090 926
	Reinsurance share of unearned gross premium	11 861	11 103
	Reinsurance share of gross claims reserve	186 979	217 555
4	**Reinsurance share of gross insurance liabilities**	**198 839**	**228 657**
	Receivables from policyholders	74 787	57 984
	Receivables related to reinsurance	8 392	21 828
	Other receivables	352	211
	Receivables	**83 532**	**80 022**
	Bank deposits	55 807	20 882
	Other assets	**55 807**	**20 882**
	Prepaid expenses	0	333
	Prepayments and accrued interest not yet received	**0**	**333**
	TOTAL ASSETS	3 606 723	3 440 027

KLP Skadeforsikring AS Financial Position Statement

Notes	NOK thousands	2012	2011
	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		
		200 946	210 642
	Natural perils pool fund provision	29 205	27 520
14	**Guarantee scheme provision**	**230 151**	**238 162**
	Funds etc.		
	Other retained earnings	**233 560**	**119 970**
14	**Retained earnings**	**463 711**	**358 131**
	Provision for unearned gross premium	173 319	140 221
	Gross provision for claims	1 932 775	1 963 213
	Security reserves	519 656	463 609
4	**Gross insurance liabilities**	**2 625 750**	**2 567 043**
21	Pension liabilities etc	44 628	37 503
22	Other deferred tax	2 780	2 764
	Provision for liabilities	**47 409**	**40 267**
	Liabilities related to direct insurance	30 498	38 538
	Liabilities related to reinsurance	899	1 248
7	Liabilities to credit institutions	52 004	0
	Group contribution	0	48 369
	Liabilities within the Group	7 860	9 302
	Other liabilities	6 966	5 934
	Liabilities	**98 228**	**103 390**
	Other accrued costs and prepaid income	10 760	10 329
	Accrued costs and prepaid income	**10 760**	**10 329**
	TOTAL EQUITY AND LIABILITIES	3 606 723	3 440 027

Oslo, 13 March 2013

Sverre Thornes, Chair
Chair of the Board of Directors

Kjell Arvid Svendsen

Reidar Mæland

Toril B. Ressem

Reidun W. Ravem

Bengt K. Hansen
Staff-elected representative

Tore Tenold
Managing Director

KLP Skadeforsikring AS Statement of changes in owners' equity 31 December 2012

2012

NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 1 January 2012	360 866	358 131	718 997
Income	0	88 175	88 175
Other comprehensive income	0	0	0
Total comprehensive income	0	88 175	88 175
Transactions with owners			
Net Group contribution made	0	17 404	17 404
Total transactions with the owners	0	17 404	17 404
Owners' equity 31 December 2012	**360 866**	**463 711**	**824 577**

2011

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

KLP Skadeforsikring AS Statement of cash flows

NOK thousands	2012	2011
CASH FLOWS FROM OPERATIONS		
Direct insurance premiums received	734 845	632 665
Reinsurance premiums paid	-58 992	-43 560
Direct insurance claims and benefits paid	-574 134	-580 542
Reinsurance settlement for claims and insurance benefits, received	66 772	50 219
Payments to other suppliers for products and services	-117 747	-100 416
Payments to employees, pension schemes, employer's soc. secur. contrib. etc.	-75 607	-71 833
Interest paid	-162	0
Interest received	99 534	104 653
Tax and public charges paid	-209	601
Commission received on reinsurance ceded	0	0
Receipts regarding securities	581 310	671 941
Disbursements regarding securities	-690 052	-799 681
Net cash flow from purchase/sale of other short-term securities	83 502	75 149
Net receipts/payments from property business	33 300	38 121
NET CASH FLOWS FROM OPERATIONS	82 360	-22 684
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	-3 152	-1 917
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts on issuance of share capital/preference capital		-2 430
Group contributions made	-44 284	0
NET CASH FLOW FROM FINANCING ACTIVITIES	-44 284	-2 430
NET CHANGE IN BANK DEPOSITS	34 925	-27 031
HOLDINGS OF BANK DEPOSITS AT START OF PERIOD	20 882	47 913
HOLDINGS OF BANK DEPOSITS AT END OF PERIOD	55 807	20 882

Note 1 General information

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

The largest product area is public-sector insurance.

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

The Company's annual financial statements for 2012 were adopted by the Company's Board of Directors on 13 March 2012.

Note 2 Summary of the most important accounting principles

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

2.1 FUNDAMENTAL PRINCIPLES

The financial statements for KLP Skadeforsikring AS have been prepared in accordance with Regulations No. 1241 of 16 December 1998: "Regulations for annual accounts etc for insurance companies" (the Annual Accounts Regulations) as well as the Regulations of 20 December 2011 on amendment of the above mentioned Regulation No. 1241.

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

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 subsidiaries are valued in accordance with the equity method.

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

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

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

2.2 CHANGES IN ACCOUNTING PRINCIPLES AND INFORMATION

a) New and changed standards adopted by the Company

There are no new or changed IFRSs or IFRIC interpretations that have come into force for the 2012 annual financial statements that are considered to have or expected to have a significant effect on the Company.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Company has not elected advanced application.
The Company/Group has not elected early application of any new or changed IFRSs or IFRIC interpretations.

- IAS 1 "Presentation of financial statements" has been amended and as a result items in other comprehensive income are to be divided into two groups: those that are later to be reclassified through profit or loss and those that are not. The changes do not affect which items are to be included in other comprehensive income.

- IAS 19 "Employee Benefits" was amended in June 2011. The change means that all estimate deviations are recognized in other comprehensive income as they arise (no corridor); immediate recognition in profit/loss of all costs of previous periods' pensions accumulation; and that interest costs and expected returns on pension assets are replaced by an interest sum calculated using discounting interest on net pensions liability (assets). The standard is being implemented in 2013 and the transition effect on owners' equity on 1 January 2013 is shown in a separate Note.

- IFRS 9 "Financial Instruments" governs classification, measurement and accounting for financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those parts of IAS 39 that cover accounting for, classification and measurement of financial instruments. In accordance with IFRS 9, all financial assets are to be divided into two categories based on method of measurement: those measured at fair value and those measured at amortized cost. The classification is made on first recognition in the accounts. Classification will depend on the company's business model for handling its financial instruments and the characteristics of the contractual cash flows from the instrument. For financial liabilities the requirements are generally the same as in IAS 39. The main change, in those cases in which fair value has been selected for financial liabilities, is that the part of the change in fair value resulting from change in the company's own credit risk is recognized in other comprehensive income instead of in the income statement, provided this does not involve an accrual error in income measurement. The Group has not yet assessed the entire impact of the standard on the financial statements, but plans to apply IFRS 9 when the standard comes into force and is approved by the EU. The standard comes into force for reporting periods starting on 1 January 2015. The Company will also look at the consequences of the remaining part-phases of IFRS 9 when they have been finalized by the IASB.

- IFRS 12 "Disclosures of Interest in Other Entities" contains the information requirements for financial interests in subsidiaries, jointly controlled enterprises, associated companies, special-purpose entities (SPE), and other companies not included in the statement of financial position. The Company has not considered the full consequences of IFRS 12. The Company plans to apply the standard for 2013, even though the EU does not require it to be applied before 1 January 2014.

- IFRS 13 "Fair Value Measurement" defines what is meant by fair value when the term is used in IFRS, provides a uniform description of how fair value is to be determined in IFRS and defines what supplementary information is to be provided when fair value is used. The standard does not expand the scope of recognition at fair value, but provides guidance on the application method where the use is already required or permitted in other IFRSs. The Company uses fair value as the measurement criterion for certain assets and liabilities. The Company has not considered the full consequences of IFRS 13, but will apply the standard for the 2013 reporting year.

Otherwise there are no other IFRSs or IFRIC interpretations that have not come into force but are expected to have a significant impact on the financial statements.

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

2.4 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY
a) Functional currency and presentational currency
The Company's accounts are presented in NOK, which is the functional currency of the Company.

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

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

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

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

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

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

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

a) Fair value through profit and loss
This category is divided into two subcategories: (1) held for trading, and (2) voluntarily categorized at fair value through profit and loss on acquisition in accordance with the fair value option.

Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Company's derivatives are included in this category. Fair value is determined on the basis of observable prices in an active market, or where such prices are not available, through internal modelling with regular collection of external pricing to quality-assure the internal pricing model.

Financial assets voluntarily categorized at fair value through income on acquisition comprise financial assets managed as a group and where their earnings are valued and reported to management on the basis of fair value. The size of the portfolio is decided on the basis of the Company's desired risk exposure to the interest and equity market.

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

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

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

b) Loans and receivables
Loans and receivables are financial assets, with the exception of derivatives, with set or determinable payments, and that are not traded in an active market or that the Company intends to sell in the short-term or has earmarked at fair value through profit and loss.

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

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

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

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

The effective interest on loans and receivables in the investment business is taken to profit/loss and included in the line "Interest income and dividend etc. on financial assets".

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

c) Financial assets held to maturity
Financial assets held to maturity comprise financial assets that are not derivatives and that have set or determinable payments and a defined date of maturity and that the Company has the intention and the ability to hold to maturity with the exception of:

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

Financial assets held to maturity are recognized in the financial position statement for the first time at fair value. Subsequent measurement is at amortized cost using the effective interest rate method with deductions for write-downs for losses, and this change in value is included in the line "Income from interest and dividend etc on financial assets" in the income statement.

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

Purchases and sales of financial assets are taken to account on the trading date, i.e. when the Company has committed itself to buy or sell that financial asset. Financial assets are recognized at fair value from the date the company takes over entitlements and liabilities associated with the asset. Direct costs of purchase are included in acquisition cost except for purchase costs associated with assets at fair value through income. For these assets purchase costs are taken to expenses directly. For financial assets where the purchase costs are included in the acquisition cost, the difference between the transaction prices including purchase costs will form the basis for change in value to final price on the trading 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.

2.7 PROPERTY COMPANY HOLDINGS

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

Underlying value of the properties in the partnerships is valued at fair value. The investment properties comprise buildings, and the Company uses the KLP Group's valuation model to estimate market value.

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

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

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

2.8 ALLOCATED INVESTMENT RETURN

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

In the calculation of allocated investment return a calculation basis is used corresponding to "insurance funds gross" with deduction for the item "other technical provisions". In addition the item "reassurance share of gross liabilities" is included in the calculation. The calculation base is set as an average for the 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 2011 and 2012 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 2012 has been calculated by the Financial Supervisory Authority of Norway at 1.44 per cent. For 2011 it was calculated to be 2.29 per cent.

2.9 NETTING

Financial assets and financial liabilities are set off only to the extent there is a legal entitlement to set off liability against receivable as well as the maturity date of the asset corresponding with the date the debt is due for payment.

2.10 INSURANCE CONTRACTS

The Company defines insurance contracts in line with IFRS 4. A criterion for a contract to be defined as an insurance contract is that it must contain significant insurance risk. The products the Company offers satisfy the requirement of significant insurance risk according to this definition.

Adequacy testing has been carried out to check that the level of the liabilities on the insurance contracts recognized in the financial statements is proportionate to the insurance customers' contractual entitlements. The Company's provisions satisfy the requirements of this test and IFRS 4 imposes no further requirements for reserves. The Company has therefore used applicable Norwegian regulations to account for insurance contracts.

2.11 PRODUCTS

In non-life insurance the following products are offered:

Occupational/Industrial Injury (USA - Workers' compensation) and Personal Accident

Insurance contracts cover the customers' employees for occupational injury within the scope of the Norwegian Occupational Injury Act and the relevant Norwegian Basic Collective Agreement. In addition insurance contracts are written covering the employees for accidents during their own time (non-working hours).

Accident

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

Property

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

Motor Vehicle

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

Third-party liability

Insurance contracts that cover damage incurred by third parties as a result of the customers' activities.

Travel

Insurance contracts covering injury and loss arising during travel.

Children's insurance

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

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

2.12 INSURANCE TECHNICAL PROVISIONS

The company should at all times have technical reserves fully covering the technical liability and other risk emanating from the insurance business. The company's reserves are in any event at all times to satisfy the minimum requirements for reserves pursuant to the regulations or in accordance with decisions and rules laid down pursuant to the "Regulations concerning technical provisions and risk statistics in non-life insurance" of 10 May 1991, No. 301, and "Supplementary regulations concerning technical provisions and risk statistics in non-life insurance" of 18 November 1992, No. 1242 with updates.

The following funds are included in the technical provisions:

Provision for unearned premiums

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

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

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

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

a) Guarantee scheme
Provisions to the guarantee scheme are meant to cover possible future payments resulting from another non-life insurance company not being able to meet its liabilities. The provision equates to 1.5 per cent of the gross premiums accrued over the last three years. Provisions for the guarantee scheme are considered a contingent liability and must thus be classified as owners' equity.

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

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

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

Net pension liability is the difference between the pension assets' fair value (i.e. transfer value) and the current value of the calculated pension liabilities. These calculations have been carried out according to straight line accruals on the basis of assumptions on mortality, disability, voluntary cessation, take-up of early retirement (AFP), future pay developments (in the local government sector for the joint pension scheme), future growth in the National Insurance basic sum ('G'), assumptions on future returns etc. The financial assumptions have been set in line with the principles in the Norwegian Accounting Standards Board's (NASB) guidance on pension assumptions. Net liability is classified as provision for obligations in the financial position statement. If the value of the pension assets exceeds the current value of calculated pension liailbities, net assets are shown as long-term receivables.

The period's net pension costs comprise the sum of the period's pension accumulation, interest costs on the calculated obligations and expected returns on the pension assets. In addition there are estimate deviations taken to income. The estimate deviation comprises the difference between estimated and finally calculated pension liabilities and assets. Estimate deviations in excess of 10 per cent of the higher of gross pension liabilities and gross pension assets at the beginning of the year (the corridor) are taken to profit/loss by straight line over the remaining accumulation time.

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

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

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

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

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

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

2.15 PRESENTATION OF INCOME IN THE ACCOUNTS
Income on the sale of goods and services is valued at fair value of the consideration.

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

b) Interest income/costs
Interest income and interest costs associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method. For interest-bearing financial investments measured at fair value the interest income is classified as current returns on financial investments whereas the effect of changes in interest is classified as net unrealized gains on financial investments at fair value through profit/loss.

2.16 TAXES
The tax expense in the income statement comprises both the period's tax payable and changes in deferred tax. Deferred tax is calculated at 28 per cent on the basis of the temporary differences between accounting and taxable values, as well the tax deficit to be carried forward at the end of the reporting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off. Net deferred tax assets are capitalized in the financial position statement to the extent it is likely they may be utilised.

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

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

Note 3 Important accounting estimates and valuations

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

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

Insurance contracts

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

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

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

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

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

Property company holdings

The Company has holdings in property companies organised as general partnerships (ANS), see Note 2, subparagraph 2.7. The ANS holdings are not traded in an active market and fair value is estimated on the basis of the underlying property's value. Nor is there an active market for the underlying properties and valuation of these is based on an internal pricing model that assumes a long-term return requirement for the individual property. Valuation is carried out by our sister company KLP Eiendom AS, which has experience in valuing investment properties for the KLP Group. KLP Eiendom is a substantial property operator in the Norwegian market.

As at 31 December 2012 buildings and real estate were valued using KLP Eiendom's value assessment model. The model is based on discounting of estimated 20-year cash flow and, as at 31 December 2012, used a discounting factor corresponding to the market's return requirement for similar properties.

The following main components are included in future cash flows:

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

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

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

Pension obligations - own employees

The present value of the net pension liabilities the Company has for its employees depends on a range of economic and demographic assumptions. Small changes in these variables can have a relatively large effect on gross accrued pension liabilities and thus gross pension costs. The Company cushions the accounting effect of changed assumptions when quantifying pension liabilities by allocating and taking to profit/loss over the remaining duration only estimate deviations in excess of 10 per cent of the higher of gross pension liabilities and gross pension assets.
The Company has followed "The guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB) on 6 January 2009. Updated guidance published on 4 January 2013 has been used as the basis for updated measurement of best-estimate accrued liabilities and assets as at 31 December 2012.
Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discounting rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic sum (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The discounting rate is set on the basis of covered bonds (OMF) and was assessed as at 31 December 2012 at 3.9 per cent. On 31 December 2011 the discounting rate is set on the basis of government bonds interest at 2.6 per cent (25 years weighted duration).

The assumptions on future salary growth, future G-adjustment/pension adjustment are set in line with the actual recommendations of the Guidance at 3.5 per cent (salary growth) and 3.25 per cent (G and pensions adjustment). The pension adjustment for the local government pension scheme should be the same as the G-adjustment.

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

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

a) Fair value of financial assets
   Financial assets classified as assets for which changes in fair value are taken to profit/loss are generally assets traded in a market, so the market value can be determined with a high degree of certainty. For listed securities with little turnover, assessment is made as to whether the observable price can be 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 value is estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk. The yield curves are obtained daily from external sources but spread curves are obtained monthly. External prices for a significant proportion of these unlisted securities are collected regularly to test our own valuation models.

b) Losses on financial assets
   Financial assets not measured at market value are assessed for impairment at the end of the reporting period.

   KLP Skadeforsikring's portfolio of bonds valued at amortized cost, including bonds held to maturity, is valued individually each quarter. The portfolio comprises issuers with high credit rating and, if the issuer's credit rating changes for the worse, write-down is carried out only if additional factors are observed that are considered to be an objective event that influences future cash flows from the investment.

Note 4 Premiums, claims and provisions

NOK thousands	BUSINESS (B2B) Occup. injury insurance	Contingency insurance	Combined insurance	Motor insurance	Third-party insurance	Total B2B insurance	Accident insurance	Combined insurance
Premiums due								
Gross premiums	103 117	44 786	248 031	96 508	45 898	538 339	8 816	48 445
Premiums ceded	2 177	946	38 889	1 270	1 653	44 935	180	335
Premiums for own account	100 940	43 840	209 141	95 237	44 245	493 404	8 636	48 110
Gross business								
Gross premiums earned	103 505	44 781	240 742	92 670	44 750	526 447	8 625	42 108
Gross claims incurred	82 421	36 415	159 177	84 596	23 345	385 953	3 434	35 464
Gross insurance-related operating expenses	21 258	9 197	49 444	19 033	9 191	108 122	2 130	16 684
Gross technical profit/loss	-174	-831	32 121	-10 959	12 214	32 372	3 061	-10 040
Insurance-related operating expenses not directly attributable to sectors are allocated proportionate to premium.								
Ceded business								
Premiums earned	2 222	955	37 639	1 499	1 705	44 021	182	315
Reinsurance share of claims incurred	-358	0	-4 822	1 109	-323	-4 395	0	0
Technical profit/loss	2 580	955	42 461	390	2 028	48 415	182	315
Own account								
Technical profit/loss	-2 754	-1 787	-10 340	-11 349	10 186	-16 044	2 879	-10 354
Financial income	71 435	22 570	29 806	8 073	9 298	141 183	1 897	4 036
Income	68 681	20 783	19 466	-3 275	19 484	125 139	4 776	-6 319
Financial income is calculated at "fin. income achieved"								
Claims incurred gross								
Claims for the year	102 426	37 571	184 450	87 475	27 280	439 201	5 876	35 467
Run-off losses for previous years	-20 005	-1 156	-25 273	-2 879	-3 935	-53 248	-2 442	-3
Claims incurred gross	82 421	36 415	159 177	84 596	23 345	385 953	3 434	35 464
Claims incurred for own account								
Claims for the year	102 426	37 571	184 450	87 475	27 280	439 201	5 876	35 467
Run-off losses for previous years	-19 647	-1 156	-20 451	-3 988	-3 611	-48 853	-2 442	-3
Claims incurred for own account	82 778	36 415	163 999	83 487	23 669	390 348	3 434	35 464

Note 4 Premiums, claims and provisions, continued

RETAIL(B2C)										
Motor insurance	Leis. craft insurance	Travel insurance	Total B2C insurance	Natural Perils insurance	Other pool schemes etc.	Child insurance life	Total 2012	Total 2011	Total 2010	Total 2009
95 631	3 581	9 250	165 723	45 486	527	204	750 279	650 287	630 845	608 941
1 177	0	0	1 692	12 364	0	0	58 992	43 560	50 458	35 770
94 454	**3 581**	**9 250**	**164 031**	**33 122**	**527**	**204**	**691 287**	**606 727**	**580 387**	**573 171**
84 070	3 186	8 355	146 345	43 756	527	106	717 181	643 903	585 315	604 662
55 717	3 349	5 254	103 219	67 393	1 283	90	557 938	506 397	760 151	466 952
33 310	1 262	2 914	56 300	9 559	213	42	174 237	158 893	140 416	147 252
-4 957	**-1 426**	**187**	**-13 174**	**-33 197**	**-969**	**-26**	**-14 994**	**-21 387**	**-315 252**	**-9 542**
1 280	42	30	1 849	12 364	0	0	58 233	45 072	46 786	35 378
0	0	0	0	26 306	0	0	21 911	-41 962	232 861	69 323
1 280	**42**	**30**	**1 849**	**-13 942**	**0**	**0**	**36 322**	**87 034**	**-186 075**	**-33 945**
-6 238	**-1 467**	**157**	**-15 023**	**-19 255**	**-969**	**-26**	**-51 316**	**-108 421**	**-120 775**	**25 369**
6 064	280	516	12 792	16 255	641	7	170 877	115 812	179 962	197 973
-173	**-1 188**	**673**	**-2 231**	**-3 000**	**-328**	**-19**	**119 561**	**7 392**	**59 187**	**223 342**
56 984	3 141	5 872	107 341	22 710	1 931	90	571 272	599 201	820 768	575 609
-1 266	208	-618	-4 122	44 683	-648	0	-13 334	-92 806	-69 019	-109 623
55 717	**3 349**	**5 254**	**103 219**	**67 393**	**1 283**	**90**	**557 938**	**506 395**	**751 749**	**465 986**
56 984	3 141	5 872	107 341	22 710	1 931	90	571 272	599 201	571 392	506 410
-1 266	208	-618	-4 122	18 377	-648	0	-35 245	-50 844	-55 350	-109 749
55 717	**3 349**	**5 254**	**103 219**	**41 088**	**1 283**	**90**	**536 027**	**548 357**	**516 042**	**396 661**

Note 4 Premiums, claims and provisions, continued

		BUSINESS (B2B)					
NOK thousands		Occup. injury insurance	Contingency insurance	Combined insurance	Motor insurance	Third-party insurance	Total B2B insurance
Technical provisions							
Premium reserve, unearned gross	31.12.2011	**13 863**	**4 883**	**29 854**	**14 788**	**5 716**	**69 105**
FSA of N min requirements gross		13 863	4 883	29 854	14 788	5 716	69 104
Premium reserve, reinsurance share		632	222	8 676	547	465	10 542
Premium reserve, unearned f.o.a.		**13 231**	**4 661**	**21 178**	**14 241**	**5 251**	**58 562**
FSA of N min requirements f.o.a.		13 231	4 661	21 178	14 241	5 251	58 562
Premium reserve, unearned gross	31.12.2012	**13 476**	**4 888**	**37 143**	**18 625**	**6 864**	**80 996**
FSA of N min requirements gross		13 476	4 888	37 143	18 625	6 864	80 996
Premium reserve, reinsurance share		587	213	9 926	318	413	11 457
Premium reserve, unearned f.o.a.		**12 888**	**4 675**	**27 217**	**18 308**	**6 451**	**69 539**
FSA of N min requirements f.o.a.		12 888	4 675	27 217	18 308	6 451	69 539
Claims reserve, gross	31.12.2011	**908 899**	**289 936**	**476 099**	**79 262**	**87 847**	**1 842 044**
FSA of N min requirements gross		773 175	258 453	393 228	68 799	64 847	1 558 502
Claims reserve, reinsurance share		879	0	203 713	12 640	323	217 555
Claims reserve, f.o.a.		**908 020**	**289 936**	**272 386**	**66 622**	**87 524**	**1 624 489**
FSA of N min requirements f.o.a.		740 651	257 262	197 942	66 622	60 879	1 323 357
Claims reserve, gross	31.12.2012	**938 004**	**284 374**	**408 508**	**84 521**	**90 550**	**1 805 956**
FSA of N min requirements gross		695 004	258 624	386 031	74 521	63 025	1 477 204
Claims reserve, reinsurance share		522	0	169 650	6 355	0	176 527
Claims reserve, f.o.a.		**937 482**	**284 374**	**238 858**	**78 165**	**90 550**	**1 629 429**
FSA of N min requirements f.o.a.		667 181	257 281	220 177	73 157	59 737	1 277 533
Contingency reserve	31.12.2011	**156 985**	**52 308**	**162 054**	**24 781**	**40 619**	**436 748**
FSA of N min requirements		76 985	27 308	57 054	14 781	20 619	196 748
Contingency reserve	31.12.2012	**149 353**	**50 996**	**171 819**	**37 757**	**50 397**	**460 321**
FSA of N min requirements		69 353	25 996	66 819	17 757	20 397	200 321
Provisions for pooling schemes and other special schemes							
Natural Perils Pool	31.12.2011						**0**
Guarantee Scheme		5 217	2 208	9 463	3 632	2 000	22 520
Natural Perils Pool	31.12.2012						0
Guarantee Scheme		**4 733**	**2 098**	**9 929**	**3 764**	**1 994**	**22 517**

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

Note 4 Premiums, claims and provisions, continued

RETAIL(B2C)									
Accident insurance	Property insurance	Motor insurance	Leis. craft insurance	Travel insurance	Total B2C insurance	Natural Perils insurance	Other pool schemes etc.	Child insurance life	Total 2012
1 289	**19 509**	**39 020**	**1 455**	**3 103**	**64 376**	**6 740**	**0**	**0**	**140 221**
1 289	19 509	39 020	1 455	3 103	64 376	6 740	0	0	140 221
27	64	397	42	30	560	0	0	0	11 102
1 262	**19 445**	**38 623**	**1 413**	**3 073**	**63 816**	**6 740**	**0**	**0**	**129 118**
1 262	19 445	38 623	1 413	3 073	63 816	6 740	0	0	129 118
1 481	**25 845**	**50 581**	**1 849**	**3 998**	**83 754**	**8 470**	**0**	**98**	**173 319**
1 481	25 845	50 581	1 849	3 998	83 754	8 470	0	98	173 319
25	84	294	0	0	403	0	0	0	11 861
1 455	**25 761**	**50 287**	**1 849**	**3 998**	**83 351**	**8 470**	**0**	**98**	**161 458**
1 455	25 761	50 287	1 849	3 998	83 351	8 470	0	98	161 458
21 083	**22 763**	**21 127**	**912**	**2 025**	**67 910**	**43 937**	**9 322**	**0**	**1 963 213**
21 084	10 563	20 127	412	1 525	53 711	43 937	9 322	0	1 665 472
0	0	0	0	0	0	0	0	0	217 555
21 083	**22 763**	**21 127**	**912**	**2 025**	**67 910**	**43 937**	**9 322**	**0**	**1 745 658**
21 058	10 544	19 498	395	1 508	53 004	43 937	9 318	0	1 429 616
21 416	**26 943**	**33 305**	**962**	**2 419**	**85 045**	**33 845**	**7 838**	**90**	**1 932 775**
21 416	15 443	30 305	712	2 069	69 945	33 845	7 838	90	1 588 923
0	0	0	0	0	0	10 452	0	0	186 979
21 416	**26 943**	**33 305**	**962**	**2 419**	**85 045**	**23 394**	**7 838**	**90**	**1 745 796**
21 376	15 434	29 716	709	2 066	69 299	23 394	7 838	90	1 378 154
6 034	**7 576**	**9 982**	**950**	**980**	**25 523**	**0**	**1 338**	**0**	**463 609**
6 034	7 576	9 982	950	980	25 523	0	1 338	0	223 609
5 959	**19 069**	**28 046**	**2 296**	**2 828**	**58 197**	**0**	**1 125**	**13**	**519 656**
5 959	9 069	13 046	2 296	2 828	33 197	0	1 125	13	234 656
					0	**210 642**	**0**	**0**	**210 642**
463	756	1 670	71	194	3 154	1 846	0	0	27 520
					0	200 946	0		200 946
421	**1 289**	**2 695**	**109**	**280**	**4 793**	**1 893**	**0**	**2**	**29 205**

Note 5 Fair value hierarchy

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

31.12.2011 NOK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other fixed income securities	395 772	523 706	0	919 478
Certificates	0	120 714	0	120 714
Bonds	70 430	402 992	0	473 422
Bond funds	325 342	0	0	325 342
Shares and units	303 856	0	319 312	623 168
Equity funds	303 856	0	0	303 856
General partnerships (ANS) holdings	0	0	319 312	319 312
Other financial assets	59 577	0	0	59 577
Total financial assets valued at fair value	759 205	523 706	319 312	1 602 222

Changes in Level 3 shares, unlisted	**2012**	**2011**
Opening balance	319 312	316 458
Sold	0	0
Bought	0	0
Unrealized changes	26 491	61 904
Other	-36 119	-59 050
Closing balance	309 684	319 312

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

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

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

Level 3: Instruments at Level 3 contain no observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded. is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

Note 6 Net income from investments

NOK thousands	2012	2011
Interest bank	1 030	3 844
Interest derivatives	0	0
Interest bonds fair value	51 542	60 695
Total interest income financial instruments at fair value	52 571	64 539
Interest bonds amortized cost	69 163	74 888
Interest lending	0	0
Total interest income financial instruments at amortized cost	69 163	74 888
Dividend/interest shares and units	0	0
Total income from interest and dividend etc on financial assets	**121 735**	139 427
Value changes shares and units	84 337	-6 935
Value change bonds	7 246	4 689
Value change derivatives	0	0
Total value change financial instruments at fair value	91 583	-2 246
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	**91 583**	-2 246
Realized shares and units	417	5 369
Realized bonds	-136	-465
Realized derivatives	0	0
Realized other	40	112
Total realized financial instruments at fair value	320	5 015
Realized bonds at amortized cost	40	240
Total realized financial instruments at amortized cost	40	240
Other financial costs and income	-102	-12
Total realized gains and losses on investments	**258**	5 243
Transaction-related costs	-263	-217
Management fees	-3 078	-3 062
Interest costs	-162	-268
Total management costs related to investments, including interest costs	**-3 502**	-3 546
Total net income from investments	**210 074**	138 877

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

Note 7 Fair value of financial assets and liabilities

Calculation of fair value

Fair value of market-listed investments is based on the applicable purchase price. If the market for the security is not active, or the security is not listed on a stock market or similar, the Company uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected interest rate curves and spread curves. The yield curves are collected daily, whereas spread curves are collected monthly. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

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

The different financial instruments are thus priced in the following way:

a) Shares (listed)

Liquid shares are generally valued on the basis of prices provided by an index provider. At the same time prices are compared between different sources to identify any errors. The following sources are used for shares:
Oslo Børs (Oslo stock exchange)
MSCI
Reuters
Oslo Børs has first priority, followed by MSCI and finally Reuters.

b) Shares (unlisted)

As far as possible the Company uses the industry recommendations of the Norwegian Mutual Fund Association (NMFA). Broadly this means the following:
The last traded price has the highest priority.
If the last traded price lies outside the bid/ask spread in the market, price is adjusted accordingly. I.e. if the last traded price is below bid, price is adjusted up to bid. If it is above ask, it is adjusted down to ask.
If the price picture is considered outdated, the price is adjusted according to a market index. The Company has selected the Oslo Børs's Small Cap Index (OSESX) as an approach for unlisted shares.
For shares on which very little information is available, valuations are obtained from brokers to provide a basis for estimating an assumed market price.

c) Foreign fixed income securities

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

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

d) Norwegian fixed income securities - government

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

e) Norwegian ifixed income securities - other

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

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

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

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

g) Futures/FRA/IRF

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

h) Options

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

i) Interest rate swaps

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

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

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

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

	31.12.2012		31.12.2011	
NOK thousands	Capitalized value	Fair value	Capitalized value	Fair value
Investments held to maturity - at amortized cost				
Norwegian hold-to-maturity bonds				
Accrued not due interest	509 762	590 436	555 116	584 888
Foreign hold-to-maturity bonds	10 763	10 763	11 867	11 867
Accrued not due interest	222 865	240 313	281 662	295 662
Total investments held to maturity	4 735	4 735	5 213	5 213
Sum investeringer som holdes til forfall	**748 126**	**846 248**	853 858	897 630
Bonds classified as lending and receivables – at amortized cost				
Norwegian bonds [1]	487 519	454 840	439 517	449 403
Accrued not due interest	5 692	5 692	5 998	5 998
Foreign bonds	185 102	200 337	185 133	196 491
Accrued not due interest	4 199	4 199	4 197	4 197
Total bonds classified as loans and receivables	**682 512**	**665 067**	634 845	656 089
Total financial assets at amortized cost	**1 430 638**	**1 511 315**	1 488 703	1 553 719
Assets measured at fair value				
Property company holdings	309 684	309 684	319 312	319 312
Norwegian equity funds	368 181	368 181	303 856	303 856
Total shares and units	**677 864**	**677 864**	623 168	623 168
Norwegian bonds	528 727	528 727	452 836	452 836
Accrued not due interest	7 881	7 881	8 183	8 183
Foreign bonds	27 645	27 645	12 195	12 195
Accrued not due interest	229	229	209	209
Norwegian certificates	114 242	114 242	99 082	99 082
Accrued not due interest	1 839	1 839	1 461	1 461
Foreign certificates			20 172	20 172
Total bonds and other fixed income securities	**680 564**	**680 564**	594 136	594 136
Norwegian bond funds	433 136	433 136	325 342	325 342
Total fixed-income funds	**433 136**	**433 136**	325 342	325 342
Total other financial assets	**28 171**	**28 171**	59 577	59 577
Total financial assets at fair value	**1 819 735**	**1 819 735**	1 602 222	1 602 222
Total investments	**3 250 373**	**3 331 050**	3 090 926	3 155 941

[1] Of which, debt to credit institutions NOK 52 million involves transactions not settled.

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.

8.1 Insurance risk

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

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

Profit/loss effect		
1% change in costs	MNOK	2.0
1% change in premium level	MNOK	7.2
1% change in claim payments	MNOK	5.4
1 % change in claims reserve	MNOK	17.5

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

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

8.2 Financial risk

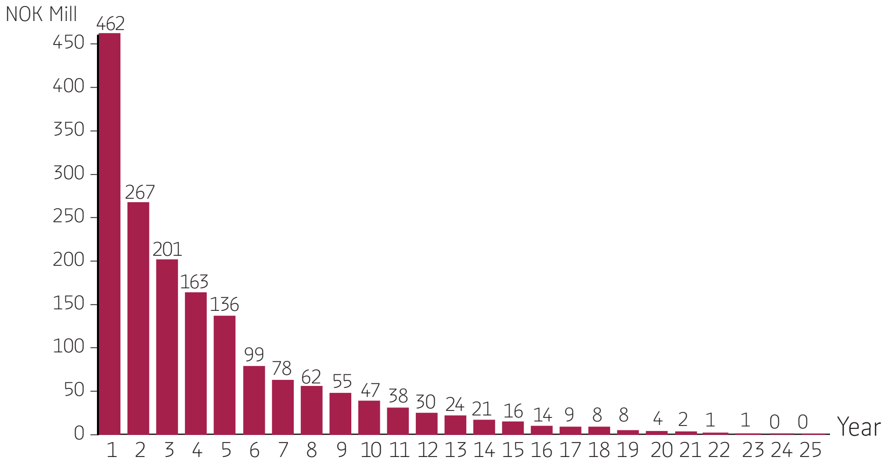
The Company's financial risk comprises liquidity risk, market risk and credit risk.

a) Liquidity risk

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

The company's claims reserve as at 31 December 2012 is expected to have the following decay profile:

Claims reserve as at 31 December 2012



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 2012 the Company's Board adopted an asset management strategy for 2013. It includes inter alia parameters, responsibilities, risk measurement and an emergency plan for liquidity management.

b) Market risk

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

Equity exposure is considered to be the greatest financial risk factor in the short term. In the longer term however the risk of low interest rates is of greater significance. With the current formulation of the rules, technical provisions are not directly affected by changes in market interest rates. In the event of possible future transition to the market value of liabilities, the size of the reserves for long-tail business will vary in line with interest rate changes.

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

Sensitivity analysis - market risk

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

At the end of the reporting period equity exposure was over 11.5 per cent, of which about 1.5 percentage point was exposure to Norwegian shares. Holdings in property companies represented about 10 per cent.

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

	31.12.12	31.12.11	31.12.10
Market risk	MNOK 346	MNOK 288	MNOK 341

c) Credit risk

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

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

The company has good balance between Norwegian and international bonds and has a portfolio of exclusively good credits with high credit quality according to the ratings bureaus' rankings. In the portfolio of hold-to-maturity and long-term bonds of about NOK 1.4 billion, 34 per cent are rated AAA. The Company has about NOK 433 million in an international credit bond fund. The credit exposure in this fund closely follows the exposure to the Barclays Capital Aggregate Corporate Index. The fund is rated at A- by S&P. Unrated /non-investment-grade (NIG) means almost without exception the securities do not have a rating. This applies in the main to individual Norwegian financial institutions, municipalities/county administrations and other investments in Norwegian finance.

At the end of 2012 the Company had one investment in the PIIGS countries. The investment of NOK 30 million is guaranteed by the Spanish state and is not considered to be doubtful. The bond, which has a BBB rating, matures in September 2013.

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

31.12.2012 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortized cost						
Banks	0	0	96 918	0	106 800	203 719
Government and government guarantee within OECD	186 908	0	0	33 356	0	220 264
Public sector enterprises and covered bonds	25 219	25 459	0	0	138 536	189 214
Other	0	31 258	84 199	0	19 472	134 929
Total	**212 127**	**56 717**	**181 117**	**33 356**	**264 809**	**748 126**
Loans and receivables - at amortized cost						
Banks	0	0	100 187	0	10 326	110 512
Public sector guarantee	111 349	0	0	0	11 389	122 738
Government and government guarantee within OECD	137 059	0	0	0	0	137 059
Public sector enterprises and covered bonds	25 671	0	0	0	0	25 671
Other	0	0	84 353	0	202 178	286 531
Total	**274 079**	**0**	**184 540**	**0**	**223 893**	**682 512**
Bonds and other fixed income securities						
Finance and credit enterprises	0	0	38 175	0	291 331	329 506
Public sector guarantee	10 941	0	0	0	0	10 941
Savings banks	7 685	0	0	0	14 149	21 835
Government and government guarantee within OECD	76 902	0	0	0	0	76 902
Public sector enterprises and covered bonds	16 569	0	0	0	60 982	77 551
Other	0	2 113	2 364	0	159 352	163 829
Total	**112 097**	**2 113**	**40 539**	**0**	**525 814**	**680 564**
Fixed income funds						
Other	0	0	433 134	0	0	433 136
Total	0	0	433 134	0	0	433 136
Other financial assets (Loans and receivables)						
Norway	0	0	93	0	0	93
Sweden	0	20 883	0	0	0	20 883
UK	0	0	7 195	0	0	7 195
USA	0	0	0	0	0	0
Total	**0**	**20 883**	**7 289**	**0**	**0**	**28 171**
Total	**598 304**	**79 713**	**846 620**	**33 356**	**1 014 516**	**2 572 509**

31.12.2011 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Investments held to maturity - at amortized cost						
Finance and credit enterprises	0	0	97 055	0	29 133	126 188
Public sector guarantee	10 879	0	0	0	0	10 879
Savings banks	0	0	0	0	141 275	141 275
Government and government guarantee within OECD	218 676	33 338	0	0	0	252 014
Public sector enterprises and covered bonds	50 679	0	0	0	138 520	189 199
Other	0	31 251	83 838	0	19 214	134 303
Total	280 234	64 589	180 893	0	328 142	853 858
Loans and receivables - at amortized cost						
Finance and credit enterprises	0	0	0	0	130 398	130 398
Public sector guarantee	111 315	0	0	0	11 290	122 605
Savings banks	0	0	0	0	32 180	32 180
Government and government guarantee within OECD	137 083	0	0	0	0	137 083
Public sector enterprises and covered bonds	25 675	0	0	0	0	25 675
Other	0	0	84 735	0	102 169	186 904
Total	274 073	0	84 735	0	276 037	634 845

Note 9 Credit risk, continued

31.12.2011 NOK thousands	AAA	AA	A	BBB	Unrated/NIG	Total
Bonds and other fixed income securities						
Finance and credit enterprises	10 790	15 102	12 111	0	40 313	78 316
Public sector guarantee	7 416	0	0	0	12 024	19 440
Savings banks	0	0	15 257	0	244 434	259 691
Government and government guarantee within OECD	70 430	0	0	0	0	70 430
Public sector enterprises and covered bonds	10 687	0	0	0	40 165	50 852
Other	0	0	0	0	115 407	115 407
Total	99 323	15 102	27 368	0	452 343	594 136
Fixed income funds						
Other	0	0	325 342	0	0	325 342
Total	0	0	325 342	0	0	325 342
Other financial assets (Loans and receivables)						
Norway	0	0	240	0	0	240
UK	0	0	30 012	0	0	30 012
Sweden	0	29 325	0	0	0	29 325
USA	0	0	0	0	0	0
Total	0	29 325	30 252	0	0	59 577
Total	653 630	109 016	648 590	0	1 056 522	2 467 758

Only ratings from Standard and Poor's have been used in the note grouping. KLP Skadeforsikring AS also uses ratings from Moody's Investor Services and Fitch Ratings and all three are considered equal as a basis for investments in fixed income securities. The table shows exposure against the rating categories that S & P uses, where AAA is linked to securities with the highest creditworthiness. Unrated/non-investment-grade applies in the main to fixed interest 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. Because of a new division into sectors the categories are somewhat altered in 2012 compared to 2011.

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

Note 10 Interest rate risk

31.12.2012 NOK thousands	Up to 3 mnths	3 mnths to 12 mnths	1 yr to 5 yrs	5 yrs to 10 yrs	Over 10 years	Change in cash flows	Total
Assets							
Equity fund units [1]	32	0	0	0	0	160	192
Bonds and other fixed income securities	-391	-530	-4 300	-5 759	0	2 878	-8 102
Fixed income fund units	-23 821	0	0	0	0	327	-23 495
Loans and receivables	0	0	0	0	0	529	529
Total	**-24 180**	**-530**	**-4 300**	**-5 759**	**0**	**3 894**	**-30 876**

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

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

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

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

Note 11 Currency risk

31.12.2012 NOK thousands	Fin. position statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 688	0	323	-2 020	5.778	2 011	-2 020	-53
CAD	2 284	0	459	-2 723	5.589	2 743	-2 723	111
CHF	1 781	0	364	-2 145	6.080	2 145	-2 145	-1
DKK	10 228	0	271	-1 617	0.983	10 499	-1 617	8 734
EUR	24 005	0	933	-22 475	7.337	24 938	-22 475	18 076
GBP	5 612	0	567	-6 194	9.046	6 179	-6 194	-137
HKD	4 915	0	895	-5 809	0.718	5 809	-5 809	0
ILS	413	0	143	-556	1.492	556	-556	0
ISK	6 668	0	0	0	0.043	6 668	0	290
JPY	369 987	0	61 684	-430 200	0.064	431 670	-430 200	95
NZD	32	0	6	-38	4.591	38	-38	-1
SEK	28 564	0	865	-5 050	0.855	29 429	-5 050	20 855
SGD	454	0	80	-537	4.556	534	-537	-10
USD	69 024	0	4 917	-73 648	5.565	73 941	-73 648	1 632
Sum valutaposisjoner								49 592

31.12.2011 NOK thousands	Fin. position statement items excl. currency derivatives		Currency derivatives		Translation rate	Total		Net position in NOK
Currency	Assets	Liabilities	Assets	Liabilities	Currency/NOK	Assets	Liabilities	
AUD	1 317	0	32	-1 332	6.118	1 348	-1 332	98
CAD	1 838	0	0	-1 807	5.861	1 838	-1 807	178
CHF	1 372	0	0	-1 355	6.382	1 372	-1 355	108
DKK	7 401	0	0	-905	1.042	7 401	-905	6 771
EUR	18 059	0	221	-17 530	7.747	18 280	-17 530	5 809
GBP	4 496	0	16	-4 508	9.275	4 512	-4 508	39
HKD	3 462	0	22	-3 458	0.768	3 484	-3 458	20
ILS	363	0	0	-361	1.561	363	-361	3
ISK	6 635	0	0	0	0.049	6 635	0	324
JPY	281 176	0	1 440	-279 004	0.078	282 616	-279 004	280
NZD	8	0	0	-8	4.656	8	-8	1
SEK	28 628	0	0	-3 070	0.871	28 628	-3 070	22 250
SGD	387	0	0	-388	4.603	387	-388	-5
USD	49 690	0	10	-49 706	5.968	49 700	-49 706	-37
Sum valutaposisjoner								35 840

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

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

Note 12 Holdings securities funds and general partnerships (ANS)

NOK thousands			2012
EQUITY FUNDS	Number	Acquisition cost	Market value
KLP AksjeGlobal Indeks II	216 000	233 372	272 508
KLP AksjeNorden	24 425	40 474	47 757
KLP AksjeNorge	14 008	32 473	47 916
Total equity funds		**306 318**	**368 181**
FIXED INCOME FUNDS			
KLP Obligasjon Global I	420 223	424 060	433 136
Total fixed income funds		**424 060**	**433 136**
PROPERTY COMPANY HOLDINGS			
Holdings in Byporten ANS			188 320
Holdings in Frydenlund Eiendom ANS			121 363
Total property company holdings			**309 684**

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

Note 13 Share capital

NOK thousands	2012	2011
Share capital		
Number of shares 01.01.	68 750	68 750
Number of shares 31.12	**68 750**	68 750
Share capital 01.01.	220 000	220 000
Share capital 31.12.	220 000	220 000
Profit/loss after tax per share in NOK	**1 283**	-53

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

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

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

NOK thousands	2012	2011
Owners' equity contributed	220 000	220 000
Retained earnings	374 425	260 836
Less intangible assets	-18 171	-19 206
Deferred tax assets	0	0
Minimum requirement reinsurance reserve	-9 622	-10 758
Net Tier 1 and 2 capital	**566 632**	450 872
Assets and off-balance sheet items by risk category		
Risk weight 0%	633 065	688 184
Risk weight 10%	292 436	265 727
Risk weight 20%	1 001 464	1 090 667
Risk weight 35%	0	0
Risk weight 50%	459 707	410 077
Risk weight 100%	1 201 879	966 167
Risk weight 150%	0	0
Off-balance sheet items (currency related contracts)	0	0
Weighted sum assets in the financial position statement (balance sheet)	1 661 269	1 415 911
Weighted sum off-balance sheet items	0	0
Risk-weighted calculation base	**1 661 269**	1 415 911
Capital adequacy ratio	**34.11 %**	31.84 %
Solvency margin in accordance with regulations made by the Norwegian Ministry of Finance	708 %	648 %
Solvency margin requirement	140 250	127 061
Solvency capital	993 290	823 161
- of which Tier 1 and 2 capital	566 632	450 872
- of which security reserves exceeding 55% of the minimum requirement	390 595	340 624
- of which share of Natural Perils Fund	50 237	52 661
- of which deduction from solvency capital i.a.w. Section 8a	-15 171	-20 996

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	230 151	238 162
Other retained earnings	223 937	109 212
Minimum requirement reinsurance reserve	9 622	10 758
Other retained earnings, total	233 559	119 970
Equity contributions and retained earnings	**824 577**	718 997

Note 15 Intangible assets

NOK thousands	31.12.2012	31.12.2011
Book value 01.01	19 206	23 747
Acquisition cost 01.01	42 217	40 300
Additions during the year	3 152	1 917
of which internally developed	0	0
of which bought	3 152	1 917
Disposals	0	0
Acquisition cost 31.12	45 368	42 217
Accumulated depreciation previous years	-23 011	-16 553
Ordinary depreciation for the year, straight line	-4 186	-4 957
Annual depreciation	0	-1 500
Book value 31.12.	**18 171**	19 206

Depreciation period 3 to 12 yrs

Note 16 Benefits for leading individuals etc.

2012	Paid from the Company				Paid from another company in the same Group					
NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2012	Payments plan [1]
Senior employees										
Hans Martin Hovden, Managing Director until 1 October	1 201	90	360	-	_	-	-	489	3,15	A24
Tore Tenold, Managing Director from 1 October	803	29	244	-	-	-	-	2 715	3,15	Housing credit
Board of Directors										
Sverre Thornes, Chair	-	-	-	-	3 254	122	1 230	7 507	2,70-3,60	A2042
Reidar Mæland	72	-	-	-	18	-	-	1 630	3,45-3,70	A2036
Kjell Arvid Svendsen	72	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from the employees	72	-	-	-	-	-	-	-	-	-
Toril B. Ressem	-	-	-	-	1 548	146	697	7 688	2,95-3,60	A and S2043
Reidun W. Ravem	-	-	-	-	-	-	-	-	-	-
Control Committee	-	-	-	-						
Ole Hetland, Chair	-	-	-	-	89	-	-	-	-	-
Jan Rune Fagermoen	-	-	-	-	75	-	-	-	-	-
Bengt P. Johansen	-	-	-	-	75	-	-	-	-	-
Line Alfarrustad	-	-	-	-	37	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	75	-	-	-	-	-
Supervisory Board										
Total Supervisory Board	47	-	-	-	503	-	-	-	-	-
Employees										
Total loans to employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	93 261	-	-

Note 16 Benefits for leading individuals etc., continued

2011	Paid from the Company				Paid from another company in the same Group					
NOK thousands	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Salary, fees etc.	Other benefits	Annual pension accumulation	Loan	Interest rate as at 31.12.2011	Payments plan [1]
Senior employees										
Hans Martin Hovden, Managing Director	1 527	122	416	-	-	-	-	7 422	2.95-3.60	A2041
Board of Directors										
Sverre Thornes, Chair	-	-	-	-	3 063	165	1 001	7 507	2.70-3.60	A2041
Reidar Mæland	36	-	-	-	17	-	-	1 792	2.7	A2036
Kjell Arvid Svendsen	36	-	-	-	-	-	-	-	-	-
Bengt Kristian Hansen, elected by and from employees	36	-	-	-	-	-	-	-	-	-
Ida Espolin Johnson	-	-	-	-	2 234	116	803	8 400	3.15-4.60	A2039
Reidun W. Ravem	-	-	-	-	-	-	-	-	-	-
Control Committee										
Ole Hetland, Chair	-	-	-	-	86	-	-	-	-	-
Jan Rune Fagermoen	-	-	-	-	72	-	-	-	-	-
Bengt P. Johannsen	-	-	-	-	99	-	-	-	-	-
Line Alfarrustad	-	-	-	-	37	-	-	-	-	-
Dordi E. Flormælen	-	-	-	-	37	-	-	-	-	-
Aud Mork	-	-	-	-	35	-	-	-	-	-
Anne-Marie Barane	-	-	-	-	35	-	-	-	-	-
Supervisory Board										
Total Supervisory Board	52				478	-	-	-	-	-
Employees										
Total loans to employees of KLP Skadeforsikring AS	-	-	-	-	-	-	-	114 336	-	-

[1] A=Annuity loan, S=Serial loan, last repayment.

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 Chair of the Board special consideration or other benefits on termination or change of the appointment.

Directors fees are set by the General Meeting. Board members employed in the KLP Group, not having been elected by and from the employees, do not receive a fee for the Board appointment. Benefits in addition to Director's 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.

KLP Skadeforsikring AS has a common Control Committee with the rest of the KLP Group.

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	2012	2011
Statutory financial audit	327	279
Other certification services	0	0
Tax consultancy	0	0
Other services excluding audit	0	0

The sums above include VAT.

Note 18 Number of employees

	2012	2011
Number of employees as at 31.12	97	98
Average number of employees	97.5	96.0

Note 19 Sales costs

NOK thousands	2012	2011
Employees' salaries	26 041	23 426
Other personnel costs	8 335	6 841
Agent commission	1 917	1 297
Other costs	8 269	8 299
Total	**44 562**	39 864

Note 20 Operating costs

NOK thousands	2012	2011
By class:		
Personnel costs	84 566	78 043
Depreciation	4 186	6 458
Other operating expenses	85 485	74 393
Total operating expenses	**174 237**	158 893

Note 21 Pensions obligation, 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 Note 2.

NOK thousands	Joint scheme	Via operation	2012	2011
Pension costs				
Present value of accumulation for the year	12 709	588	13 298	10 058
Interest cost	2 741	183	2 924	3 225
Gross pension cost	15 450	771	16 221	13 282
Expected return	-2 227	0	-2 227	-2 381
Administration costs/Interest guarantee	401	0	401	348
Net pension cost including administration costs	**13 624**	**771**	**14 395**	11 249
Social security costs net pension cost including administration costs	1 921	109	2 030	1 586
Actuarial loss/gain taken to income	374	186	560	164
Plan change taken to income	0	0	0	0
Proportion of actuarial loss/gain taken to income on curtailment	0	0	0	0
Proportion of net liability taken to income on curtailment	0	0	0	0
Extraordinary costs	0	0	0	0
Pension costs including social security costs through income	**15 919**	**1 066**	**16 985**	**13 000**
Of which SSC on actuarial loss/gain taken to income	53	26	79	23
Pension obligation				
Gross accrued liabilities	86 817	6 692	93 509	99 447
Pension assets	61 864	0	61 864	50 495
Net pension liabilities/assets before social security costs	24 953	6 692	31 645	48 952
Social security costs	3 518	944	4 462	6 902
Net liability incl. social security costs	**28 472**	**7 635**	**36 107**	55 854
Actuarial loss/gain excl. social security costs not taken to income	9 801	-2 333	7 468	-16 083
Actuarial loss/gain social security costs not taken to income	1 382	-329	1 053	-2 268
Plan changes not taken to income	0	0	0	0
Capitalized net liabilities/assets including social security costs	**39 655**	**4 973**	**44 628**	37 503

Number	2012	2011
Member status ("Fellesordningen")		
Number active	103	99
Number deferred	50	21
Number of pensioners	6	6

Note 21 Pensions obligation, own employees, continued

NOK thousands	Joint scheme	Via operation	2012	2011
Development of actuarial gains/losses not taken to income				
Actuarial gains/(losses) not taken to income 01.01	-14 915	-3 436	-18 351	-1 758
Actuarial gain/loss assets	1 500	0	1 500	1 526
Actuarial gain/loss liability	21 045	515	21 560	-16 213
Actuarial loss/gain taken to income	374	186	560	164
SSC on deviation	3 179	73	3 252	-2 071
Proportion of actuarial loss/gain taken to income on curtailment	0	0	0	0
Taken to owners' equity	0	0	0	0
Taken to owners' equity SSC	0	0	0	0
Actuarial gains/(losses) not taken to income 31.12	**11 183**	**-2 662**	**8 521**	-18 351
Change in pension assets				
Gross pension assets book value 01.01.	50 495	0	50 495	41 606
Expected return	2 227	0	2 227	2 381
Actuarial losses/gains	1 500	0	1 500	1 526
Administration costs/interest guarantee	-401	0	-401	-348
Takeovers/acquisitions	0	0	0	0
Premiums paid in/contribution (including administration costs)	8 641	0	8 641	6 542
Curtailment/settlement	0	0	0	0
Payments	-598	0	-598	-1 212
Gross pension assets book value 31.12.	**61 864**	**0**	**61 864**	50 495
Change in pension obligation				
Gross pension liabilities book value 01.01.	93 011	6 436	99 447	71 164
Plan change	0	0	0	0
Gross pension liabilities OB after plan change	93 011	6 436	99 447	71 164
Present value of accumulation for the year	12 709	588	13 298	10 058
Interest cost	2 741	183	2 924	3 225
Curtailment/settlement	0	0	0	0
Actuarial losses/gains	-21 045	-515	-21 560	16 213
Takeovers/acquisitions	0	0	0	0
Payments	-598	0	-598	-1 212
Gross pension liabilities book value 31.12.	**86 817**	**6 692**	**93 509**	99 447

NOK thousands	Joint scheme	Via operation	2012	2011
Pension scheme's over-/under-financing				
Present value of the defined benefits pension obligation	86 817	6 692	93 509	99 447
Fair value of the pension assets	61 864	0	61 864	50 495
Net pension liability	24 953	6 692	**31 645**	48 952

NOK thousands	2011	2010	2009	2008
Pension scheme's over-/under-financing last 4 years				
Present value of the defined benefits pension obligation	99 447	71 164	61 541	52 897
Fair value of the pension assets	50 495	41 606	33 745	26 733
Net pension liability	48 952	29 558	27 796	26 164

NOK thousands	Joint scheme	Via operation	2012	2011
Return on pension assets				
Expected returns on pension assets	2 227	0	2 227	2 381
Actuarial loss/gain on pension assets	1 500	0	1 500	1 526
Actual return on pension assets	3 727	0	**3 727**	3 907
Plan changes during the period				
Plan changes during the period	0	0	0	0
SSC on plan changes	0	0	0	0
Plan changes during the period taken to income	0	0	**0**	0
Plan change not taken to income 31.12	0	0	0	0

Note 21 Pensions obligation, own employees, continued

	2012	2011
Financial assumptions for the income statement (common to all pension schemes)		
Discount rate	2.60 %	4.00 %
Salary growth	3.50 %	4.00 %
National Insurance basic sum (G)	3.25 %	3.75 %
Pension increases	2.48 %	2.97 %
Expected return	4.10 %	5.40 %
Social security contribution rates	14.10 %	14.10 %
Amortization time	15	15
Corridor magnitude	10.00 %	10.00 %
Financial assumptions for the financial position statement (common to all pension schemes)		
Discount rate	3.90 %	2.60 %
Salary growth	3.50 %	3.50 %
National Insurance basic sum (G)	3.25 %	3.25 %
Pension increases	2.48 %	2.48 %
Expected return	3.90 %	4.10 %
Social security contribution rates	14.10 %	14.10 %
Amortization time	15	15
Corridor magnitude	10.00 %	10.00 %

Actuarial assumptions

KLP's joint pension scheme for municipalities 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. The 2012 calculation is based on a strengthened K2005 mortality tariff and a disability frequency corresponding with that observed in KLP'stotal membership.

Take-up of AFP for 2012 (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 45 per cent who retire with an AFP pension.
It is only those who are employed and working right up to retirement who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning during 2012 (in %)

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

Longevity:
K2005 without a safety margin has been used for mortality assumptions in 2012.

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

	2012	2011
Composition of the pension assets:		
Property	11.5 %	11.7 %
Lending	11.0 %	10.4 %
Shares	16.2 %	14.3 %
Long-term/HTM bonds	30.6 %	33.1 %
Short-term bonds	22.2 %	22.0 %
Liquidity/money market	8.5 %	8.6 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial assets in the common portfolio. The table shows percentage placing of the pension assets administered by KLP at the end of the year. Value-adjusted return on the assets was 6.5 per cent in 2012 and 3.3 per cent in 2011.

Expected payment into benefits plans after cessation of employment for the period 1 January 2013 – 31 December 2013 is NOK 9,583,902.

The revised accounting standard IAS 19 comes into effect for the reporting year starting 1 January 2013. Changes in IAS 19 have significance for how the pension obligation and the pension cost are presented in the financial statements. An important change is that the actuarial gains and losses are to be recognized in other income and expenses in the other comprehensive income statement and not to be included in the ordinary income for the period. The corridor method in which actuarial gains and losses outside a predetermined level are distributed over the remaining accumulation period will not be allowed. On transition to the new rules, on the date of transition, 1 January 2013, the corridor must be attributed to the owners' equity. As at 31 December 2012 the corridor shows an actuarial gain of MNOK 8,521,250.

Note 22 Tax

NOK thousands	2012	2011
Accounting income before taxes	**105 595**	25 185
Differences between accounting and tax income:		
Reversal of value reduction, financial assets	2 214	51 726
Reversal of value increase financial assets	-93 607	-48 052
Book loss on realization of shares and other securities		
Accounting gain on realization of shares and other securities	-417	-5 369
Tax gain on realization of shares and other securities		5 968
Tax loss on realization of shares and other securities	-4 163	
Refunding of 3% tax-free income i.a.w. the exemption method		161
Share of taxable income in partnerships	36 070	26 737
Share of accounting income in partnerships		
Other permanent differences	193	144
Dissolving of admin. reserve 1 January 2011		-85 349
Change in differences affecting relationship between accounting and tax income	16 272	128 420
Taxable income	**62 158**	99 571
Group contribution received with tax effect		
Group contribution made	-62 158	-48 369
Application of previous years' deficit	0	-51 203
Deficit for the year is transferred to carryforward deficit	0	0
Base for tax payable	0	0
Deficit carryforward allowable from previous years	0	51 203
Change for the year in carryforward deficit	0	-51 203
Total carryforward deficit and allowance as at 31 December 2012	0	0
Basis tax payable after carryforward deficit and Group contributions made	0	0
Reconciliation of basis for deferred tax		
Tax-increasing temporary differences:		
Other differences	261 912	271 058
Securities	26 699	7 128
Income differences in holdings in partnerships	27 859	40 247
Total tax-increasing temporary differences	316 470	318 433
Tax-reducing temporary differences:		
Profit and loss account	0	0
Pension liabilities	-44 628	-37 503
Unused allowance share dividend	0	0
Total tax-reducing temporary differences	-44 628	-37 503
Net temporary differences	271 842	280 931
Differences not included in the calculation of deferred tax/tax assets	-261 912	-271 058
Carryforward deficit	0	0
Basis for deferred tax/deferred tax assets	9 929	9 873
28% deferred tax	2 780	2 764
Devaluation of deferred tax assets	0	0
Capitalized deferred tax/deferred taxes assets	**2 780**	2 764
Change in deferred tax taken to profit/loss	**16**	14 624
Summary of tax expense for the year		
Group contribution made	-62 158	-48 369
Tax payable on Group contribution taken to income	-17 404	-13 543
Change in deferred tax taken to profit/loss	-16	-14 624
Accrued tax from net change dissolution of admin. reserve and setting up ULAE reserve		-680
Total taxes	**-17 420**	-28 848

Note 23 Transactions with related parties

NOK thousands	2012	2011
Income		
KLP Kapitalforvaltning, management fee	2 323	2 290
KLP Eiendom, management fee	755	772
KLP Liv, rent	12 606	12 476
KLP Liv, pension premiums	8 641	6 510
KLP Liv, staff services (at cost)	67 856	53 433
KLP Banken, interest-subsidised employee loans	668	55
TOTAL	92 849	75 536
Financial position statement		
KLP Liv, net internal receivables	-7 443	-12 862
KLP Kapitalforvaltning AS, net internal receivables	-401	-471
KLP Banken AS, net internal receivables	-16	-55
TOTAL	-7 860	-13 387

Transactions with related parties are carried out at general market terms and conditions, with the exception of the Company's share of common functions (staff services), which are allocated at cost. Allocation is based on actual use. All internal 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
- at year-end	411 030	375 461	416 252	390 521	428 760	441 592	465 393	525 859	514 663	521 902
- one year after	410 041	359 790	415 210	390 032	410 918	427 127	488 873	546 184	532 073	
- two years after	393 331	335 610	399 588	367 282	383 794	406 535	463 095	522 220		
- three years after	386 062	325 060	388 240	344 928	363 403	393 013	456 964			
- four years after	376 051	300 759	367 492	332 575	340 499	383 346				
- five years after	367 586	291 330	350 006	311 561	331 622					
- six years after	360 628	279 603	344 852	312 078						
- seven years after	354 375	268 009	338 710							
- eight years after	345 864	265 111								
- nine years after	344 234									
Present claims estimate	344 234	265 111	338 710	312 078	331 622	383 346	456 964	522 220	532 073	521 902
Claims paid	284 422	202 916	257 640	226 582	220 538	243 067	293 610	347 635	300 253	173 663
Remaining reserves	59 812	62 195	81 069	85 496	111 083	140 279	163 354	174 584	231 819	348 239

	As at 31.12.2012	As at 31.12.2011
Claims reserves excluding pool schemes and indirect claim handling costs:	1 632 089	1 609 438
Claims reserves for pool schemes excluding indirect claim handling costs:	30 895	52 857
Reserves for indirect claim handling costs:	82 813	83 363
Total claims reserves:	1 745 796	1 745 658

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 2012, and the income statement, showing a profit of NOK 88,2million, 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 2012, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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

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Independent auditor's report - 2012 - KLP Skadeforsikring AS, page 2

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 and 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, 13 March 2013
PricewaterehouseCoopers AS

Magne Sem
State Authorised Public Accountant (Norway)

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

KLP Skadeforsikring AS

ACTUARIAL REPORT

The technical provisions as at 31 December 2012 satisfy the current requirements for provisions. The actuary considers the level of provision to be adequate in relation to the purpose of the provisions and the acquired risk.

Oslo, 13 March 2013

(signature)
Espen F. Olsen
Chief Actuary

To the Supervisory Board and General Meeting of KLP Skadeforsikring AS

THE CONTROL COMMITTEE'S COMMENTS ON THE FINANCIAL STATEMENTS FOR 2012

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

The Control Committee recommends the Supervisory Board and the General Meeting of KLP Skadeforsikring AS approve the annual financial statement and the report of the Board of Directors and in accordance with the recommendation of the Board of Directors resolve to allocate the income for the year of NOK 88,174,978 as follows:

Change in Natural Perils' Fund reserve	*9,695,977*
Change in guarantee scheme	*-1,685,508*
Net Group contribution	*17,404,101*
Transferred from retained earnings	*-113,589,548*
Total transfers and allocations	*-88,174,978*

Oslo, 5 April 2013

Ole Hetland

Bengt P. Johansen

Dordi Flormælen

Thorvald Hillestad

Jan Rune Fagermoen

To the General Meeting of
KLP Skadeforsikring AS

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

The Control Committee recommends the Supervisory Board and the General Meeting of KLP Skadeforsikring AS approve the annual financial statements and the report of the Board of Directors for 2012 and in accordance with the recommendation of the Board of Directors resolve to allocate the income for the year of NOK-88,174,978 as follows:

Change in Natural Perils' Fund reserve	*9,695,977*
Change in guarantee scheme	*-1,685,508*
Net Group contribution	*17,404,101*
Transferred from retained earnings	*-113,589,548*
Total transfers and allocations	*-88,174,978*

Oslo, 17 April 2013

Ingunn Foss
Chair of the Supervisory Board

Skadeforsikring

Dronning Eufemias gate 10
0191 Oslo (visiting adress)
P.O. Box 400 Sentrum
0103 Oslo
Tel: 22 03 35 00
Fax: 22 03 36 00

servicesalg@klp.no
privatkunde@klp.no
klpskade@klp.no
www.klp.no