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## **KLP Group SFCR 2019**

KLP Group Solvency and Financial Condition Report 2019 (Rapport om Solvens og Finansiell stilling)

#### **KLP Group**

KLP Group Solvency and Financial Condition Report 2019 Kommunal Landspensjonskasse gjensidig forsikringsselskap Org. no. 938 708 606

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## **Summary**

The Solvency II regulations were introduced from 01.01.2016. The rules are the same in all countries in the EU and in the EEA area. Among other things, the rules are intended to provide increased protection for policy-holders. Solvency II lays down requirements for information disclosure, including through this report. The report should provide information on the company's business and results, the system of risk management, and how internal control within the company operates. The report is also intended to provide information on the risks to the company, the methods used for valuation of both assets and liabilities, and an overview of the company's solvency capital composition. The solvency capital is meant to cover the risk that the company has assumed by means of statutory solvency capital requirements.

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) is a mutual insurance company, and is the parent company of the KLP Group. The Company's principal product is public-sector occupational pension provision. The Company is owned by its customers, which are Norwegian municipalities, county administrations, health enterprises and companies associated with the public sector. The Group includes subsidiaries active within banking, non-life insurance, asset management and property management. The figures in this report are based on KLP, KLP Bedriftspensjon AS og KLP Skadeforsikring AS, the companies in the KLP Group which required to report under Solvency II. The term 'Group' is also used for these companies.

Total financial income for the Group amounted to NOK 46.5 billion in 2019 (NOK 8.5 billion in 2018), of which NOK 46 billion was income from the parent company's customer portfolio where all of the income falls to customers.

For 2019, the risk result (arising from the fact that mortality and invalidity in the period differ from what is assumed in the premium tariff), was NOK 1,031 million within public sector occupational pensions. The corresponding figure for 2018 was NOK 960 million.

The system of governance, as it is organised and implemented, is considered appropriate to KLP's business. The Company's articles of association and applicable legislation provide the framework for proper corporate governance and a clear division of roles between the governing bodies and executive management. The Company's highest authority is the General Meeting. The Company also has a corporate assembly which elects the Company's Board of Directors.

The risk management system within KLP is tailored to Solvency II and organised on the principle of the three lines of defence. In addition to the statutory remuneration committee and audit committee, the Board has also established a separate risk committee.

The Board has adopted a policy for risk management and internal control and a series of other guidelines to provide for good risk management and compliance with laws and regulations. The policies cover subsidiaries where this makes sense. Requirements have also been laid down for the overall competence of the Board, in addition to the 'fit and proper' requirements which also apply to managers and key functions within the Company.

The development of the Company's risk and solvency situation is monitored through detailed reporting to the Board and senior management. This includes reporting from all three lines of defence.

The Group's principal risks are underwriting risk, market risk and credit risk.

Underwriting risk is dominated by longevity risk in the parent company, i.e. the risk that people entitled to pension payments from KLP will live longer than expected and so require larger payments. The risk that more people could suffer early disability is another material underwriting risk. The risk of customers moving away from KLP is not a risk to the Company's financial strength. Solvency capital and capital requirements related to this are nevertheless included in the calculations of the Group's capital adequacy under Solvency II.

A little over 60% of customers' deposits are invested in interest-bearing securities. The rest are invested in equities and property. Market risk is dominated by equity and property risk, along with interest rate and credit risk. The Company has substantial buffers to enable this allocation. The risk profile changes dynamically in that a policy rule adjusts the proportion of risky investments to the buffer level that the Company has. The subsidiaries do not contribute much to the overall risk profile, apart from KLP Eiendom AS which manages the parent company's property investments.

Under Solvency II, all assets and liabilities are valued at market value. There are two key differences in the valuation of assets and liabilities under Solvency II and in the financial accounts. One is the valuation of insurance obligations. The Solvency II accounts take account of real interest rates, whereas the financial statements use guaranteed interest in the valuation. The other main difference is that bonds and loans reported at amortised cost in the financial statements are shown at fair value in the Solvency II accounts. Other differences are due to differing treatment of intangible assets and deferred tax.

The Solvency II regulations lay down requirements for the amount of solvency capital through the solvency capital requirement. KLP and KLP Bedriftspensjon AS apply a transitional rule for technical provisions for the Solvency II rules. Using this transition rule, the Group has a solvency capital coverage of 294 per cent at 31.12.2019. Even without the use of this transitional rule, the Group has a solvency capital coverage of 255 per cent, well above its own target of at least 150 per cent solvency capital coverage.

The report has been prepared for the Group. A similar report has been prepared for KLP as the life company, KLP Bedriftspensjon AS and KLP Skadeforsikring AS.

## Development since the end of the year

The uncertainty surrounding the coronavirus is significant. KLP's contingency plans have been implemented and the company has adapted its operations to the situation. Priority is given to critical processes such as the payment of pensions and operations in asset management. Most employees work from home offices and make good use of digital tools. Access to our offices is limited to reduce the risk of infection. There have been very few cases of infection among employees.

The markets have responded to the situation and the measures taken by various authorities with a significant fall in equities, lower interest rates and higher credit premiums. However, in recent weeks the trend has been partially reversed.

KLP uses dynamic management of its risk and this has worked as intended. There has been a focus on liquidity management during the period given the increase in volatility in the stock market in general and the significant weakening of the Norwegian krone in particular. The capital solidity of the group has been very good throughout the period.

## A. Business and performance

#### A.1 Business

- a) The name of the Company is Kommunal Landspensjonskasse gjensidig forsikringsselskap. The Company's address is: Dronning Eufemias gate 10, postboks 400 Sentrum, N-0103 Oslo
- b) The Financial Supervisory Authority of Norway exercises financial supervision of the Company. The address of the Financial Supervisory Authority of Norway is: Revierstredet 3, postboks 1187 Sentrum, N-0151 Oslo
- c) The Company's external auditor is PwC, Dronning Eufemias gate 8. The contact person is Erik Andersen, erik.andersen@pwc.com.
- d) Customers with public-sector occupational pensions from KLP own the Company. These comprise Norwegian municipal and county authorities, the regional healthcare enterprises (RHF) with their subsidiary healthcare companies (HF), and other public-sector businesses.
- e) Kommunal Landspensjonskasse (KLP) is the parent company for the KLP Group. KLP's wholly-owned subsidiaries are organised as limited companies. The following wholly-owned subsidiaries included in the Group:
  - KLP Bankholding AS, with its subsidiary:
    - KLP Banken AS and its subsidiaries:
      - KLP Boligkreditt AS
      - KLP Kommunekreditt AS
  - KLP Bedriftspensjon AS
  - KLP Eiendom AS
  - KLP Forsikringsservice AS
  - KLP Kapitalforvaltning AS
  - KLP Skadeforsikring AS

Figure 1: Corporate structure



Mutual funs investments where the KLP Group has control over the investments such that there is a consolidation requirement under the rules in IFRS, are consolidated in. The minority interest is classified as a liability.

#### Consolidation

In the solvency balance, the Group's life and non-life business is fully consolidated through the parent company KLP and its subsidiaries KLP Skadeforsikring AS og KLP Bedriftspensjon AS are fully consolidated.

The other business areas are included as equity investments in the consolidated balance sheet, as these are valued by the equity method. This means that earnings from these activities is included in the group's profit and the value of equity investments. Any distributions from these activities reduce share value. These shares are treated as strategic shares in the calculation of solvency capital requirements. Tier 1 and 2 capital from the banking and asset management companies are part of the Group's Tier 1 and 2 capital. The capital requirements from these activities are also included in the Group's capital requirement.

In the Group balance-sheet for accounting purposes, all of the companies are fully consolidated.

- f) The Group's principal product is public-sector occupational pension provision. The Group is also a major provider of non-life insurance, banking services and investment products. The property company KLP Eiendom is the third-largest property management company in the Nordic region. With the exception of the property business, which has a lot of property abroad, KLP's operations are exclusively in Norway.
- g) There is nothing to report regarding activities or events occurring in the reporting period which had a significant impact on the Group.

## A.2 Underwriting performance

The results in table 1 equate to the sum of the customer share and the insurer's share of the risk result for KLP and KLP Bedriftspensjon AS. The risk result consists of premiums collected by the Company to cover underwriting risks minus actual costs of reserve provisions and payments for insured events. The result arises from the fact that mortality and invalidity in the period differ from what is assumed in the premium tariff.

The result of technical accounting from non-life insurance for 2019 was NOK -131 million. The result was NOK -55 million for 2018.

The total risk result for KLP and KLP Bedriftspensjon AS for 2019 is NOK 1,039 million, against NOK 963 million in 2018. The risk result consists of the net result for longevity (the insured persons get older than expected, the payments go on longer than assumed), death (the survivors live longer than expected, the payments go on longer than assumed) and disability (more people than expected become incapacitated, disability pension payments will be higher than assumed). The risk result is dominated by public-sector occupational pension provision, which is a defined-benefit scheme. This is shown in table 1 below.

Table 1: Risk result for KLP and KLP Bedriftspensjon AS. Figures in NOK millions

Risk results from insurance	2019	2018
KLP		
Defined benefit pension	1 031.0	959.7
KLP Bedriftspensjon AS		
Defined benefit pension and paid-up policies	1.4	3.3
Risk pension	6.2	0.1
Total	1 038.6	963.1

Any surplus from the risk result should be distributed annually between the individual contracts in each group in proportion to the risk premiums paid for the individual contract. Up to half of the year's total profit on the insurance result can be allocated to the risk equalisation fund. At least half of the underwriting result goes to the customers.

In order to manage the pension schemes, the Company collects a cost element in the premiums. This element is included in the Company's administration result, which is discussed in section A.5.

## A.3 Investment performance

The Group's financial assets are managed in various portfolios. Financial assets matching the technical provisions for life insurance are managed in portfolios where most of the returns fall to customers. The customer portfolios are split into portfolios where the Company has guaranteed a return to its customers and a pure investment portfolio (for defined-contribution pensions) where the Group offers no return guarantee. The management of other financial assets is divided into various portfolios where the whole of the return falls to the Company.

Table 2: Income from investments in public and private-sector occupational pensions in the

*Group. Figures in NOK thousands.* 

Portfolios	2019	2018	
Public occupational pension	46 037	8 506	
Private occupational pension	715	-90	
Total	46 752	8 416	

The costs of managing the customer portfolio were NOK 199 million at 31.12.2019. For all products, a premium element is charged to cover the Company's costs of managing the capital. These elements are part of the Company's administration result. For public-sector occupational pensions, the Company also collects an interest guarantee premium in payment for the interest guarantee. Private-sector defined-benefit pensions are split into active schemes where the Company collects an interest guarantee premium, and paid-up policies where the company can take up to 20 per cent of the return. These elements are discussed in section A. 5 under Table 3, Profit and loss elements in the corporate portfolio.

Further details of investment performance are given in the SFCR reports for KLP, KLP Bedriftspensjon AS and KLP Skadeforsikring AS.

## A.3.1 Profit from investments falling to the Group

The Group's other assets, which are primarily investments in the corporate portfolio, totalled NOK 41.7 billion as of 31.12.2019. Financial income from investments in these portfolios totalled NOK 2.1 billion in 2019 compared to NOK 1.8 billion in 2018. The costs of managing the corporate portfolio were NOK 15 million in 2019. Returns on the portfolios and costs of managing them are included in total comprehensive income for the Group.

Further details are given in the SFCR reports for KLP, KLP Bedriftspensjon AS and KLP Skadeforsikring AS.

#### A.4 Performance of other activities

All significant income and expenses are included in the above.

#### A.5 Other information

The sections above describe the underwriting result (risk result) and the investment result for KLP and KLP Bedriftspensjon AS, as well as the underwriting result for own account for KLP Skadeforsikring AS. For KLP and KLP Bedriftspensjon AS, a positive risk result and a positive investment result in the customer portfolio will fall to the customers. The corresponding negative result is charged to the Company's equity. The interest guarantee premium and the administration result are included in the Company's annual results along with the return in the corporate portfolio. KLP is a mutually owned company. These amounts are one reason why the growth in equity follows the growth in pension obligations. The tables below show the amount of the interest guarantee award and the administration result for 2019 and 2018 in KLP and KLP Bedriftspensjon AS. The necessary growth in equity over and above this level is provided by calling in an annual capital contribution from the owners.

Table 3: Profit and loss elements in the corporate portfolio for KLP. Figures in NOK millions

Result elements	31.12.2019	31.12.2018
Interest guarantee premium	476	758
Administration result	247	137
Sum	723	895

Table 4: Profit and loss elements in the company portfolio for KLP Bedriftspensjon AS. Figures in NOK million.

Result elements	31.12.2019	31.12.2018
Interest guarantee premium	2.5	3.5
Profit margin risk result	4.2	3.6
Depreciation	-1.3	
Administration result	-38.1	-38.9
Sum	-32.7	-31.8

## B. System of governance

The description in this section covers KLP both as a company and as a group. The section is identical to the corresponding section in the KLP SFCR.

The system of governance, as it is organised and implemented, is considered appropriate to KLP's business, in relation to the nature, scope and complexity of the risks.

## **B.1** General information on the system of governance

## B.1.1 Structure of KLP's administration, management and controlling bodies

The Company's articles of association and applicable legislation provide the framework for proper corporate governance and a clear division of roles between the governing bodies and executive management.

#### The General Meeting

KLP has a broad ownership structure. Members of the General Meeting are appointed through election meetings in the relevant constituencies, to which all owners are invited. Voting rights are calculated on the basis of the individual member's share of the previous year's ordinary premium. At the General Meeting each individual delegate has one vote.

The General Meeting is the Company's highest authority and comprises elected representatives of the Company's owners.

173 delegates from a total of 23 constituencies were elected to the General Meeting for 2018 and 2019. The county administrations and municipalities in each county make up 18 of the constituencies. The four regional health enterprises and their subsidiaries each form one constituency. The companies together form one constituency. In each constituency an election meeting is held to elect delegates to the General Meeting. The General Meeting approves the annual report and accounts for the Company and the Group, including the allocation of profits or provision for losses. The tasks of the General Meeting also include electing 24 of the 45 members of the Corporate Assembly and approving the remuneration of the Corporate Assembly.

#### The Corporate Assembly

The Corporate Assembly comprises 45 members, 24 of them elected by the General Meeting. A further six representatives are nominated by the staff organisations in the local government sector. 15 representatives are elected from and by the staff in the Group. The Corporate Assembly has essentially the same responsibilities as a corporate assembly under the provisions of the Norwegian Public Limited Liability Companies Act. The corporate assembly elects the Board and its Chair. The Corporate Assembly members elected by the General Meeting elect five members with deputies to the Board of Directors, while the full Corporate Assembly elects the Chair and Deputy Chair of the Board of Directors. The Corporate Assembly elects an election committee with four members and a deputy member.

## The Board of Directors of KLP (Group Board)

The Board of Directors is a collective body responsible for the interests of the Company and its owners. The Board is required to monitor the Group's compliance with business regulations and licence requirements. The Board provides for appropriate organisation of the business, determines policies, plans and budgets, keeps abreast of the Company's financial position and obligations and ensures that the business, accounts and asset management are subject to satisfactory control. The Board is required to supervise the executive management and the Company's business generally. The Board of Directors comprises eight members

who are elected for a term of two years in such a way that half are up for election each year. Five Board members with up to the same number of deputies are elected by the members of the Corporate Assembly who are elected by the General Meeting. Two members with deputies are elected by and from KLP's employees. One member and a deputy are nominated by the employee organisation or negotiating alliance with most members in the pension schemes. In addition two observers are nominated from those organisations that are second and third in regard to the number of members. The Group Chief Executive Officer is not a member of the Board of Directors.

#### **Group CEO**

The CEO is responsible for the day-to-day management of KLP's business and has to follow the guidelines and orders issued by the Board. The CEO reports to the Company's Board of Directors. The CEO's responsibilities and duties are set out in the instructions adopted by the Board.

## Group senior management

The KLP Group senior management comprises ten experienced individuals with a broad background from Norwegian business and public sector activities. Group senior management is the top level of management in KLP and is responsible for the functional management of the company.

Group senior management is organised according to business areas, representing the Life Insurance, Banking, Non-Life Insurance, Capital Management and Property departments. Group senior management also includes the divisional heads with responsibility for Economy and Finance, IT, Communications and Markets, and HR and Internal Services.

#### The Board's sub-committees

The Board of Directors has three sub-committees: a remuneration committee, an audit committee and a risk committee. The committees do not make decisions on behalf of the Board, but present their assessments and recommendations to the Board.

#### Remuneration committee

The remuneration committee is a preparatory and advisory working committee for the Board's deliberations on remuneration questions. In 2011 the Financial Supervisory Authority of Norway gave permission for a joint remuneration committee in the KLP Group. On this basis the committee also serves those boards of directors in the KLP Group that are required by law to have remuneration committees. The committee's responsibilities include ensuring the requirements laid down in law and in the regulations on remuneration schemes in financial institutions, investment firms and asset management companies are complied with in those companies in the KLP Group that are subject to these regulations.

#### Audit committee

The audit committee is a preparatory and advisory working committee for the Board. The Committee was set up in accordance with the requirements for an audit committee pursuant to the Norwegian Act on Insurance Activity. The committee helps to quality-assure the Board's work to do with financial reporting, audit and governance.

#### Risk committee

The Committee acts as a risk committee for the Board of KLP. The principal tasks of the risk committee are to assist the Board in monitoring and managing the Company's overall risk and assessing whether the Company's management and control systems are appropriate to the level of risk and the scope of the overall business of the Group. The committee also ensures that the Company has good systems for internal control and risk management, and that the second-line functions work properly. The committee also ensures that there is a satisfactory organisation with a clear organisation structure, and an appropriate division of

responsibilities and tasks between executing and monitoring functions. The risk committee assists the Board in preparing Board actions in other matters to do with risk management.

#### Risk management committee

The Group CEO has established a committee to act as his advisory body in matters concerning the Company's overall risk and solvency. The committee addresses the general risk appetite, the overall risk strategy and risk exposure from all the major risk factors, including market risk, underwriting risk and operational risk.

#### Key functions

The risk management, compliance and actuarial functions and Internal Audit are the key functions in KLP. The Board ensures that these have the necessary authority, resources and independence through guidelines adopted by the Board for each of the functions. These guidelines allow the managers of each function to report directly to the Board on matters affecting their areas of responsibility. The key functions produce quarterly and annual reports which are discussed by the Board.

B.1.2 Significant changes in the system of governance made during the reporting period

No significant changes were made to the system of governance in the reporting period.

## B.1.3 Remuneration policy

#### **Principles**

The Board previously adopted remuneration principles for KLP and additional guidelines for KLP Kapitalforvaltning AS. The remuneration rules were last discussed and revised at the Board meeting of KLP on 7 December 2018.

In accordance with the Norwegian Financial Institutions Act and the Act on Securities Funds with associated regulations, the Board of KLP has determined and ensured that the Company always has and applies guidelines and frameworks for a remuneration scheme covering the whole of the Company including its subsidiaries.

The KLP Group aims to have competitive pay and employment conditions compared to similar companies, but without leading the way. The remuneration scheme is designed to be cost-effective for the Group.

The Group's remuneration schemes should be open and performance-based, so as to be perceived as fair and predictable wherever possible. There should be a correlation between agreed performance requirements and the remuneration given.

#### Remuneration based on results

No individual or collective remuneration (bonus) is given to employees on the basis of KLP's results. In KLP Kapitalforvaltning AS the portfolio managers and their managers have bonus agreements.

#### Pension scheme

All employees of KLP are members of KLP's pension scheme.
Until 01.05.2013, KLP also had a scheme for 'Pensions for salaries over 12 G<sup>1</sup>'. This scheme has been modified:

• Persons employed by KLP after 30.04.2013 are not covered by the scheme.

<sup>&</sup>lt;sup>1</sup>National Insurance basic amount

- Persons employed before 30.04.2013 who have salaries below 12 G today will not be covered by the scheme even if they later receive salaries over 12 G.
- For persons who have a salary above 12 G at 30.04.2013, the following applies:
   "Persons with salaries over 12 G have additional cover to ensure that fixed pay in
   excess of 12 G is counted as fully pensionable. This scheme applies only to
   qualification time accrued directly in KLP. If the pension is calculated on part-time
   working as an employee of KLP, the pension base over 12 G will be reduced
   accordingly."

## B.1.4 Transactions with related parties

KLP has transactions with other companies in the KLP Group, as well as members of the administration, management or control bodies. These are transactions that are part of the products and services offered by KLP or its subsidiaries to their customers. The transactions are entered into on market terms and include occupational pensions, private pension savings, non-life insurance, bank deposits, lending, asset management and fund saving.

## **B.2** 'Fit and proper' requirements

## B.2.1 The Company's 'fit and proper' requirements

The companies in the KLP Group ensure that managers and others in the business holding key functions and key functions are suitable and fit to safeguard their work activities and responsibilities as stated in the individual's Job description.

The boards of the companies in the KLP Group have adopted, and revise annually a guideline for suitable and fitness. The guideline contains qualification requirements which are designed to provide for appropriate diversity of qualifications, knowledge and relevant experience, to ensure that the Company is managed and supervised in a professional manner.

As part of the qualification requirement, the Board of the KLP Group should have sufficient insight and understanding to be able to question the assessments of the administration, take a critical view of the answers and initiate the necessary action. The whole Board of KLP should at least have qualifications in these areas:

- The insurance and finance market
- Business models and strategy
- The business system, including an understanding of the risks the Company is exposed to and its ability to handle them.
- Financial and actuarial analysis.
- Regulatory frameworks and requirements.
- Understanding of social issues.
- Customer and product knowledge.

#### B.2.2 The Company's process for 'fit and proper' assessment

The 'fit and proper' assessment is made by the individual's manager. Persons to be assessed have to submit a completed and signed form for use in the assessment approved by the Financial Supervisory Authority of Norway. These persons are assessed when employed/elected, or in specific situations. An annual confirmation has to be given to the effect that no new circumstances have arisen since the last assessment/confirmation. This is especially important in relation to conduct.

All persons in Group management, key functions and the Board must meet certain standards of suitability (conduct). For persons listed above, KLP assesses the following aspects:

- Criminal record
- Sanctions against companies
- · Administrative sanctions and charges
- Financial situation
- Tax matters
- Other matters

Persons to be assessed must present a copy of a police certificate no more than three months old. Information may also be obtained from the publicly accessible Register of Bankruptcies and the Register of Company Accounts.

If any of the criteria listed above is not met, an individual assessment will be made. A principle of proportionality will be applied, whereby consideration will be given to the nature and severity of the offence, whether there has been a final judgment, the number of offences, the person's subsequent behaviour and the time aspect.

## **B.3** Risk Management system

B.3.1 Risk Management system. Strategies, processes, and reporting procedures

The risk management system at KLP is implemented through policies, processes/strategies and reporting procedures. Mandates, instructions and job descriptions for the various roles are also included in the system.

#### **Guidelines**

The Company has drawn up a comprehensive set of guidelines, rules and instructions to provide for effective risk management through appropriate and thorough processes and procedures. The guidelines are reviewed annually and approved by the Board. The Group CEO also lays down the necessary rules to implement the guidelines.

The various guidelines have different areas of application. Some guidelines apply to the whole Group but are still adopted by the boards of the subsidiaries. Other guidelines apply wherever appropriate and provide a basis for the subsidiaries' own guidelines. Every subsidiary will also have its own guidelines to govern matters specified fir the Company's business in the acts and regulations to which it is subject.

#### Processes/strategies

The overall risk in the Company is normally divided into three main parts: market risk, underwriting risk and operational risk, including strategic and reputational risk.

The main processes for monitoring, managing and measuring market risk are the overall risk management strategy, the asset management strategy and the capital plan. The asset management and risk management strategy is adopted in December for the next calendar year. It includes targets for the overall risk, a framework for allocation and the design of the Group's dynamic strategy for exposure to risky assets (policy rule). The capital plan is worked out after completion of the Own Risk and Solvency Assessment, and sets the long-term course for the company's capitalisation.

A strategy for underwriting risk and reinsurance is adopted each year. However, this risk is by nature long-term and the strategy is broadly fixed over time. Operational, strategic and reputational risk are assessed as part of the annual process for risk management and internal control; see section B.4.

#### Reporting

Risk reporting in KLP takes place at many levels. At each Board meeting, the CEO includes current topics in his briefing. A separate briefing on risk management and asset management is also a fixed item on the agenda. The Board also receives a detailed monthly report on developments in the Group.

The second-line functions produce quarterly reports from their areas, which are addressed by the Board. The actuarial and compliance functions also produce their own annual reports. The risk management function organises the self-assessment of the company's risk and solvency and compiles the ORSA<sup>2</sup>report.

The risk management committee monitors changes in the policy rule at each meeting.

## B.3.2 Organisation of the risk management system

The risk management system at KLP is organised on the principle of the three lines of defence. This is in line with the latest principles of risk management and adapted to the requirements in the Solvency II rules. The organisation is illustrated in the figure below:

Godtgjørelsesutvalget Eiere Risiko-Styret utvalget Revisjons-Konsernledelsen Group CEO Intern Ekstern revisor revisor Linje- og fagledere i Risikostyringskomite Risikostyringsfunksjonen livselskapet og datterselskaper Compliancefunksjonen Aktuarfunksjonen Divisjoner, seksjoner, avdelinger Andre forsvarslinje Tredje Første forsvarslinje (Risikoeiere) Bistand til førstelinjen. Vurderer, forsvarslinje Risikostyrings som en del av daglige overvåker, gir råd, kvalitets sikrer, Uavhengig prosesser og rutiner (daglig drift). kvantifiserer/aggregerer risiko bekreftelse til Ansvar for løpende risikoidentifisering, styret -rapportering, -håndtering og internkontroll

Figure 2: The risk management system at KLP

#### <u>First line – Risk management and operation</u>

The Group CEO and all managers and employees in the operational units and subsidiaries make up the first line of defence. They bear the primary responsibility for good risk management through their responsibility for doing their jobs in line with authorisations, instructions and guidelines. Managers are also required to establish proper procedures and control measures within their areas.

## Second line - Monitoring and quality assurance

<sup>&</sup>lt;sup>2</sup> Own Risk and Solvency Assessment

The control functions that make up the second line are the risk management function, the compliance function and the actuarial function. For a more detailed description of the compliance function and the actuarial function, see sections B.4 and B.6.

The risk management function is headed by the Chief Risk Officer (CRO), who reports to the Group CEO. The head of the actuarial function reports to the CRO, as this function is organised as an integral part of the risk management function. The main responsibility of the risk management function is to monitor the Group's overall risk, including the risk management system. The risk management function calculates the Group's capital adequacy and produces quarterly reports which are discussed by the Board. The Own Risk and Solvency Assessment is a key task for the risk management function; see section B.3.3.

To safeguard the independence of the actuarial function from the CRO, the Group CEO approves the remuneration of the heads of all three functions. For the same reason, the functions also have the right to report directly to the Board on matters concerning their areas of responsibility.

#### Third line – Independent verification

Independent verification is provided by the Group's own Internal Audit unit and its external auditors. The Internal Audit function is described in detail in section B.5.

#### Risk management committee

The Group CEO has established a committee to act as his advisory body in matters concerning the Company's overall risk and solvency. The committee includes the CFO and the directors responsible for the company's risk management, as well as the actuarial and compliance functions. The committee addresses the general risk appetite, the overall risk strategy and risk exposure from all the major risk factors, including market risk, underwriting risk and operational risk. Each year, the committee discusses the principal assumptions used to calculate the Company's capital adequacy. The committee is administered by the CRO and assists the CRO in carrying out the 'Own Risk and Solvency Assessment'.

## B.3.3 Own Risk and Solvency Assessment

#### B.3.3.1 Process

The process for the 'Own Risk and Solvency Assessment' (ORSA) is laid down by the Board in a separate guideline. The guideline sets out the main principles for the process, with requirements for implementation, division of responsibilities, performance requirements and documentation. The process is carried out each year and is normally discussed at the Board meeting in June.

The ORSA process is largely based on the Company's other processes for managing risk and solvency. Apart from market and underwriting risk, risks in the process of governance are identified in the autumn. This process also quantifies the most important remaining risks. Quantification is used to calculate the capital requirements for operational risk.

## B.3.3.2 Implementation and approval

The risk management function is responsible for coordinating the implementation of the ORSA process and compiling the report. The process follows an established set of tasks, starting with introductory discussions in the risk management committee. These identify factors to be focussed on in the year's process, often based on evaluations and feedback on the process from the previous year.

The ORSA plan and suggested changes in related guidelines are discussed by the Board in March. Work on sensitivity tests, scenario analyses and specially selected factors will

continue until the report is completed. An integrated process is followed for KLP as a company and as a group, but separate reports are produced for each of these.

The Board reviews and approves the ORSA by looking first at guidelines for the ORSA and then at the actual reports. This cements the Board's ownership of the process. The Board's risk committee also conducts an extended review of the ORSA plan and the ORSA reports for KLP (both Company and Group) and makes its recommendations to the Board.

An extraordinary ORSA has to be produced if there are changes that could affect the risk and/or capital substantially. Changes may be driven by internal decisions or external factors.

#### B.3.3.3 Determination of own solvency needs

The Board determines its solvency requirements based on the assessments made in the ORSA process. KLP's solvency capital requirements are defined by the regulatory solvency capital requirement as this is larger than that obtained by using the Company's own assumptions and methods.

The solvency target is that solvency capital coverage for the KLP Group should be more than 150 per cent without including transitional rules for KLP and KLP Bedriftspensjon AS. The Board of Directors wants there to be a low likelihood of fluctuation, especially on the financial market, so that there is a low probability of having to call in extraordinary equity to strengthen the solvency position. The goal is therefore set considerably higher than the regulatory requirement of 100 per cent.

## **B.4** Internal control system

#### B.4.1 KLP's internal control system

Internal control is concerned with systematic follow-up of the business. The purpose of good internal control is to maintain effective processes and procedures to meet business objectives. An important aspect of the internal control system in KLP is to deal with any risks that could prevent the Company from achieving its goals in a cost-effective manner and in line with the current framework for the business.

Both risk management and internal control ensure that KLP can achieve its objectives by identifying and analysing relevant risks that could prevent it from attaining its goals, and by implementing effective measures to handle, control and report on the risks. The Board of KLP has adopted a policy for risk management and internal control in KLP The policy defines fundamental principles, processes, roles and responsibilities connected with governance. Relevant risks and internal control measures should be assessed in all decisions on significant changes to the business.

The risk management system helps ensure that KLP can achieve its objectives in all significant areas of business through:

- Identifying, measuring, monitoring, documenting and reporting on all material risks that could prevent target attainment.
- Establishing appropriate risk strategies to manage risk-taking
- Establishing measures to handle and control material risks
- Establishing contingency plans to handle the impact of any remaining risks.
- Establishing appropriate reporting procedures for unwanted events

The company's leaders, at all levels, should at all times have adequate records of set goals, risks, key controls and any adverse events within their area so that they can manage risks associated with their business on a satisfactory manner. The second-line functions also

assist all managers in providing for good governance, and make independent assessments of the managers' handling and control of risk. KLP has also established an Internal Audit unit to provide the Board with an independent assessment of whether the internal control system is working. The Board of KLP assesses the internal control within the company at least once a year.

## B.4.2 Compliance function

The compliance function helps the Board and senior management to ensure that KLP has implemented effective procedures for compliance with the applicable rules, including the framework for effective management and control.

The compliance function identifies, monitors and reports risks of non-compliance within KLP. In particular, the compliance function monitors the material risks linked to non-compliance in the Group, and is an active 'sparring partner' to the Board, management and staff within KLP in relation to the operational handling of non-compliance risk.

The compliance function works preventively by providing advice, guidance and ongoing quality control when operational changes are made to regulations, and carries out control activities to ensure that internal control in the Company is effective. Advice, dialogue, presence and training take a high priority. The aim of these activities is to develop an organisation structure in which compliance with the framework is an intrinsic value.

The head of the compliance function reports to the Group CEO and briefs the management on his/her own initiative on matters that are or could be of significance to the business. Serious breaches of laws and regulations, or a significantly increased risk of non-compliance, must be reported without undue delay to the Group CEO.

To preserve the independence of the compliance function, the function has no operational or decision-making roles in activities that the function is required to monitor. This does not prevent the compliance function from assisting management in developing appropriate processes, procedures and methods to provide for effective follow-up of managers' control responsibilities. The Board has adopted a special policy for the compliance function.

The Board has also provided a special guideline for handling the risk of non-compliance. The guideline defines roles and responsibilities to ensure compliance within KLP, sets out the Board's risk tolerance and requirements for handling risks of non-compliance.

The compliance function in of KLP Skadeforsikring AS is described in the SFCR reports for KLP Skadeforsikring, AS. KLP Bedriftspensjon AS has outsourced its compliance function to the compliance function of the KLP Group.

#### **B.5** Internal Audit function

#### B.5.1 Exercise

Based on risk assessments etc., an audit plan is drawn up for areas to be audited. The areas to be audited are operational and support processes, risk management systems, IT systems and IT security, products and regulatory requirements. The audit plan is approved by the Board.

The findings from the audit are reviewed with the operational and line managers for the area that has been audited, who take a view on the recommendations and set deadlines for implementing them. The audit reports are reviewed in the audit and risk committee before the conclusions and recommendations are presented to the Board. Progress in implementing the recommendations is presented to the Board in the annual report from Internal Audit. The

annual report from Internal Audit provides an assessment of business and risk management and of the internal control in key areas.

In order to perform its function effectively, Internal Audit looks at internal operational reports, Board actions and reports, and communicates with senior management, the risk, compliance and actuarial functions and external auditors.

On its own initiative or at the request of the administration, Internal Audit conducts ad-hoc reviews or tasks within control-related problem areas.

## B.5.2 Independence and objectivity

Internal Audit reports to the Board and has to be professionally independent in its work in relation to the areas and persons being audited. The Board engages and dismisses the head of Internal Audit and defines that person's conditions.

Internal Audit has no operational or financial responsibility or decision-making authority within the different areas of activity. Internal Audit cannot therefore perform ongoing operational tasks, take decisions or carry out other activities that might compromise its independence or objectivity.

The head of Internal Audit has to demonstrate to the Board on an annual basis that the function is independent. In the guideline from the Board, the internal auditors are required to comply with the applicable laws, regulations and orders from the Financial Supervisory Authority of Norway and ethical rules and standards issued by the Institute of Internal Auditors.

Every five years, there is an external evaluation of KLP's Internal Audit function; the last of these was in 2018. The audit committee in KLP reviews this evaluation and communicates its findings to the Board.

#### **B.6** Actuarial function

The actuarial function at KLP has responsibilities and duties as described in the Solvency II rules. The actuarial function is organised as an integral part of the risk management function. In order to safeguard its independence, the head of the actuarial function is allowed to report to the Group CEO and the Board on all matters within its area of responsibility. The actuarial function also reports directly to the Group CEO every quarter. The report deals with the activities and assessments made by the actuarial function in the quarter and helps to demonstrate its independence.

The responsibility for the Group-level actuarial function is held by the same person as the actuarial function in KLP. The Group actuarial function in KLP has a coordinating role vis-avis all established actuarial functions in the Group, i.e. for KLP, KLP Skadeforsikring AS and KLP Bedriftspensjon AS. Among other things, this helps to ensure consistent assessments of technical provisions across the Group. The function is also responsible for ensuring that principles and practices are coordinated and as alike as possible across the insurance companies within the Group. This is especially true of KLP Bedriftspensjon AS which follows KLP wherever possible. KLP Skadeforsikring AS is affected to a lesser extent.

The actuarial functions in the subsidiaries are described in the SFCR reports for KLP Bedriftspensjon AS and KLP Skadeforsikring AS. KLP Bedriftspensjon AS and KLP Skadeforsikring AS have their own actuarial functions.

The role and responsibilities of the actuarial function are described in the policy for the actuarial function, adopted by the Board of KLP. The actuarial function should ensure that the following is done:

- Coordination of calculations of technical provisions
- Ensuring that methods, models and assumptions used in the calculation of technical provisions are appropriate
- Assessment of whether the data used in the calculation of technical provisions is sufficient and of the necessary quality
- Comparison of best estimate with the Company's experience
- Informing the Board of KLP and Group senior management as to whether the calculation of insurance technical provisions is reliable and sufficient
- Testing of any simplified calculations of best estimates based on approximate values and individual assessments of notified claims cases
- Commenting on the Company's policy for taking out insurance
- Commenting on whether the Company's reinsurance schemes are sufficient
- Contributing to the effective implementation of the risk management system, particularly with regard to the risk modelling which forms the basis for calculating the Solvency Capital Requirement and self-assessment of the Company's capital needs

The actuarial function may use professional resources in other entities for specified tasks. In this case the manager of the actuarial function must ensure that there are no conflicts of interest for the function or the people doing work for the function. The head of the actuarial function in KLP and the Group is a member of the risk management committee at KLP and also has access to Board actions and the right to attend Board meetings where actuarial matters are discussed.

At least once per year, the actuarial function draws up a written report which is submitted to the Board of KLP. This report documents all the tasks carried out by the actuarial function, and the results of these, and clearly identifies any deficiencies and makes recommendations for rectifying these.

## **B.7** Outsourcing

Outsourcing is used where KLP chooses to use contractors to perform work assignments which could also have been carried out by the Company itself. The Board of KLP has adopted an outsourcing policy. The Code of Conduct applies to both outsourcing contracts within the KLP Group and when the business is contracted out to external companies.

The guideline is meant to ensure that outsourcing from KLP is handled in a proper manner and in accordance with the applicable rules. It gives guidance as to what should be regarded as outsourcing for KLP (the life insurance company), and the Company's responsibilities with regard to such outsourcing. The guideline also lays down requirements for assessing reliability, notification, outsourcing contracts and checks on the contractor's business.

Even if work activities are outsourced, KLP will still be responsible for the business that has been contracted out. KLP must therefore be able to fulfil its obligations, and check the contractor's risk management and internal control systems, including compliance with laws and regulations for the outsourced business.

#### **B.8** Other information

The foregoing is considered to cover all the key details of the risk management system.

## C. Risk profile

The risks to which the Group is exposed fall into three main groups:

- Market and counterparty risk
- Underwriting risk
- Operational, strategic and reputation risk

The dominant position of the parent company within the Group means that the Group's exposure to these risks is totally dominated by the parent company's activities.

## C.1 Underwriting risk

Underwriting risk within the group is dominated by the parent company's public sector occupational pension business, where the two biggest underwriting risks are longevity risk and disability, both characterised by slight variations in measurable risk from year to year. Longevity risk means that the customer lives longer than presumed, and disability risk means that more people than expected are becoming disabled, or that fewer than expected are returning to work. Non-life underwriting risk comes in addition to life-related underwriting risk and there is assumed to be little correlation between the two. This is therefore helpful for risk-spreading within the Group. This chapter provides a description of the group's underwriting risk based on the underwriting risk in KLP. For underwriting risk in KLP Bedriftspensjon AS and KLP Skadeforsikring AS, refer to these companies' SFCR reports.

Longevity and disability risk are monitored every quarter via reports of underlying risk items from KLP's membership system, while a full analysis including a calculation of risk results forms part of an annual process. The risk result is followed up carefully and provides the basis for assessing whether prices and provisions are sufficient. The analysis entails statistical processing of relevant data on the membership base with a view to measuring the trend in mortality and disability, in order to arrive at a best estimate of how this trend may be expected to evolve in the coming years. The expected development is quantified by deriving a new basis for calculation. This will be the basis for best estimate assumptions in Solvency II calculations and perhaps also for new premium and reserve calculations (before actuarial safety margin).

#### Longevity risk

Because old-age pensions after the age of 67 in public-sector occupational pension schemes are age-adjusted in the same way as the national insurance-based old-age pension, the potential economic consequences of the trend towards greater longevity in the future will be limited. If longevity increases more than the projections used by Statistics Norway (SSB), this will cause a downward adjustment of accrued old-age pensions compared to what has been insured and financed for all year-groups that have not yet turned 61.

The basis for calculation K2013³ was derived from the life company's actual data up to and including 2009. KLP's own historical data for the period 2010-2015 confirms that the safety margins are satisfactory. If it becomes necessary to replace today's tariffs with new and higher tariffs, this will in turn entail upgrade plans which could also reduce equity because of the authorities' expected requirements for equity contributions to reserves in the future also. This equity contribution is the real loss risk in the Company from people living longer.

<sup>&</sup>lt;sup>3</sup> The minimum basis for premium and provision calculations for collective pension insurance in Norway – adopted by the FSA of Norway in March 2013.

An abrupt fall in mortality 'overnight', as assumed by stress tests for solvency purposes, is much less of a real risk than longer lives in the future, but companies still need to maintain solvency to withstand this because such stress tests are essential to the capital requirements placed on companies under Solvency II.

#### Disability

KLP introduced a new disability tariff from 01.01.2015, in line with a favourable trend in risk observed over several years. The disability tariff is based on observations of our own premium base.

From 01.01.2020, new disability tariffs will be introduced in all risk groups based on observed trends in recent years. The change in national insurance and public-sector occupational pensions from 01.01.2015, which offered greater scope for people receiving disability pensions to combine work and pension, has affected the risk position.

The new disability tariffs use specific parameters for disability and re-entry into work in each risk group. In the past, all risk groups had a common disability tariff except for the Pension Scheme for Nurses and the Pension Scheme for Hospital Doctors.

The changes involve a strengthening of the tariff in the Joint Scheme for Closed Agreements and in the Pension Scheme for Hospital Doctors. In the other risk groups there are reliefs or marginal changes.

#### Departure risk

Customers with public-sector occupational pensions from KLP can opt to move to another provider at each year-end. Customers then take with them all the assets assigned to them, but they also take all the technical provisions associated with the customer relationship. Customers also take away their share of the equity contributed. On the other hand, retained earnings stay with KLP. The result of a customer moving is thus an improvement in the Company's solvency.

Customers moving are only regarded as a strategic risk to the Company if large numbers are involved. Disposals are not considered to be a risk to the Company's solvency.

In calculating capital requirements under the Solvency II rules, departures are categorised as an underwriting risk. The capital requirement associated with departure risk is significant as the standard method requires KLP's schemes to assume that 70 per cent of customers will move. The capital requirement arises from the fact that future margins factored into the Company's capital disappear. This means that the capital requirement for underwriting risk is much higher than that calculated for longevity risk and disability alone.

#### Accrued pension rights

If a customer opts to close his/her public-sector scheme, or an employee of a customer leaves, no paid-up policies are issued. Accrued entitlements are transferred within KLP and the customer continues to pay the interest guarantee premium for these. KLP is therefore not exposed to the same problems as private occupational pension schemes where the life company is responsible for achieving the annual guaranteed return without the right to collect a premium for the interest guarantee. If the guaranteed interest is higher than the return, life companies must then add extra capital, while KLP can continue to collect an annual premium for the interest guarantee.

For paid-up policies policies in KLP Bedriftspensjon AS, see SFCR reports for KLP Bedriftspensjon AS.

Underwriting risk is mainly managed by maintaining a robust level of premiums and provisions. This gives an expected low probability of a negative insurance result. Great use is made of the risk equalisation fund, which can cover any negative risk result, to minimise the risk of losses related to underwriting risk affecting other equity. The Company is allowed to allocate a maximum of half of any positive risk result to the risk equalisation fund, while the rest has to go to the customers' premium fund.

Until mid-2019, KLP had a reinsurance contract to cover disaster events bearing on death and disability. KLP only has collective products without any option to choose the amount of cover for the individual parties insured. Based on this limitation, and given the size of the company and hence its large risk-bearing capacity, it was decided after an overall assessment not to renew the contract. The extent of reinsurance is regularly assessed in light of the Company's risk-bearing capacity and the nature of the products.

As KLP exists mainly to provide occupational pension solutions to municipal and county authorities and health enterprises, it is not considered appropriate to exclude any of these customer categories from offers from KLP on grounds of risk. KLP can anyway decline to offer public-sector occupational pension schemes to businesses that represent an unreasonably large risk. This applies mainly where historical data indicate a particularly high disability risk, but very few of our potential customers have such a prevalence of disability and it is very rare for anyone to be refused. Customer selection is therefore very little used to manage underwriting risk.

In practice, as it is specified what the insurance cover in public-sector occupational pension schemes must include<sup>4</sup>, the underwriting risk is contained within these limits. There is also a general requirement to equalise premiums so customers cannot be charged individually<sup>5</sup>, except for the interest guarantee premium and capital management costs.

Underwriting risk and the development of the market for relevant pension products are reported each year in a separate report from the Actuarial, Legal and Product department. The Board of Directors sets an annual strategy for underwriting risk and reinsurance.

#### C.2 Market risk

Market and counterparty risks for the Group are dominated by KLP's portfolios. The dominant risk is from shares in the parent company's common portfolio. The proportion of equity is managed dynamically through a policy rule, and it will be the dominant risk as long as the customer buffers are sufficient to maintain an equity element in line with long-term targets. This section will therefore describe the Group's market risk in terms of the market risk for KLP. For market risk in KLP Bedriftspensjon AS and KLP Skadeforsikring AS, refer to these companies' SFCR reports (section C.2 Market risk).

Market risk is the risk that the value of investments will change. Typical factors are changes in share prices, property prices, interest rates and exchange rates.. Market risk in KLP arises in the management of the pension assets and equity in the Company. In its long-term asset management strategy, KLP seeks to put together a portfolio which, in relation to KLP's obligations, can give the highest possible (competitive) return subject to limits on risk-taking. The limitations on risk mean that the risk is adjusted to ensure that the Company is solvent at all times and that it maintains sufficient risk capacity over time. This means that the Company should have a capacity for risk that allows us to maintain a certain level of risky assets in the short and long term, even after a year of heavy losses in asset management. The risk

<sup>&</sup>lt;sup>4</sup> Under tariff agreements

<sup>&</sup>lt;sup>5</sup> Gender and age-neutral premium calculation

capacity is also assessed in a long-term perspective, taking into consideration the impact of interest rates on risk capacity over time.

The risk capacity is regularly monitored and reported on at each Board meeting. The risk is measured both at the end of the year and on a rolling one-year horizon. Measurements are taken at intervals through the year.

To support these goals, the following principles form the basis of the capital management approach:

- Long-term investment perspective
- Diversified portfolios
- Focus on efficient markets and cost-effective management
- Risk management adapted to the company's long-term financial risk within regulatory limits
- Active corporate social responsibility

KLP's market risk is made up of equity risk, property risk, interest rate risk, credit risk, concentration risk and currency risk. Gross loss potential for market risk for KLP under Solvency II as at 31.12.2019 was estimated at NOK 89.8 billion, allowing for the diversification effect between the various asset classes. The potential loss is dominated by equity and property risk. Net capital requirements for KLP (after using buffer capital etc.) related to market risk were NOK 4.1 billion at 31.12.2019.

It should be possible to record, measure and report all investments in relation to external and internal guidelines for risk monitoring and reporting in place at any given time. This means that the Company should not trade in instruments without having developed the expertise and systems to provide for proper follow-up.

KLP follows up the market risk by way of stress tests and sensitivity analyses etc. Market risk is also a key part of the self-assessment of risk and solvency in the annual ORSA process. KLP calculates its solvency capital coverage at least quarterly.

LLP has its financial assets invested in customer portfolios and a corporate portfolio. The customer portfolios are made up of customers with public-sector occupational pensions, and the portfolios are divided according to risk-bearing capability. The market risk affects income and profits differently for the different portfolios.

The risks in the customer portfolios are compared taking account of objectives such as remaining solvent and maintaining risk capacity over time. Annual investment limits are set for the different asset classes. The portfolio breakdown for each asset class is generally well diversified so non-systematic risk is very limited. The risk in the portfolio is also handled dynamically though operational rules. This means that the risk in the customer portfolios is constantly adjusted to the risk-bearing capacity. During the year, the trend in profit or loss will send signals to the policy rule to adjust the level of risk exposure by buying and selling. The adjustments will normally be made in the equity market, as long as equities account for the bulk of the total risk in the common portfolio.

The market risk in the corporate portfolio affects equity directly. For the corporate portfolio, KLP aims to take low market risk. The majority of the funds are invested in interest-bearing securities with an average duration of 4.5 years as of 2019. The corporate portfolio has a low correlation with the customer portfolios.

#### Equities

The listed equity component of the common portfolio includes Norwegian exposure and global exposure in developed and emerging markets. Investments in unlisted shares consist of investments in special funds, private equity and other equity investments. Management is mainly through mandates issued to KLP Kapitalforvaltning AS.

The corporate portfolio has investment limits relative to the total assets under management in the corporate portfolio. The equity portfolio is made up of shares in subsidiaries and, to a lesser extent, associates, based on Board resolutions.

#### Property

KLP's property portfolio is managed by its subsidiary KLP Eiendom AS. Investments in property are mainly in Norway, but portfolios have also been established in Sweden, Denmark and the UK. We aim at long leases with solid counterparties. KLP's fundamental management philosophy is to hold high-quality properties in central shopping streets.

The property exposure in the corporate portfolio is made up of KLP's offices in Oslo and Bergen and low-risk leasehold sites.

#### Interest

The technical provisions are long-term, but it is not appropriate to have investments with the same duration. This is because investments with durations equal to the obligations are difficult to obtain, and because the duration in KLP is perceived to be short in regulatory terms as KLP can collect an annual interest guarantee premium.

Interest rate risk is not a significant contributor to KLP's capital requirements, but persistent low interest rates are naturally a challenge to the Company's ability to generate good returns for its customers.

The risk of the Company being unable to achieve a return greater than the guaranteed return is reduced in any given year by posting a substantial part of the interest-bearing investments to the accounts at amortised cost. The expected return for the hold-to-maturity portfolio in 2020 is around 3.5 percent, and the average duration is 5-6 years.

#### Other

The basic principles for asset management are set out above. This, combined with management mandates and limits that restrict exposure to individual issuers, means that KLP has only minimal exposure to concentration risk.

With few exceptions, KLP hedges its portfolios against currency fluctuations. The hedging rate for global equities in developed markets is around 60 per cent. No significant changes are expected in 2020. The Company will therefore continue to have little exchange rate risk across all portfolios.

There were no significant changes in market risk in 2019, but the equity portion increased slightly.

## C.3 Credit risk

The Group's credit and counterparty risk are also dominated by the parent company's risk in these areas. The discussion of the Group's exposure to these risks is therefore based on the description of these areas for KLP. For KLP Bedriftspensjon AS and KLP Skadeforsikring AS, refer to these companies' SFCR reports (section C.3 Credit risk). KLP Banken AS contributes some interest and credit risk from its activities, but the capital requirement for the Bank is included in the Group's solvency capital calculation.

Credit risk is a risk of losses where counterparties cannot met their debt obligations. The risk includes losses on loans and losses related to bank deposits, or non-fulfilment of contracts by counterparties in reinsurance contracts or financial derivatives. Losses in the securities portfolio that can be linked to these types of losses are categorised as market risk.

Credit and counterparty risk are part of market risk, so they are included as 'other market risk' in the various risk assessments and analyses carried out. Credit risk is classified at least once a year by country, rating and sector. Assessments of bad debt provision/valuation and default are made in line with the relevant accounting principles.

Credit limits are set on all credit exposure before an investment is undertaken. These limits are set by a separate credit committee. The credit limits are reviewed annually and monitored quarterly. The limits for Norwegian credit are primarily based on internal credit assessments. Lending to foreign borrowers is largely based on external ratings from recognised rating agencies.

In addition to the credit limits, special requirements for diversification are laid down up in the mandates to KLP Kapitalforvaltning AS. These ensure that portfolios without diverse indices have limited non-systemic risk.

## C.4 Liquidity risk

The liquidity risk in the Group is considered to be very limited. The parent company's portfolios are largely made up of liquid investments. At the same time, the cash flows from these activities are large relative to the liquidity needs for day-to-day operations. The companies in the Group are responsible for their own liquidity management. This section describes the liquidity risk for KLP. For KLP Bedriftspensjon AS and KLP Skadeforsikring AS, refer to their SFCR reports (section C.4 Liquidity risk), and for KLP Banken AS and KLP Kapitalforvaltning AS, refer to their ICAAP reports. All companies are subject to specific liquidity requirements.

KLP has a liquidity portfolio which should be able to meet ongoing obligations relating to payment of pensions and to coverage of operating costs. Liquidity needs that may arise as a result of people moving also form part of the overall assessment of the size of the liquidity portfolio. In normal circumstances the portfolio should have sufficient funds to prevent the Company needing to release funds from other portfolios for expected payments. As the majority of KLP's funds are invested in highly liquid assets and KLP's liquidity requirements are normally covered by quarterly premium payments from customers, the liquidity risk is considered to be limited.

For KLP, the insurance commitment is long-term, and the cash flows are largely known long before they fall due. The liquidity risk is handled through the liquidity strategy, covering measurement, management and contingency planning relating to liquidity risk.

From each quarterly premium payment, KLP aims to set aside liquid assets that are greater than or equal to three months' liquidity requirement. In situations where there are insufficient liquid assets to cover the liquidity need, funds have to be released from other portfolios or obtained in some other way. The contingency plan will come into effect when an exceptional liquidity need has arisen and the liquidity has fallen below certain defined levels. Based on this, the liquidity risk is considered to be low.

Liquidity planning is based on financial accounting values. The financial accounts do not include a margin from future premiums. The size of margin from future premiums is therefore not very relevant to liquidity risk and liquidity management.

## C.5 Operational risk

Operational risk is defined as the risk of financial loss or loss of reputation as a result of failure of internal processes, human error or system failure, or any other loss due to external events. Operational risk management involves detecting risk factors that can cause losses, and estimating the likelihood and impact of possible adverse events.

KLP's property investments are gathered together in its subsidiary KLP Eiendom AS, which both manages and develops property. This carries some non-traditional operational risk for a company in the insurance sector. The Company has its own ISO-certified processes to measure and manage its operational risk.

The capital requirement for operational risk for the KLP Group is calculated on the basis of the individual operational risks for the companies subject to Solvency II reporting and ICAAP reporting. The operational risk for the Group is dominated by the parent company. The capital requirement for operational risk is NOK 2.6 billion for the Group and NOK 2.5 billion for KLP. The discussion of the Group's operational risk is therefore based on the description of the operational risk for KLP. For KLP Bedriftspensjon AS and KLP Skadeforsikring AS, refer to their SFCR reports, and for the subsidiaries subject to ICAAP reporting, refer to their ICAAP reports.

KLP carries out an annual governance process (risk management and internal control) in which the heads of all departments identify operational risks within their areas of responsibility. The likelihood and impact of each risk are assessed, and it is decided whether the risks are acceptable or whether risk reducing measures must/should be taken. Where the risk assessment concludes that the risk is higher than is acceptable, measures will be established to reduce the likelihood or the impact of this risk. Measures identified earlier are followed up and are included in the assessments. The identified risks are grouped together for each division. Finally, a list is produced for the Company, which is included in the Group's list. The risk management function facilitates the process and reports performance to senior management and the Board. Strategic risk and risk to reputation are valued separately.

The internal control process is supplemented with a valuation of the principal operational risks. The Company's own assessment includes a calculation of the capital requirements for operational risk based on the valuation. The Risk Management function helps to quantify the economic losses. The capital requirement for the operational risk is calculated by the standard formula based on a volume target for premiums and reserves.

The major identified operational risks in KLP are linked to the increasing scope of new general regulation, stable IT operation, data quality and increasing exposure to new IT security threats.

#### C.6 Other material risks

It is considered that other significant risks in the Group are dominated by KLP and thus covered in KLP's SFCR report, section C.6.

#### C.7 Other information

The foregoing is considered to cover all the key details of the Company's risk profile.

## D. Valuation for solvency purposes

#### D.1 Assets

Total assets valued in the solvency balance amounted to NOK 639.5 billion at 31.12.2019. This is an increase of NOK 67 billion since 31.12.2018. Total financial assets (accounting values) amounted to NOK 631.4 billion at 31.12.2019. This is an increase of NOK 65.3 billion since 31.12.2018.

Assets under Solvency II are recognised at fair value. The valuation principles are largely congruent with the principles for valuation at fair value under International Financial Reporting Standards (IFRS). The financial statements for KLP are drawn up in accordance with the Regulations on annual accounts for insurance companies. These rules broadly match IFRS, but bonds at amortised cost and bonds classified as loans and receivables are recognised at amortised cost. There are also differences in the valuation of intangible assets and deferred taxes.

Table 5: Assets. Figures in NOK billions

Asset classes	Solvency II 2019	Accounting 2019	Solvency II 2018	Accounting 2018
Intangible assets		0.5		0.2
Deferred tax assets*	0.5	0.1	0.8	0.0
Property for own use	2.0	2.0	1.8	1.8
Property (other than for own use)	57.1	57.1	49.6	49.6
Holdings in related undertakings, including participations	4.5	4.5	3.3	3.3
Equities etc.	42.2	42.2	31.2	31.2
Bonds	253.9	246.3	243.8	238.4
securities' funds etc.	165.3	165.3	150.7	150.7
Derivatives	5.0	5.0	0.8	0.8
Deposits other than cash equivalents	1.5	1.5	1.6	1.6
Assets related to contracts with investment options	4.9	4.9	3.4	3.4
Loans	85.7	85.2	77.3	76.9
Reinsurance recoverables	0.1	0.1	0.0	-
Other assets**	16.8	16.8	8.1	8.1
Total	639.7	631.4	572.5	566.1

<sup>\*</sup> With gross tax assets under Solvency II.

## D.1.1 Intangible assets

#### Valuation, Solvency II:

Intangible assets are valued at zero. Under Solvency II, intangible assets are valued at zero unless the asset can be sold separately and the company can demonstrate that it has a market value.

#### Valuation, accounts:

Intangible assets are valued for accounting purposes at cost and depreciated over their expected service life. If there are indications that the book value of an intangible asset is higher than the recoverable amount, an impairment test is carried out. If the recoverable

<sup>\*\*</sup>Other assets are made up of: 'Cash and cash equivalents', 'Receivables from policy-holders', 'Receivables from reinsurers', 'Other receivables' and 'Miscellaneous other assets'.

amount is less than the book value, the asset is depreciated to the recoverable amount. Intangible assets are posted to the balance-sheet in the amount of NOK 0.5 billion.

## D.1.2 Assets subject to tax

#### Valuation, Solvency II:

Deferred tax is split into a deferred tax asset of NOK 0.5 billion and a deferred tax liability of NOK 1.6 billion under Solvency II in 2019 for the Group. The calculations include the transitional scheme for technical provisions.

This valuation is based on the accounting calculation but also factors in the effect of assets and liabilities with a different valuation than in the accounts. These include technical provisions, financial liabilities and interest-bearing portfolios valued at amortised cost in the accounts. Financial liabilities are valued slightly higher in the Solvency II balance-sheet, which produces a deferred tax asset. Assets in interest-bearing portfolios valued at amortised cost in the accounts are valued higher in the Solvency II balance-sheet, and so give rise to a deferred tax liability. KLP Skadeforsikring AS does not use any temporary deduction in technical provisions.

#### Valuation, accounts

Capitalised deferred tax assets or liabilities represent the nominal value minus any impairment of the holding which is not assumed to be usable and so has no value. The nominal value is calculated on the basis of differences between the accounting and taxation timing of changes in the value of assets and liabilities. To the extent that these differences will reverse at a later date, there will be deferred tax (accounting income taken before taxable income) or a deferred tax asset (taxable income taken before accounting income). Temporary differences are offset against each other where they are expected to reverse within the same time frame and the differences can be equalised through Group-level allocations. Net temporary differences which mean that the Company has brought forward taxable income or deferred taxable deductions are posted as deferred tax assets.

At 31.12.2019, the Group had net deferred taxes of NOK 1.2 billion. See section D.3.3.

#### D.1.3 Property for own use

#### Valuation, Solvency II

Property for own use is measured at fair value.

Property investments are measured at fair value. Fair value is calculated using an internal valuation model because there is not considered to be an active market with observable prices in the property markets that KLP invests in. In order to quality-assure the interval valuation model, a selection of the Group's property stock is regularly valued by external, independent and qualified valuers. In the event of significant deviation from our own assessment of fair value, the differences are analysed and the valuation model's parameters are adjusted if this proves necessary.

#### Valuation, accounts

In the accounts, property for own use is measured at fair value by the revaluation method. This means that property for own use is depreciated on a regular basis, then revalued to fair value. The calculation of fair value matches the calculation defined for valuation under Solvency II.

#### D.1.4 Property (other than for own use)

#### Solvency II valuation equal to reported value

The property investments are measured at fair value by the same method used to determine the fair value of property held for own use; see description in section D.1.3.

## D.1.5 Investments in associates, including participations

#### Valuation, Solvency II

Investments in associates, including participations, are measured at fair value. Fair value is estimated to equal net assets and liabilities in the subsidiary measured at fair value.

#### Valuation, accounts

Investments in associates, including participations, are measured by the equity method. Where the subsidiary's accounts are prepared according to different principles than KLP's own accounting principles, the subsidiary's accounts are converted to KLP's principles before KLP's share of the profit/loss is entered in the accounts.

#### D.1.6 Equities etc.

#### Solvency II valuation equal to reported value

Equities etc. are measured at fair value. Fair value should be a representative price based on what a corresponding asset would have been traded for on normal market terms and conditions.

A share is considered as listed in an active market if quoted prices are easily and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. 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 pick up possible errors.

If the market for the share is not active, or the share is not listed on a stock market or similar, the Group uses valuation techniques to set fair value. These are based for example on information on recently completed transactions carried out on commercial terms, and reference to trading in similar instruments. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

#### D.1.7 Bonds

#### Valuation, Solvency II

Investments in bonds are measured at fair value. Fair value should be a representative price based on what a corresponding asset would have been traded for on normal market terms and conditions. A financial instrument is considered as listed in an active market if quoted prices are easily and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

If the market for the security is not active, or the security is not listed on a stock market or similar, the Group uses valuation techniques to set fair value. These are based, for example, on information on recently completed transactions carried out on commercial terms, reference to trading in similar instruments and pricing using externally collected yield curves and yield spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

#### Valuation, accounts

Investments in bonds are reported in the accounts partly at fair value and partly at amortised cost. For the portion measured at fair value, there is no difference from the valuation principles described for Solvency II.

Bonds where the intention is to receive a fixed rate of interest for the whole term to maturity are valued for accounting purposed at amortised cost. This amounts to NOK 180 billion out of a total of NOK 264 billion. The difference in valuation is NOK 7.6 billion.

Bonds are measured at amortised cost using the effective interest method. The internal rate of return is set through discounting contractual cash flows over the expected duration. The cash flows include setting-up charges and direct transaction costs as well as any residual value at the end of the expected duration. Amortised cost is the present value of these cash flows discounted by the internal rate of return.

#### D.1.8 Asset management companies etc.

#### Solvency II valuation equal to reported value

Securities funds etc. are measured at fair value; see description under D.1.6.

Securities funds etc. also include investments in private equity funds. The fair value of these funds is based on reported market values, as quoted in the International Private Equity and Venture Capital Valuation Guidelines (IPEV Guidelines). These guidelines are issued by the European Venture Capital Association (EVCA) and based on the principle of approximate market valuation of the companies in the funds.

#### D.1.9 Derivatives

#### Solvency II valuation equal to reported value

Derivatives are measured at fair value.

## D.1.10 Deposits other than cash equivalents

#### Valuation, Solvency II

Deposits other than cash equivalents are measured at fair value.

#### Valuation, accounts

Deposits other than cash equivalents are measured at nominal intrinsic value.

## D.1.11 Assets linked to contracts with investment options

#### Solvency II valuation equal to reported value

Assets linked to contracts with investment options are made up of units in investment funds. These are measured at fair value; see description under D.1.8.

#### D.1.12 Lending

#### Valuation, Solvency II

Lending is measured at fair value; see discussion of Solvency II valuation of bonds in section D.1.7.

#### Valuation, accounts

Loans are reported in the accounts at amortised cost. This produces a valuation NOK 0.2 billion lower than the fair value reported in the Solvency II balance-sheet.

Lending is measured at amortised cost using the effective interest method. The internal rate of return is set through discounting contractual cash flows over the expected duration. The cash flows include setting-up charges and direct transaction costs as well as any residual value at the end of the expected duration. Amortised cost is the present value of these cash flows discounted by the internal rate of return.

Loans are written down where there is objective proof of impairment. Loss assessment and loss write-down is carried out quarterly on individual loans.

Lending is also assessed by group. If there is objective proof of impairment in a group of loans, a write-down is carried out.

#### D.1.13 Reinsurance share of gross technical provisions

#### Valuation, Solvency II

The reinsurance portion of gross technical provisions is measured at fair value. This means that the receivable is discounted, taking account of expected losses on claims against reinsurance companies.

#### Valuation, accounts

Valuation for accounting purposes uses nominal value with a deduction for losses resulting from default.

#### D.1.14 Other assets

#### Solvency II valuation equal to reported value

Other assets are measured at fair value.

#### **D.2** Technical provisions

Insurance liabilities are valued differently under Solvency II and in the financial statements. Under Solvency II, the insurance liabilities are referred to as technical provisions, while the financial statements refer to them as insurance provisions.

#### D.2.1 Value of technical provisions, basis, methods and assumptions

Under Solvency II, all assets and liabilities are valued at market value (also called fair value). The technical provisions in Solvency II are made up of a best estimate plus a risk margin.

For KLP and KLP Bedriftspensjon AS, best estimates are made up of guaranteed benefits and discretionary benefits. The value of the best estimate is calculated as the sum of future cash flows from all receipts and payments expected within the contract limit and the probability-weighted average of future cash flows.

Because of uncertainty in the best estimate, a risk margin is added. This is intended to cover the costs of providing risk capital (eligible Tier 1 and 2 capital). The risk margin is calculated as the present value of the capital cost, by keeping the risk capital equal to the solvency capital requirement which arises from taking over the portfolio.

KLP and KLP Bedriftspensjon AS use transitional rules to calculate technical provisions in accordance with the Article 56 of the Solvency II Regulation. Technical provisions (Solvency II Directive, Article 308d). The effect is calculated as the difference between the technical provisions (sum of best estimate and risk margin) and the insurance provisions in the accounts (the sum of the premium reserve, supplementary provisions, securities adjustment fund, other provisions for insurance funds and other technical provisions). The effect is

reduced on a linear basis at the beginning of each year from 100 per cent on 1 January 2016 to 0 per cent on 1 January 2032. There is also a floor defined for valuation which limits the effect of the transitional rule.

Tables 6 and 7 below show the technical provisions under Solvency II and the technical provisions in the financial accounts for the Group broken down by industries for KLP and KLP Bedriftspensjon AS. Technical provisions under Solvency II are shown both with and without the use of transitional rules for the technical provisions which KLP and KLP Bedriftspensjon AS use. The Solvency II provisions are calculated with a volatility adjustment as set out in Article 3(2) of the Solvency II Regulation. Yield curve (Article 77d of the Solvency II Directive). The volatility adjustment provides a mark-up in the risk-free market interest rate. This means that the obligations will be lower than they would have been without this adjustment. The effect depends on the amount of the markup. The adjustment as at 31.12.2019 represents an interest markup of 0.40 percentage points for the first ten years, after which it decreases slightly.

KLP Skadeforsikring AS is not covered by the transitional rules and does not use any volatility adjustment in its calculations.

Table 6 Technical provisions for KLP and KLP Bedriftspensjon AS with volatility adjustment and with transitional rules for technical provisions under Solvency II. Figures in NOK billions

Technical provisions 2019 with the transitional rules	Best estimate	Risk margin	Technical provisions Solvency II	Technical provisions Accounts
Public occupational pension	554.4	13.2	567.6	566.2
Guaranteed products	1.7	0.1	1.8	1.7
life insurance - excluding index-linked and insurance with investment options	556.2	13.3	569.4	568.0
life insurance - index-linked and insurance with investment options	4.9	0.0	4.9	4.9

Table 7 Technical provisions for KLP and KLP Bedriftspensjon AS with volatility adjustment but without transitional rules for technical provisions under Solvency II. Figures in NOK billions

Technical provisions 2019 without the transitional rules	Best estimate	Risk margin	Technical provisions Solvency II	Technical provisions Accounts
Public occupational pension	560.3	13.3	573.6	566.2
Guaranteed products	1.9	0.1	2.0	1.7
life insurance - excluding index-linked and insurance with investment options	562.2	13.4	575.6	568.0
life insurance - index-linked and insurance with investment options	4.9	0.0	4.9	4.9

With the use of the transitional rules, the technical provisions under Solvency II are lower than without the use of transitional rules.

In order to calculate the time value of future cash flows, economic scenarios are generated in an economic scenario generator (ESG). KLP uses the scenario generator from Moody's Analytics. The scenario generator is calibrated to the risk-free interest rates published by EIOPA. This yield curve is used both to discount the cash flows and as an initial yield curve for simulating future returns. The scenarios are generated to be risk neutral, so all asset

classes are assigned a yield that assumes risk-free interest rates. This is in line with the Solvency II rules.

For KLP Skadeforsikring AS, claims provision in the Solvency II balance-sheet represents the present value of future claims for losses incurred plus claims handling costs. In practice, this is calculated by discounting the reported claims reserves.

For KLP Skadeforsikring AS, the premium provision in the Solvency II balance-sheet represents the present value of future claims for losses incurred plus administration costs for potential claims. The Solvency II values also take into account expected departures and expected accepted business for quotations that the company has undertaken to abide by.

The risk margin in the Solvency II balance sheet is a provision which is intended to cover costs incurred in engaging another company to take over the Company's insurance portfolio. This is calculated from the present value of the capital cost a successor company will assume when it has to keep the risk capital equal to the solvency capital requirement arising from taking over the portfolio.

More specifically, the solvency capital requirement is calculated as the liability that arises immediately upon taking over the insurance portfolio with all related insurance liabilities and receivables. The solvency capital requirement going forward decreases with the reduction in the best estimate of the technical liabilities. The risk margin is the present value of the capital cost, keeping the risk capital equal to the solvency capital requirement throughout the winding-up period.

The values of the technical provisions under Solvency II and the technical provisions in the financial accounts are shown in table 8 below.

KLP Skadeforsikring AS is not covered by the transitional rules and does not use any volatility adjustment in its calculations.

Table 8: Technical provisions for KLP Skadeforsikring AS. Figures in NOK billions

Technical provisions 2019	Best estimate	Risk margin	Technical provisions Solvency II	Technical provisions Accounts
Assistance	0.007	0.002	0.009	0.030
Fire and other damage to property insurance	0.794	0.043	0.837	0.932
General liability insurance	0.145	0.011	0.155	0.162
Motor vehicle liability insurance	0.100	0.009	0.109	0.144
Other motor insurance	0.103	0.015	0.118	0.237
Income protection insurance	0.347	0.024	0.371	0.411
Workers' compensation insurance	0.521	0.028	0.550	0.586
Non-life insurance – excluding health insurance	2.017	0.132	2.149	2.502
Health insurance	0.089	0.003	0.092	0.102
Total non-life insurance	2.106	0.135	2.241	2.604

#### D.2.2 Uncertainty related to the value of technical provisions

When using complex cash flow models, there will always be some uncertainty in the results. The results are sensitive to the assumptions, choice of methods and processing of input prior to each calculation. The level of uncertainty in the calculations of the insurance obligation is driven by uncertainty in the underlying assumptions. Such assumptions are reviewed at least

once a year in the companies' risk management committees to ensure that they still accurately reflect the Company and its strategies.

The interest rates given by EIOPA are based on some assumptions that are uncertain, including the extrapolation methodology, time taken to obtain long-term interest, long-term interest rates and volatility adjustment levels. As part of the ORSA process, sensitivity analyses are carried out for the value of solvency capital and the capital requirements for changed assumptions. One intention is to increase understanding of the sensitivity of the calculations.

## D.2.3 Value of technical provisions, basis, methods and assumptions

#### KLP

In the financial accounts, the provisions are made up of the premium reserve, additional provisions, the securities adjustment fund, other provisions to insurance funds and other technical provisions.

The calculation of a premium reserve in the financial accounts is based on the present value of deposits and payments using the same assumptions as in the premium calculation basis. The present value is calculated with a discount rate equal to the guaranteed interest at the time of accrual throughout the term of the individual insurance contract.

The valuation of the technical provisions in the financial accounts is deterministic. The biometric assumptions in the premium calculation basis in use at any given time are also used. Biometric assumptions cover mortality, invalidity and re-entry into work. The assumptions include safety margins in relation to what is considered as a best estimate. For longevity/mortality, the K2013 tariff is used. For invalidity and re-entry into work, KLP's own price tariff is used.

For hospital doctors and nurses, price tariffs for longevity/mortality with reduced death rates are used. For invalidity, price tariffs with reduced invalidity rates are used. Over time, It has been observed that the members of these risk groups live longer and are less likely to be incapacitated than the members of the other joint schemes with KLP. The price tariffs are reported to and approved by the Financial Supervisory Authority of Norway.

## KLP Bedriftspensjon AS

For guaranteed products, the methods, and assumptions used in KLP Bedriftspensjon AS are the same as in KLP, with some simplifications in the modelling of invalidity. KLP Bedriftspensjon AS also uses some different parameters to KLP for invalidity. For longevity/mortality, the K2013 tariff is used, as in KLP.

The Company offers risk pension schemes (risk pension without paid-up policy rights) which are normally associated with the defined contribution schemes. These cover amounts are dominated by invalidity risk.

The risk premiums for these schemes are charged annually and no rights are accrued. This means that KLP Bedriftspensjon AS can change the price tariffs if the results dictate this and get the full effect from the time the price change is made. This possibility reduces the potential loss from these schemes.

For this product, risk classes have also been introduced so the price should reflect the invalidity risk of employees in the individual company. This makes it easier to price the risk when submitting a quotation and to change the price for established customers or customer groups if the results dictate this. KLP Bedriftspensjon AS can also elect not to provide quotations to businesses that represent a disproportionately high risk.

#### KLP Skadeforsikring AS

In calculating technical provisions, individual claim provisions are made for all claims reported but not settled. 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 is calculated 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 to the total claims provisions (reported + not reported claims) 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 valued in line with expectations and include provisions for future indirect claims handling costs. Claims provision is not discounted.

The provision for unearned premiums is the pro rata portion of premiums payable accrued after the accounting close.

## D.2.4 Matching adjustment

The Group does not apply the matching adjustment described in Article 3(3) of the Solvency II Regulation. Yield curve (Article 77b of the Solvency II Directive).

## D.2.5 Volatility adjustment

KLP and KLP Bedriftspensjon AS apply the volatility adjustment described in Article 3(2) of the Solvency II Regulation. Yield curve (Article 77d of the Solvency II Directive). The volatility adjustment provides a mark-up in the risk-free market interest rate. This means that the obligations will be lower than they would have been without this adjustment. The effect depends on the amount of the markup. The adjustment at 31.12.2019 represents an interest mark-up of 0.40 percentage points for the first ten years, after which it decreases. The effect is shown for KLP, as the Group's technical provisions are dominated by the parent company.

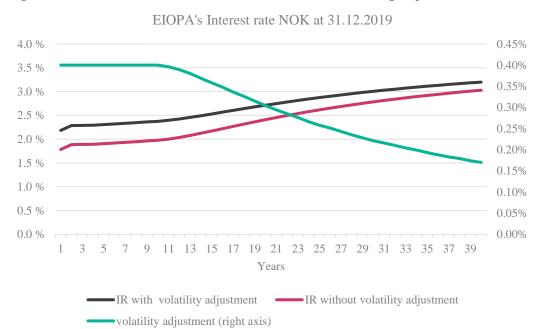


Figure 3: EIOPA's interest rates with and without volatility adjustment at 31.12.2019

Figure 4: EIOPA's interest rates with and without volatility adjustment at 31.12.2018

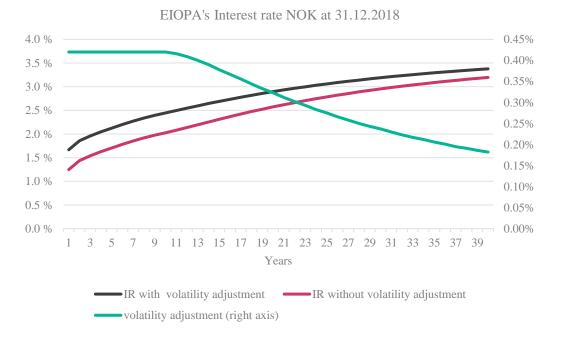


Table 9: Effect of utilising volatility adjustment and transitional rules for technical provisions for KLP. Figures in NOK billions

2019	With the volatility adjustment	Without the volatility adjustment	Difference
Technical provisions	567.6	567.8	-0.2
Solvency capital requirement (SCR)	14.6	15.14	-0.5
Minimum capital requirement (MCR)	6.1	6.83	-0.7
Eligible own funds to meet the SCR	46.2	46.25	-0.1
Eligible own funds to meet the MCR	40.1	40.05	0.1
Ratio of Eligible own funds to SCR	316 %	306 %	11 %
Ratio of Eligible own funds to MCR	660 %	587 %	73 %

Difference in per cent (percentage points).

As Table 9 above shows, KLP has a solvency capital coverage of 278 per cent without the use of volatility adjustment and a solvency capital coverage of 317 per cent with the use of volatility adjustment at 31.12.2019. Use of the volatility adjustment gives a 39 percentage point increase in solvency capital coverage. Both calculations include the use of transitional rules for the technical provisions.

#### D.2.6 Transitional provisions on risk-free interest rates

The Group does not apply the transitional provisions on risk-free interest rates described in Article 308c of the Solvency II Directive. To measure their insurance obligations, insurance companies must use the latest risk-free yield curves published by the Financial Supervisory Authority of Norway (Article 3(1) of the Solvency II Regulation).

# D.2.7 Transitional measure for technical provisions

In reporting to the Financial Supervisory Authority of Norway, KLP and KLP Bedriftspensjon AS apply the temporary deduction provided for by the transitional measure for technical provisions described in Article 308d of the Solvency II Directive. Note 26 Capital requirements in the KLP Group's financial statements show the calculations without the use of this temporary deduction. The calculations are shown in table 10 below.

The technical provisions with transitional rules are valued at NOK 576.6 billion in the solvency balance for the whole of the KLP Group at 31.12.2019. This is NOK 8.8 billion more than the liabilities of NOK 567.8 billion shown in the financial statements. Without transitional rules, the technical provisions in the solvency balance are valued at NOK 582.8 billion, NOK 7.3 billion higher than the liabilities in the financial statements.

The transitional provisions say that in 2019 one can deduct 13/16 of this difference in the Solvency II valuation. That means that the valuation of the best estimate under Solvency II including the transitional scheme is NOK 576.6 billion. The difference between the technical provisions with and without transitional arrangements is NOK 6.2 billion.

The deduction will be reduced on a linear basis until 2032. The difference for 2019 will be multiplied by 13/16, which means that there are 14 years left of the transition period. The transition period is 16 years from 2016 to 2032.

Table 10: Effect of applying the transition rule to the technical provisions for the Group.

Figures in NOK billions

2019	With using the transitional rules for technical provisions	Without using the transitional rules for technical provisions	Difference
Technical provisions	576.6	582.8	-6.2
Solvency capital requirement (SCR)	15.9	15.9	-0.0
Minimum capital requirement (MCR)	6.5	6.5	-0.0
Eligible own funds to meet the SCR	46.8	40.6	6.2
Eligible own funds to meet the MCR	38.2	31.9	6.2
Ratio of Eligible own funds to SCR	294 %	254 %	39 %
Ratio of Eligible own funds to MCR	586 %	490 %	96 %

Difference in per cent (percentage points).

With the use of the transitional provision, the technical provisions are lower than without the use of it. The eligible Tier 1 and 2 capital is increased at the same time if we use the transitional provision. Both of these changes tend towards higher solvency capital coverage with the use of the transitional provision than without the use of the transitional provision. Even without the use of the transitional rules for the technical provisions, the KLP Group meets the solvency capital requirement by a good margin.

#### D.2.8 Miscellaneous

#### D.2.8.1 Reinsurance

KLP currently only has collective products without any option to choose the amount of cover for the individual parties insured. Based on this limitation, and given the size of the company and hence its large risk-bearing capacity, the need for reinsurance in KLP is considered small. KLP does not currently use reinsurance.

KLP Bedriftspensjon AS has a similar type of disaster coverage. The agreement covers the risk, above a lower limit, related to disasters with ten or more deaths or invalidity cases per disaster (limited to two disasters per year). There is also an upper limit on payments from reinsurers so the reinsured amount is of limited size.

KLP Skadeforsikring AS has its own reinsurance programme. The Company optimises the reinsurance programme in relation to reinsurance costs and the Company's risk capacity. The reinsurance programme for KLP Skadeforsikring AS is reassessed and renewed annually. There are minimum rating requirements for reinsurers. The proportion of the programme placed with one reinsurer is limited.

#### D.2.8.2 Significant changes in assumptions

#### <u>KLP</u>

Changes have been made to the calculation basis for mortality for men in the best estimate from 01.01.2019 onwards. The initial mortality rate in the best estimate is unchanged, but mortality rates have been reduced. The changes are based on the forecasts from Statistics Norway for life expectancy. The change has been implemented in all risk groups.

# KLP Bedriftspensjon AS

The price tariff is unchanged.

#### KLP Skadeforsikring AS

During 2019, no significant changes have been made to the assumptions used to calculate the technical provisions for KLP Skadeforsikring AS.

# **D.3** Other liabilities

The table below shows the breakdown of other liabilities.

*Table 11: Other liabilities Figures in NOK billions* 

Other liabilities	Solvency II 2019	Accounting 2019	Solvency II 2018	Accounting 2018
Provisions other than technical provisions	1.4	1.4	0.9	0.9
Pension benefit obligations	0.6	0.6	0.7	0.7
Deferred tax liabilities*	1.5	0.7	3.9	0.5
Derivatives	0.7	0.6	3.9	3.9
Financial liabilities other than debts owed to credit institutions	4.0	4.0	0.6	0.6
Insurance & intermediaries payables	1.0	1.1	1.6	1.6
Payables (trade, not insurance)	2.0	2.0	1.6	1.6
Subordinated liabilities	8.1	7.8	8.0	7.7
Other liabilities**	5.8	0.2	0.1	0.1
Total	25.2	18.3	21.3	17.5

<sup>\*</sup> With gross tax assets under Solvency II

# D.3.1 Provisions other than technical provisions

#### Solvency II valuation equal to reported value

Provisions other than technical provisions are measured at fair value.

<sup>\* \*</sup> Reinsurance and other obligations not shown elsewhere

# D.3.2 Pension obligations - own employees

#### Solvency II valuation equal to reported value

KLP's employees have a defined-benefit pension entitlement. Most are covered through KLP's public sector occupational pensions by virtue of membership of the joint pension scheme for municipalities and enterprises ('Fellesordningen'). Other entitlements are also defined-benefit, but covered via operations.

The liability is posted to the Solvency II balance-sheet at the present value of the obligation on the reporting date, minus the fair value of the pension assets. The gross obligation is calculated using the straight-line method. The present value of the gross liability is discounted at 2.3 per cent which is meant to reflect interest rates on Norwegian high-quality bonds.

The table below shows the pension obligations in NOK billions:

Table 12: Net pension obligations - own employees, 2019. Figures in NOK billions

Net pension obligations, own employees	Joint pension scheme	Other entitlements	Total
Present value of obligations	2.1	0.3	2.4
Fair value of the pension assets	1.6	0.0	1.6
Net pension obligations, own employees	0.5	0.3	0.8

Table 13: Net pension obligations - own employees, 2018. Figures in NOK billions

Net pension obligations, own employees	Joint pension scheme	Other entitlements	Total
Present value of obligations	2.0	0.3	2.3
Fair value of the pension assets	1.4	0.0	1.4
Net pension obligations, own employees	0.6	0.3	0.9

*Table 14: Allocation of pension funds for own employees* 

Allocation of pension assets	2019	2018
Property	12.4 %	12.7 %
Equities and participations	25.9 %	21.4 %
Loans	12.5 %	12.1 %
Interest-bearing securities	49.3 %	53.8 %
Total	100.0 %	100.0 %

## D.3.3 Deferred tax

#### Valuation, Solvency II

See discussion in section D.1.2.

#### Valuation, accounts:

At 31.12.2019, the Group recognised net deferred tax of NOK 0.7 billion; see notes in section D. 1.2.

#### D.3.4 Derivatives

#### Solvency II valuation equal to reported value

Derivatives are measured at fair value.

#### D.3.5 Financial liabilities other than liabilities to credit institutions

#### Solvency II valuation equal to reported value

These liabilities are measured at fair value.

# D.3.6 Liabilities related to direct insurance, including insurance brokers

#### Solvency II valuation equal to reported value

These liabilities are measured at fair value.

## D.3.7 Payment obligations (to suppliers, excl. insurance)

#### Solvency II valuation equal to reported value

These liabilities are measured at fair value.

# D.3.8 Hybrid Tier 1 perpetual capital

#### Valuation, Solvency II

Under Solvency II, financial liabilities are measured at fair value when the loan is taken. Later valuations will not take account of changes in the Company's own creditworthiness after this point. In the Solvency II balance-sheet, the hybrid Tier 1 perpetual capital is valued using an interest curve which does not include any credit mark-up to the Company, which produces a conservative valuation of the loan.

#### Valuation, accounts

The hybrid Tier 1 perpetual capital is valued for accounting purposes at amortised cost, adjusted for changes in value resulting from currency and interest rate movements according the rules on fair value hedging.

# D.3.9 Subordinated loan capital

#### Valuation, Solvency II

Under Solvency II, financial liabilities are measured at fair value when the loan is taken. Later valuations will not take account of changes in the Company's own creditworthiness after this point. Subordinated debt is valued in the Solvency II balance-sheet using an interest curve where the Company's credit mark-up is kept unchanged from when the loan was taken out.

#### Valuation, accounts

Subordinated debt is measured at amortised cost. Subordinated debt in foreign currency has been translated to NOK using the exchange rate at the end of the reporting period. This means that the reported book value is NOK 396 billion less than the Solvency II valuation.

KLP had one subordinated loan as of 31.12.2019.

# **D.4** Alternative methods for valuation

KLP's valuation principles for assets that cannot be valued based on quoted prices are described in Note 7 Fair value hierarchy in the 2019 annual report for the KLP Group.

#### **D.5** Other information

The foregoing is considered to cover all the key information on valuation.

# E. Capital management

The main purpose of the KLP Group is to manage the capital invested by its members in the Company either as owners (equity) or as retail customers (pension funds) as well as possible within the Company's risk capacity.

#### E.1 Tier 1 and 2 capital

The Group's Tier 1 and 2 capital is dominated by own funds in the parent company. Smaller amounts come from KLP Skadeforsikring AS, KLP Bedriftspensjon AS and Tier 1 and 2 capital calculated according to relevant sector-level rules for KLP Banken AS and KLP Kapitalforvaltning AS. The purpose of the Company's Tier 1 and 2 capital is to satisfy regulatory requirements under Solvency II by a good margin. The Company reports its capital adequacy ratio for the Solvency Capital Requirement and the Minimum Capital Requirement every quarter.

The boards of KLP, KLP Bedriftspensjon AS and KLP Skadeforsikring AS have adopted a policy for capital management. The purpose of the guideline is to ensure that the respective companies are sufficiently capitalized and meet the regulatory minimum requirements for capital set by the financial authority. The Company has also set its own targets for solvency capital coverage which are well above the requirements of the FSA.

The policy defines bands for solvency capital coverage. An annual capital plan is drawn up, in which the banding and targets for solvency capital coverage are defined for the plan period, which is normally three years. It also defines the measures that can or should be taken at different levels of solvency capital coverage.

In the current plan period, KLP, KLP Bedriftspensjon AS and KLP Skadeforsikring AS all have a goal of having a solvency capital coverage of over 150 per cent. The companies meet the requirement with a good margin.

KLP and KLP Bedriftspensjon AS apply the transitional measure for technical provisions, but the Group sets targets for solvency capital coverage without using this. For the same reason, solvency capital coverage is reported without using the transitional measure in notes to the companies' and the KLP Group's accounts. The Group's solvency capital coverage without using the transitional rules for technical provisions is 255 per cent at 31.12.2019, well above its own target of 150 per cent, which is in turn well above the official requirements. Solvency capital coverage using the transitional rule for technical accruals was 294 per cent for the Group.

KLP's articles of association allow it to call in capital from its owners. The Company also collects an annual capital contribution from its owners. For 2019 the equity contribution was 0.30 per cent of the premium reserve.

The Tier 1 and 2 capital is classified in three capital groups based on the characteristics of each capital entry. Quality and availability are crucial for the classification. The main breakdown is based on whether

- The capital can be used for or paid in on demand to cover any loss at any time
- The capital can be used to cover losses and will not be refunded until all other claims have been covered, including claims arising out of insurance and reinsurance contracts.

#### Tier 1

The Company's unrestricted Tier 1 regulatory capital is made up of equity contributed in KLP, share capital in KLP Skadeforsikring and KLP Bedriftspensjon, the share premium reserve in KLP Bedriftspensjon AS, and a reconciliation reserve for the Group. The reconciliation reserve ensures that the difference between assets and liabilities in the Solvency II balance-sheet is reflected in Tier 1 and 2 capital. The hybrid Tier 1 perpetual capital is also included in Tier 1 (restricted). To cover the Solvency Capital Requirement at Group level, participations in KLP Banken AS and KLP Kapitalforvaltning AS are deducted and replaced with these companies' Tier 1 and 2 capital calculated according to relevant sector-level rules. All Tier 1 capital is classed as own funds.

#### Tier 2

Tier 2 capital includes subordinated loans and provisions to the natural perils pool fund as own funds. KLP has also been granted the right under its Articles of Association to call in capital as supplementary capital, as long as the conditions are met. This supplementary capital is calculated as 2.5 per cent of KLP's total premium reserve at any given time, with approval for this method granted until 31.12.2023. Approval from the Financial Supervisory Authority of Norway was granted on 14.06.2019.

### Tier 3

Tier 3 includes any net deferred tax asset, with some restrictions. At year-end 2016 and year-end 2017, this was zero for the Group.

The hybrid Tier 1 perpetual capital (JPY 15 billion) with a Solvency II value of NOK 1.738 billion at 31.12.2019, has a fixed USD interest rate of 5.07 per cent per year. The loan is perpetual, but KLP has the right to repay it by 28.04.2034. If KLP does not exercise its right to repay in 2034, the loan will move onto floating interest. The credit margin will then increase by 1 percentage point to 6-month JPY LIBOR interest + a margin of 3.30 per cent per year. The loan was issued on 22.04.2014.

The subordinated loan (EUR 600 million) with a Solvency II value of NOK 6.408 billion at 31.12.2019, has a fixed interest rate of 4.25 per cent per year. The loan was issued on 10.06.2015 and is time-limited to mature in 2045. The loan can be repaid by KLP after 10 years, and on each interest payment date from then until the maturity date. The debt is listed on the London Stock Exchange.

The Solvency II rules lay down requirements for the composition of Tier 1 and 2 capital to cover the solvency capital requirement and the minimum capital requirement. This is known as eligible Tier 1 and 2 capital.

# E.1.1 Classification of Tier 1 and 2 capital able to cover the Solvency Capital Requirement

The Tier 1 and 2 capital to cover the solvency capital requirement at year-end 2019 and year-end 2018 was composed as shown in table 15. The calculations of the technical provisions are with transitional rules.

*Table 15: Classification of own funds for the Group. Figures in NOK billions* 

Eligible own funds to meet the SCR	31.12.2019	31.12.2018
Tier 1, unrestricted	37.7	30.9
Perpetual subordinated loan	1.7	1.7
Deductions for participations in financial and credit institutions	-2.5	-2.4
Own funds in financial and credit institutions	2.5	2.3
Total available Tier 1 own funds	39.3	32.5
Total eligible Tier 1 own funds	39.3	32.5
Subordinated loan	6.4	6.4
Risk equalization fund	0.0	4.8
Natural catastrophe fund	0.2	0.2
Ancillary own funds	11.5	10.8
Total available Tier 2 own funds	18.2	22.2
Total eligible Tier 2 own funds	7.5	6.3
Deferred tax assets	-	-
Total available Tier 3 own funds	-	-
Total eligible Tier 3 own funds	-	-
Total eligible own funds to meet the SCR	46.8	38.8

Unrestricted capital is the difference between assets and liabilities in the Solvency II balance-sheet (NOK 37.9 billion) minus the risk equalisation fund for KLP Bedriftspensjon (NOK 0.0 billion) and the natural perils pool fund (NOK 0.2 billion). This totalled NOK 37.7 billion at 31.12.2019.

Restricted capital cannot exceed 20 per cent of the total of the items in Tier 1. The hybrid Tier 1 perpetual capital is well below this limit.

The sum of eligible capital in Tiers 2 and 3 may not exceed 50 per cent of the Solvency Capital Requirement either. For the Group, this had a limiting effect at year-end 2019 and at year-end 2018. In the event of an increase in the Solvency Capital Requirement, the unused Tier 2 capital will reduce the negative effect on solvency capital coverage significantly.

# E.1.2 Classification of own funds able to cover the minimum required to meet the Solvency Capital Requirement for the Group

The own funds to cover the minimum capital requirement at year-end 2019 and year-end 2018 was composed as shown in table 16 below. The calculations of the technical provisions are with transitional rules.

*Table 16: Classification of Tier 1 and 2 capital for the Group. Figures in NOK billions* 

Eligible own funds to meet the MCR	31.12.2019	31.12.2018
Tier 1, unrestricted	37.7	30.9
Perpetual subordinated loan	1.7	1.7
Deductions for participations in financial and credit institutions	-2.5	-2.4
Total available Tier 1 own funds	36.9	30.1
Total eligibleTier 1 own funds	36.9	30.1
Subordinated loan	6.4	6.4
Risk equalization fund	0.0	4.8
Natural catastrophe fund	0.2	0.2
Ancillary own funds	11.5	10.8
Total available Tier 2 own funds	18.2	22.2
Total eligible Tier 2 own funds	1.3	1.2
Deferred tax assets	-	-
Total available Tier 3 own funds	-	-
Total eligible Tier 3 own funds	-	-
Total eligible own funds to meet the MCR	38.2	31.3

Restrictions on capital in group 1 are as described in section E. 1.1.

The sum of eligible capital in Tiers 2 and 3 may not exceed 20 per cent of the minimum Solvency Capital Requirement either. For the Group, this had a limiting effect at year-end 2019 and at year-end 2018. In the event of an increase in the minimum Solvency Capital Requirement, the unused Tier 2 capital will reduce the negative effect on capital adequacy significantly.

# E.1.3 Differences between equity reported in the Company's accounts and the balance of assets and liabilities under Solvency II

The difference between equity in the accounts and the balance of assets and liabilities in the Solvency II balance-sheet for the KLP Group at year-end 2019 and 2018 was as shown in Table 17 below:

Table 17: Total equity in the accounts and difference between the assets and liabilities under Solvency II. Figures in NOK billions

KLP Group	31.12.2019	31.12.2018
Paid-up equity	16.5	14.6
Retained earnings	20.8	19.3
Total equity	37.3	33.9
Excess of assets over liabilities under Solvency II	37.9	35.9
Difference excess of assets over liabilities under Solvency II deducted by equity in the accounts	0.6	2.0

The temporary deduction in technical provisions under Solvency II means that technical provisions were valued differently from the technical provisions in the accounts for the life

insurance business. The difference between equity in the accounts and the balance of assets and liabilities under Solvency II in 2019 comes from added value in interest-bearing portfolios reported at amortised cost, and deferred tax. There are also smaller contributions from differing valuations of financial liabilities and technical provisions for non-life insurance and the fact that intangible assets are valued at zero in the Solvency II balance-sheet.

# **E.2** Solvency Capital Requirement and minimum required to meet the Solvency Capital Requirement for the Group:

## E.2.1 Solvency Capital Requirement

At year-end 2019, the capital requirements were as follows:

Minimum required to meet the Solvency Capital Requirement for the Group: NOK 6.5 billion

Solvency Capital Requirement: NOK 15.9 billion

The capital requirements above include transitional rules for technical provisions.

The Group uses the standard formula without any company-specific parameters. The Solvency Capital Requirement at year-end 2019 and 2018 was broken down as shown in table 18 below.

 $Table\ 18:\ Composition\ of\ the\ solvency\ capital\ requirement\ with\ transitional\ rules\ for$ 

technical provisions. Figures in NOK billions

KLP Group	31.12.2019	31.12.2018
Market risk	4.1	4.1
Counterparty default risk	0.2	0.1
Underwriting risk	11.2	11.2
Health insurance risk	0.3	0.3
Non-life insurance risk	0.4	0.4
Diversification	-3.2	-3.1
Operasional risk	2.6	2.3
Loss-absorbing capacity of deferred tax	-1.0	-2.9
Capital requirement for KLP Banken AS og KLP Kapitalforvaltning AS	1.0	0.9
Solvency Capital Requirement	15.9	13.5

The reduction in the solvency capital requirement is mainly due to increased loss absorption ability for deferred tax.

#### E.2.2 Simplified processes

The Group uses the simplifications to the counterparty risk module described in Articles 111 and 112 of the Norwegian Regulation laying down supplementary rules to the Solvency II Regulation.

The simplification in Article 111 means that diversification effects within a module are not taken into account in calculating the risk-reducing effects of derivatives. The simplification in Article 112 means that the risk-adjusted value of a security is set to 75 per cent across the board. Both simplifications are used to make the calculation work easier and produce insignificant increases in the capital requirement for counterparty risk.

## E.2.3 Company-specific parameters

The Group does not use any company-specific parameters.

### E.2.4 Minimum required to meet the Solvency Capital Requirement for the Group

The amount of the group's minimum solvency capital requirements is made up of the minimum solvency capital requirements for KLP, KLP Skadeforsikring AS and KLP Bedriftspensjon AS. At the end of 2019 and of 2018 this was made up as shown in table 19 below.

Table 19: Composition of minimum solvency capital requirements with transitional rules

for technical provisions. Figures in NOK billions

Minimum Capital Requirement (MCR)	31.12.2019	31.12.2018
MCR for KLP	6.1	5.6
MCR for KLP Bedriftspensjon AS	0.1	0.1
MCR for KLP Skadeforsikring AS	0.4	0.3
Minimum Capital Requirement (MCR) for the Group	6.5	5.8

# E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use the duration-based sub-module for equity risk.

# E.4 Differences between the standard formula and any internal models used

The Group does not use internal models.

# E.5 Non-compliance with the Solvency Capital Requirement

The Group satisfies both the Solvency Capital Requirement and the minimum amount required to meet the Solvency Capital Requirement for the Group.

#### E.6 Other information

The foregoing is considered to cover all the key details of the Company's capital requirements.

# **Approval**

The report was approved by	y the Board of Directors of KLP on 5 May 2020.
	_
Sverre Thornes, CEO	

# **Templates**

The following QRTs (quantitative reporting templates) are included below.

QRT kode	QRT navn
S.01.02.04	Generell informasjon om gruppen
S.02.01.01	Balansen
S.05.01.01	Premier, erstatninger og kostnader pr. forsikringsbransje
S.05.02.01	Premier, erstatninger og kostnader - landfordelt
S.22.01.04	Effekten av overgangsregler og andre tiltak knyttet til langsiktige garantier
S.23.01.04	Ansvarlig kapital
S.25.01.04	Solvenskapitalkrav - for grupper som benytter standardmetoden
S.32.01.04	Foretak som inngår i gruppen

# Annex I S.01.02.04

## **Basic Information - General**

		C0010
Destining time and establish a server	R0010	Kommunal
Participating undertaking name	K0010	Landspensjonskasse
Group identification code	R0020	SC/938708606
Type of code of group	R0030	Specific code
Country of the group supervisor	R0050	NO
Sub-group information	R0060	No sub-group information
Language of reporting	R0070	Norwegian
Reporting submission date	R0080	2020-02-28
Financial year end	R0081	2019-12-31
Reporting reference date	R0090	2019-12-31
Regular/Ad-hoc submission	R0100	Regular reporting
Currency used for reporting	R0110	NOK
Accounting standards	R0120	IFRS
Method of Calculation of the group SCR	R0130	Standard formula
Use of group specific parameters	R0140	Don't use group specific
Ose of group specific parameters	K0140	parameters
Ring-fenced funds	R0150	Not reporting activity by RFF
Method of group solvency calculation	R0160	Accounting consolidation-
vicinou of group sorvency calculation	Roloo	based method [method 1]
Matching adjustment	R0170	No use of matching adjustment
Volatility adjustment	R0180	Use of volatility adjustment
Transitional measure on the risk-free interest rate	R0190	No use of transitional measure
Transitional measure on the risk free merest rate	KUIJU	on the risk-free interest rate
Transitional measure on technical provisions	R0200	Use of transitional measure on
•	110200	technical provisions
Initial submission or re-submission	R0210	Initial submission
Exemption of reporting ECAI information	R0250	Not exempted
Ad hoc XBRL technical field 1	R0990	
Ad hoc XBRL technical field 2	R0991	
Ad hoc XBRL technical field 3	R0992	

#### S.02.01.01 Balance sheet

Balance sheet		Solvency II value	Statutory accounts value
		•	
Assets		C0010	C0020
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030		413 984 187
Deferred tax assets	R0040	542 116 803	0
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060	1 992 327 593	2 752 472 252
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	529 625 990 088	520 318 692 738
Property (other than for own use)	R0080	57 121 562 448	56 361 417 790
Holdings in related undertakings, including participations	R0090	4 492 471 416	5 632 092 184
Equities	R0100	42 242 819 898	40 321 960 003
Equities - listed	R0110	38 031 880 936	
Equities - unlisted	R0120	4 210 938 962	
Bonds	R0130	253 947 150 981	246 405 475 426
Government Bonds	R0140	48 307 226 667	
Corporate Bonds	R0150	205 639 924 314	
Structured notes	R0160		
Collateralised securities	R0170		
Collective Investments Undertakings	R0180	165 328 012 532	165 322 475 035
Derivatives	R0190	4 951 935 528	4 733 235 014
Deposits other than cash equivalents	R0200	1 542 037 285	1 542 037 285
Other investments	R0210		
Assets held for index-linked and unit-linked contracts	R0220	4 906 360 502	4 906 360 502
Loans and mortgages	R0230	85 707 319 805	85 461 874 355
Loans on policies	R0240	00 707 517 000	
Loans and mortgages to individuals	R0250	3 409 168 001	-
Other loans and mortgages	R0260	82 298 151 804	
Reinsurance recoverables from:	R0270	117 900 429	152 704 829
Non-life and health similar to non-life	R0280	117 900 429	152 704 829
Non-life excluding health	R0290	120 500 429	132 70 702
Health similar to non-life	R0300	-2 600 000	<u> </u>
ricaldi sifililar to non-ine	10300	-2 000 000	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310		
Health similar to life	R0320		
Life excluding health and index-linked and unit-linked	R0330	•	
Life index-linked and unit-linked	R0340	•	•
<b>.</b>	R0350		•
Deposits to cedants	R0360	400 405 677	700 (20 120
Insurance and intermediaries receivables	R0370	409 425 677	709 620 139
Reinsurance receivables		426 863	426 863
Receivables (trade, not insurance)	R0380	160 316 362	160 316 362
Own shares (held directly)	R0390		
Amounts due in respect of own fund items or initial fund called up but not yet paid			
in	R0400	·	
Cash and cash equivalents	R0410	15 327 187 576	15 353 699 335
Any other assets, not elsewhere shown	R0420	897 303 855	897 303 855
Total assets	R0500	639 686 675 555	631 127 455 416

		Solvency II value	Statutory accounts value
Liabilities		C0010	C0020
Technical provisions – non-life	R0510	2 015 972 955	2 501 914 692
Technical provisions – non-life (excluding health)	R0520	1 147 958 808	1 505 549 196
Technical provisions calculated as a whole	R0530	0	
Best Estimate	R0540	1 147 958 808	
Risk margin	R0550	0	
Technical provisions - health (similar to non-life)	R0560	868 014 147	996 365 496
Technical provisions calculated as a whole	R0570	0	
Best Estimate	R0580	868 014 147	
Risk margin	R0590	0	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	569 497 498 653	568 074 962 853
Technical provisions - health (similar to life)	R0610	158 453 269	102 353 846
Technical provisions calculated as a whole	R0620	0	
Best Estimate	R0630	155 632 487	
Risk margin	R0640	2 820 782	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	569 339 045 384	567 972 609 007
Technical provisions calculated as a whole	R0660	0	
Best Estimate	R0670	556 087 142 478	
Risk margin	R0680	13 251 902 906	
Technical provisions – index-linked and unit-linked	R0690	4 911 934 437	4 906 222 079
Technical provisions calculated as a whole	R0700	0	
Best Estimate	R0710	4 881 877 031	
Risk margin	R0720	30 057 406	
Other technical provisions	R0730		
Contingent liabilities	R0740	0	
Provisions other than technical provisions	R0750	1 438 465 096	1 438 465 096
Pension benefit obligations	R0760	580 818 453	580 818 453
Deposits from reinsurers	R0770		
Deferred tax liabilities	R0780	1 546 242 754	738 768 308
Derivatives	R0790	710 046 912	599 116 637
Debts owed to credit institutions	R0800		
Financial liabilities other than debts owed to credit institutions	R0810	3 990 436 198	3 990 436 198
Insurance & intermediaries payables	R0820	1 017 711 460	1 036 831 438
Reinsurance payables	R0830	510 617	510 617
Payables (trade, not insurance)	R0840	1 969 498 816	1 969 498 816
Subordinated liabilities	R0850	8 146 530 391	7 750 407 180
Subordinated liabilities not in Basic Own Funds	R0860		
Subordinated liabilities in Basic Own Funds	R0870	8 146 530 391	7 750 407 180
Any other liabilities, not elsewhere shown	R0880	5 790 187 040	209 547 456
Total liabilities	R0900	601 615 853 783	593 797 499 824
Excess of assets over liabilities	R1000	38 070 821 772	37 329 955 593

S.05.01.01 Premiums, claims and expenses by line of business

				Line	of Business for: non-life ins	urance and reinsurance obligati	ions (direct busin	ess and accepted pro	oportional reinsuranc	e)				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Premiums written Gross - Direct Business	R0110	l I	86 463 383	109 578 947	119 814 441	368 635 493		623 076 316	58 995 140			51 275 839		1 417 839 558
Gross - Proportional reinsurance accepted	R0120	-	80 403 383	109 378 947	119 814 441	368 633 493	-	023 070 310	38 993 140	-		31 2/3 839	-	1 41/ 839 338
Gross - Non-proportional reinsurance accepted	R0130	_	-		-	-	-							
Reinsurers' share	R0140			2 350 000	1 545 709		_	48 525 593	1 701 665					54 122 967
Net	R0200		86 463 383	107 228 947	118 268 732	368 635 493	-	574 550 723	57 293 475	-		51 275 839	1 - 1	1 363 716 591
Premiums earned							•							
Gross - Direct Business	R0210	-	82 951 436	108 559 081	128 612 002	332 814 778	-	601 381 912	59 163 954	-	-	46 554 085	-	1 360 037 247
Gross - Proportional reinsurance accepted	R0220	-			-	-	-	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230													-
Reinsurers' share	R0240	-	-	2 350 000	1 545 709	-	-	48 525 593	1 707 391	-		-	-	54 128 693
Net	R0300	-	82 951 436	106 209 081	127 066 293	332 814 778	-	552 856 319	57 456 563	-	-	46 554 085	-	1 305 908 554
Claims incurred		ļ .												
Gross - Direct Business	R0310	-	34 915 740	-15 740 854	104 663 859	255 301 499	-	671 501 023	32 683 776	-	-	22 581 386		1 105 906 430
Gross - Proportional reinsurance accepted	R0320	-		· ·	-	<u> </u>	-	-	<u> </u>	-		-	-	
Gross - Non-proportional reinsurance accepted	R0330		p. 100					110 100 000	1.426.000					-
Reinsurers' share	R0340 R0400	-	-8 100 34 923 840	-15 740 854	104 663 859	255 301 499	_	119 189 822 552 311 201	1 426 868 31 256 908	-		22 581 386		120 608 590 985 297 840
Net Changes in other technical provisions	R0400	-	34 923 840	-15 /40 854	104 663 859	255 301 499	-	552 511 201	31 256 908	-		22 381 386		985 297 840
Gross - Direct Business	R0410	_	. 1									_		
Gross - Proportional reinsurance accepted	R0410	-	-		-		-	-				-		
Gross - Non- proportional reinsurance accepted	R0430													
Reinsurers' share	R0440	_			_		_							
Net	R0500	-	-		-		-	-		-			<del> </del>	-
Expenses incurred	R0550	-	27 329 045	44 854 278	33 814 908	82 331 049	-	183 645 930	17 159 889	-	-	11 482 985	- 1	400 618 084
Administrative expenses														
Gross - Direct Business	R0610	-	455 890	596 626	706 835	1 829 106	-	3 305 115	325 157	-	-	255 855	-	7 474 584
Gross - Proportional reinsurance accepted	R0620	-		-	-	-		-	-		-		-	-
Gross - Non-proportional reinsurance accepted	R0630													-
Reinsurers' share	R0640	-	-		-	-	-	-	-	-	-		-	-
Net	R0700	-	455 890	596 626	706 835	1 829 106	-	3 305 115	325 157	-	-	255 855	-	7 474 584
Investment management expenses														
Gross - Direct Business	R0710	-	154 802	202 590	240 012	621 089	-	1 122 281	110 410	-	-	86 878		2 538 061
Gross - Proportional reinsurance accepted	R0720	-			-	-	-	-				-	-	-
Gross - Non-proportional reinsurance accepted	R0730													-
Reinsurers' share	R0740	-	-				-			-	-		-	
Net Claims and a second	R0800	-	154 802	202 590	240 012	621 089	-	1 122 281	110 410	-		86 878	-	2 538 061
Claims management expenses Gross - Direct Business	R0810	_ 1	12 527 157	25 482 951	10 865 330	22 943 444		76 335 096	6 602 649			3 175 855		157 932 482
Gross - Proportional reinsurance accepted	R0820	-	12 32/ 13/	23 482 931	10 000 330	22 943 444	-	10 333 090	0 002 049	-		3 1 / 3 833	<del>                                     </del>	131 732 482
Gross - Non-proportional reinsurance accepted	R0830	-		-	-		_	_		-		_	_	
Reinsurers' share	R0840						_							
Net	R0900	- 1	12 527 157	25 482 951	10 865 330	22 943 444	-	76 335 096	6 602 649	-	-	3 175 855	1 - 1	157 932 482
Acquisition expenses		·	*= *= / **/			-2712111	•		017					10.702 102
Gross - Direct Business	R0910	-	5 009 175	6 555 539	7 766 472	20 097 631	-	36 315 550	3 572 724			2 811 254		82 128 345
Gross - Proportional reinsurance accepted	R0920	-	-	-	-		-	-		-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0930													-
Reinsurers' share	R0940	-	-		-	-	-	-		-		-	-	-
Net	R1000	-	5 009 175	6 555 539	7 766 472	20 097 631	-	36 315 550	3 572 724	-	-	2 811 254		82 128 345
Overhead expenses		ļ .												
Gross - Direct Business	R1010	-	9 182 022	12 016 571	14 236 260	36 839 779	-	66 567 887	6 548 949	-		5 153 143		150 544 612
Gross - Proportional reinsurance accepted	R1020	-			-		-	-		-			-	-
Gross - Non-proportional reinsurance accepted	R1030													-
Reinsurers' share	R1040	-		-			-	-		-				
Net	R1100	-	9 182 022	12 016 571	14 236 260	36 839 779	-	66 567 887	6 548 949	-	-	5 153 143	-	150 544 612
Other expenses	R1200													-
Total expenses	R1300													400 618 084

	ĺ			Line of Business for: life	e insurance obligations			Life reinsura	nce obligations	Total
		Health insurance	Insurance with profit participation	Line of Business for: III  Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	insurance obligations other than health insurance	Health reinsurance	Life-reinsurance	Total
							obligations			
[a		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written	D1410	225 882 319	40 283 885 388	1 035 976 290		1				41 545 743 997
Gross	R1410			1 035 976 290	-	-	-	-	-	
Reinsurers' share	R1420	187 500 225 694 819	1 318 604	1 035 976 290	-	-	-	-	-	1 506 104 41 544 237 893
Net Premiums earned	R1500	223 694 819	40 282 566 784	1 035 976 290	-	-	-	-	-	41 344 237 893
Gross	R1510	217 090 001	40 271 998 501	542 528 168		_	_	-		41 031 616 671
Reinsurers' share	R1510	187 500	1 318 604	342 328 108	<u>-</u>	-	-	-		1 506 104
Net	R1600	216 902 501	40 270 679 897	542 528 168		-	-	-		41 030 110 567
Claims incurred	K1000	210 902 301	40 270 079 897	342 328 108		-	-	-		41 030 110 307
Gross	R1610	232 357 765	78 585 499 969	1 528 980 237	-	_	_	_		80 346 837 971
Reinsurers' share	R1620	232 331 103	70 303 477 707	1 328 780 237		-				00 340 037 7/1
Net	R1700	232 357 765	78 585 499 969	1 528 980 237		_	-	_		80 346 837 971
Changes in other technical provisions	11700	232 337 703	70 303 477 707	1 320 700 237						00 5 10 057 771
Gross	R1710	-		-		-	-	-		-
Reinsurers' share	R1720			_	-	-	-	-	_	-
Net	R1800	-		-		-	-	-		-
Expenses incurred	R1900	50 160 264	1 149 188 185	59 779 547	-	-	-	-	-	1 259 127 997
Administrative expenses										
Gross	R1910	1 678 389	160 886 346	8 369 137	-	-		-	-	170 933 871
Reinsurers' share	R1920	-				-	-	-	-	-
Net	R2000	1 678 389	160 886 346	8 369 137		-	-	-	-	170 933 871
Investment management expenses										
Gross	R2010	1 337 039	218 345 755	11 358 114	-	-	-	-	-	231 040 909
Reinsurers' share	R2020	-		-		-		-		-
Net	R2100	1 337 039	218 345 755	11 358 114	-	-	-	-	-	231 040 909
Claims management expenses										
Gross	R2110	15 565 875	172 378 228	8 966 932	-	-	-	-	-	196 911 034
Reinsurers' share	R2120	-	-	-	-	-	-	-	-	-
Net	R2200	15 565 875	172 378 228	8 966 932	-	-	-	-		196 911 034
Acquisition expenses	*****									
Gross	R2210	10 804 471	137 902 582	7 173 546	-	-	-	-	-	155 880 599
Reinsurers' share	R2220	10.004 :=:	127 002 702		-	-	-	-	-	155.000.500
Net	R2300	10 804 471	137 902 582	7 173 546	-	-	-	-	-	155 880 599
Overhead expenses Gross	R2310	20 774 490	459 675 274	23 911 819		_		_		504 361 583
	R2310	20 / /4 490	459 6/5 2/4	23 911 819	-	-	-	-		304 361 383
Reinsurers' share Net	R2320 R2400	20 774 490	459 675 274	23 911 819		-	-	-		504 361 583
	R2500	20 774 490	439 0/3 2/4	23 911 819		-	-	-		504 301 383
Other expenses										1 250 127
Total expenses	R2600									1 259 127 997
Total amount of surrenders	R2700		-	-	-	-	-	-	-	-

Annex I S.22.01.04 Impact of long term guarantees measures and transitionals

					Imp	act of the LTG	measures and transition	onals (Step-by-step app	proach)		
		Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Impact of transitional on technical provisions	Without transitional on interest rate	Impact of transitional on interest rate	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero	Without matching adjustment and without all the others	matching adjustment set to	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions	R0010	576 425 406 045	582 672 083 875	6 246 677 830	582 672 083 875	0	582 931 135 959	259 052 085	582 931 135 959	0	6 505 729 915
Basic own funds	R0020	43 671 270 415	37 424 592 585	-6 246 677 830	37 424 592 585	0	37 176 202 987	-248 389 599	37 176 202 987	0	-6 495 067 428
Excess of assets over liabilities	R0030	38 070 821 772	31 824 143 942	-6 246 677 830	31 824 143 942	0	31 575 754 344	-248 389 599	31 575 754 344	0	-6 495 067 428
Restricted own funds due to ring-fencing and matching portfolio	R0040	0	0	0	0	0	0	0	0	0	0
Eligible own funds to meet Solvency Capital Requirement	R0050	46 934 756 765	40 688 078 935	-6 246 677 830	40 688 078 935	0	40 712 143 382	24 064 447	40 712 143 382	0	-6 222 613 383
Tier 1	R0060	39 466 771 565	33 220 093 736	-6 246 677 830	33 220 093 736	0	32 971 704 137	-248 389 599	32 971 704 137	0	-6 495 067 428
Tier 2	R0070	7 467 985 199	7 467 985 199	0	7 467 985 199	0	7 740 439 245	272 454 045	7 740 439 245	0	272 454 045
Tier 3	R0080	0	0	0	0	0	0	0	0	0	0
Solvency Capital Requirement	R0090	15 935 019 671	15 935 639 979	620 309	15 935 639 979	0	16 506 596 231	570 956 251	16 506 596 231	0	571 576 560

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	248 500 000	248 500 000			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	812 750 000	812 750 000			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	16 539 523 009	16 539 523 009			
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	20 219 613 060	20 219 613 060			
Subordinated liabilities	R0140	8 146 530 391		1 738 269 089	6 408 261 302	
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	0				0
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180	250 435 703			250 435 703	
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level  Own funds from the financial statements that should not be represented by the reconciliation reserve	R0210					
and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	2 546 081 749	2 546 081 749			
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used  Total of non-available own fund items	R0260 R0270					
Total deductions	R0270 R0280	2 546 081 749	2 546 081 749			<u>-</u>

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total basic own funds after deductions	R0290	43 671 270 415	35 274 304 320	1 738 269 089	6 658 697 006	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand Unpaid and uncalled preference shares callable on demand	R0310	11 534 738 390			11 534 738 390	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0320					•
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0330				·	
<u> </u>	R0340				-	
Letters of credit and guarantees other than under Article 96(2) of the Directive <b>2009/138/EC</b>	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under <b>first subparagraph</b> of Article 96(3) of the Directive <b>2009/138/EC</b>	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	11 534 738 390			11 534 738 390	
Own funds of other financial sectors						
Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	R0410	2 454 198 156	2 454 198 156	0	0	
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440	2 454 198 156	2 454 198 156	0	0.	
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and combination of method net of IGT  Total available own funds to meet the consolidated group SCR (excluding own funds from other financial	R0460					
sector and from the undertakings included via D&A)	R0520	55 206 008 805	35 274 304 320	1 738 269 089	18 193 435 396	0,00
Total available own funds to meet the minimum consolidated group SCR	R0530	43 671 270 415	35 274 304 320	1 738 269 089	6 658 697 006	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	44 480 558 608	35 274 304 320	1 738 269 089	7 467 985 199	0,00
Total-eligible own funds to meet the minimum consolidated group SCR	R0570	38 315 959 661	35 274 304 320	1 738 269 089	1 303 386 252	
Consolidated Group SCR	R0590	15 935 019 671				
Minimum consolidated Group SCR	R0610	6 516 931 260				
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A $)$	R0630					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	5,88				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via $D\&A$ )	R0660	46 934 756 765	37 728 502 476	1 738 269 089	7 467 985 199	
SCR for entities included with D&A method	R0670					
Group SCR	R0680	15 935 019 671				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	2,95				
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	38 070 821 772				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	17 851 208 712				

R0740

R0750

R0760

R0770

R0780

R0790

20 219 613 060

13 210 793 914

13 210 793 914

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced

funds

Other non available own funds

Expected profits included in future premiums (EPIFP) - Life business

Total Expected profits included in future premiums (EPIFP)

Expected profits included in future premiums (EPIFP) - Non- life business

Reconciliation reserve

**Expected profits** 

Article 112	Z0010	No	]
		Net solvency capital requirement	Gross solvency capital requirement
		C0030	C0040
Market risk	R0010	4 087 978 918	
Counterparty default risk	R0010 R0020	195 837 552	2 543 425 880
	R0020 R0030	11 170 191 111	
Life underwriting risk	R0040	322 145 984	322 311 243
Health underwriting risk		399 592 089	
Non-life underwriting risk	R0050		399 592 089
Diversification	R0060	-3 156 659 668	-33 580 812 979
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100	13 019 085 987	125 457 017 737
Calculation of Solvency Capital Requirement		C0100	
Adjustment due to RFF/MAP nSCR aggregation	R0120	0	1
Operational risk	R0130	2 604 397 351	
Loss-absorbing capacity of technical provisions	R0140	-112 141 431 288	1
Loss-absorbing capacity of deferred taxes	R0150	-984 013 402	1
Capital requirement for business operated in accordance with Art. 4 of	R0160		
Directive 2003/41/EC			
Solvency Capital Requirement excluding capital add-on	R0200	14 935 970 398	
Capital add-ons already set	R0210		
Solvency capital requirement for undertakings under consolidated	R0220	15 935 019 671	
method	K0220	19 755 017 071	
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	R0400	0	
Total amount of Notional Solvency Capital Requirements for remaining	R0410		
part	K0410		
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	0	
Total amount of Notional Solvency Capital Requirements for matching	R0430	0	
adjustment portfolios Diversification effects due to RFF nSCR aggregation for article 304	R0440	0	1
Method used to calculate the adjustment due to RFF/MAP nSCR			1
aggregation	R0450	No adjustment	
Net future discretionary benefits	R0460	168 939 375 536	
Minimum consolidated group solvency capital requirement	R0470	6 516 931 260	
Information on other entities			
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	999 049 272	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management	R0510	999 049 272	
companies  Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non_regulated entities carrying out financial activities	R0530		
Capital requirement for non-controlled participation requirements	R0540		1
Capital requirement for residual undertakings	R0550		1
• •	KUSSU		
Overall SCR			1
SCR for undertakings included via D and A  Solvency capital requirement	R0560 R0570	15 935 019 671	
Sorress, suprem requirement	10070	15 755 019 071	1

							Ranking criteria (in the group currency)									
Identification code	Country	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/no n mutual)	Supervisory Authority	Total Balance Sheet (for EEA (re)insurance undertakings)	Total Balance Sheet (for other regulated undertakings)	Total Balance Sheet (non- regulated undertakings)	Written premiums net of reinsurance ceded under IFRS or local GAAP for insurance undertakings	Turn over defined as the gross revenue under IFRS or local GAAP for other types of undertakings or insurance holding companies	Underwriting performance	Investment performance	Total performance		
C0020	C0010	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		
SC/938708606	NO	Kommunal Landspensjonskasse	Life undertakings	GS	Mutual	Finanstilsynet	629 556 141 626			40 234 047 225	0	1 492 914 674	45 813 760 370	2 250 786 906		
SC/990329389	NO	KLP Bedriftspensjon AS	Life undertakings	AKS	Non-mutual	Finanstilsynet	0			1 134 833 237	0	11 498 961	714 931 526	-10 346 298		
SC/970896856	NO	KLP Skadeforsikring AS	Non-Life undertakings	AKS	Non-mutual	Finanstilsynet	0			1 539 074 023	0	0	0	140 133 521		
SC/993749532	NO	KLP Banken AS	Credit institutions, investment firms and financial institutions Credit institutions, investment	AKS	Non-mutual	Finanstilsynet		39 698 707 124			340 784 093		0	82 909 466		
SC/968437666	NO	KLP Kapitalforvaltning AS		AKS	Non-mutual	Finanstilsynet		514 164 099			523 158 017	0	0	34 907 035		

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Identification code	Country	Legal Name of the undertaking	Accounting standard	% capital share	% used for the establishme nt of consolidate d accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	[YES/NO]	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0020	C0010	C0040	C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
SC/938708606	NO	Kommunal Landspensjonskasse	Local GAAP	100,0000%	100,0000%	100,0000%		Dominant	100,0000%	Included into scope of group supervision	2000-01-22	Method 1: Full consolidation
SC/990329389	NO	KLP Bedriftspensjon AS	Local GAAP	100,0000%	100,0000%	100,0000%		Significant	100,0000%	Not included into scope of group supervision (art. 214 a)	2000-01-22	Method 1: Full consolidation
SC/970896856	NO	KLP Skadeforsikring AS	Local GAAP	100,0000%	100,0000%	100,0000%		Significant	100,0000%	Not included into scope of group supervision (art. 214 a)	2000-01-22	Method 1: Full consolidation
SC/993749532	NO	KLP Banken AS	Local GAAP	100,0000%	100,0000%	100,0000%		Significant	100,0000%	Not included into scope of group supervision (art. 214 a)	2000-01-22	Method 1: Sectoral rules
SC/968437666	NO	KLP Kapitalforvaltning AS	Local GAAP	100,0000%	100,0000%	100,0000%		Significant	100,0000%	Not included into scope of group supervision (art. 214 a)	2000-01-22	Method 1: Sectoral rules



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