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skandia

annual report 2008

A Member of the OLD MUTUAL Group

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board of directors' report 2008

The Board of Directors and Chief Executive of Skandia Insurance Company Ltd (publ) ("Skandia"), with registered number 502017-3083, hereby submit their annual report for the financial year 1 January–31 December 2008.

Skandia has been a wholly owned subsidiary of Old Mutual plc, domiciled in London, UK, since 2006. Skandia in its turn owns a number of subsidiaries.

business activities

Skandia conducts life assurance business in the area of private and occupational pensions, private healthcare insurance, and group insurance. The company also accepts some reinsurance business from group companies.

organisation

In September 2008, Bertil Hult, the head of Skandia's Nordic division, was named as the new Chief Executive of Skandia. He succeeded Julian Roberts, who at the same time was appointed as Group Chief Executive of the Old Mutual Group.

In 2008 Skandia – together with its subsidiaries Skandia Liv and Skandiabanken – conducted a reorganisation in the aim of better meeting customers' needs for attractive financial products and services. Effective 1 January 2009 the Nordic operations are organised into four customer- and market-oriented business areas – Corporate Sweden, Private Sweden, Norway and Denmark. As an effect of this restructuring, approximately 30 employees became redundant. Information on this was presented to all Skandia employees in October 2008.

In addition, during the year Skandia and the subsidiary Skandia Liv decided to jointly look into the conditions for a future demutualisation of Skandia Liv. The hopes are that such a change may lead to a more modern company form that gives the customers more freedom of choice. A cohesive Skandia can offer its customers stronger and more comprehensive savings and insurance solutions.

Restructuring within the group

Since 2006 Skandia has been conducting a restructuring project aimed at refining the former Skandia group's legal structure and adapting it to Old Mutual's operative organisation. In 2008 Skandia's subsidiaries in Colombia, Chile, Ireland, Hong Kong, Australia and one of the companies in Mexico were sold to the ELAM[1] division of the Old Mutual Group at book values. In December, two of Skandia's Mexican subsidiaries, Skandia Vida S.A. Mexico and Skandia Operadora de Fondos S.A. de C.V., were sold to the ELAM division. Both sales were carried out at a capital loss. The loss on the sale of Skandia Vida was SEK 90 million, and the loss on the sale of Skandia Operadora de Fondos, after reversal of previous years' write-downs, was SEK 38 million.

Further, Skandia's subsidiary Skandia Europe AB sold 47% of the shares in its Spanish subsidiary group to the ELAM division of the Old Mutual Group at market value. The intention is to transfer the remaining 53% of the shares in the Spanish subsidiary group to buyers within the Old Mutual Group. The goal is to complete the restructuring project in 2009 and 2010.

The Skandia group's largest operation outside of the Nordic division was previously the operation in the UK. This operation was previously owned via a British holding company, Skandia UK Ltd, which in February sold the business in the UK to Old Mutual. This transaction does not have any direct impact on Skandia, however,

[1] Europe & Latin America division.

the assets in the form of operating subsidiaries were replaced by a receivable of SEK 22,150 million from Old Mutual to Skandia UK Ltd. Outside the scope of the above-described restructuring project, the holding in Sturebadet AB was sold for a capital gain of SEK 15 million.

Foreign branches

Skandia has four registered branches outside Sweden:

- Skandia Forsikring, a branch of Försäkringsaktiebolaget Skandia (publ), Denmark
- Försäkringsaktiebolaet Skandia (publ), Finland branch, Finland
- Försäkringsaktiebolaget Skandia (nuf), Norway
- Skandia Insurance Company Ltd, UK

significant events

New customer offering

During the year, Skandia launched several new products, such as "Helpension" and "Skandia Depå Kapitalförsäkring". The latter product was launched during the spring in collaboration with Skandiabanken and combines insurance with securities-based savings in a custody account. The product has been successful and accounted for approximately 11% of the year's new sales for Skandia Link's products. In addition, Skandia's fund offering was strengthened with the introduction of some ten new funds, including Swedish Stars.

In addition, Skandia signed an agreement with the newly established Martina Children's Hospital, under which Skandia can offer Sweden's first private healthcare insurance for children, Lifeline Junior+. The insurance provides fast access to care without any deductible or ceiling amount in benefits.

Disputes

Skandia is and during the year was party to a number of legal disputes pertaining to Skandia Liv and the sale of American Skandia, among other things. Following is a status report on the most significant of these processes.

Skandia Liv

In 2003 Skandia Liv directed a claim against its parent company Skandia for SEK 2.25 billion plus interest. This claim was subsequently raised to SEK 3.2 billion plus interest. In June 2004 the parties reached an agreement to have the dispute resolved by an arbitration board, whose ruling both parties bound themselves to honouring.

The arbitration board announced its ruling on 2 October 2008, whereby Skandia was ordered to compensate Skandia Liv for asset management fees in the amount of SEK 580,973,579 plus some interest. In addition, the arbitration board ruled that the going rate compensation for the 2002 Asset Management Agreement is a maximum of ten basis points including value-added tax, and that Skandia – for the time from 1 July 2008 and onwards – is obligated to pay an amount to Skandia Liv that corresponds to the asset management fees that exceed ten basis points including VAT. A provision of SEK 407 million has been made to cover asset management fees for the time after 1 July 2008.

American Skandia

The agreement on Prudential Financial's acquisition of American Skandia contains representations and warranties that are customary for this type of transaction. The indemnity in respect of this is limited in time and can amount to a maximum of USD 1 billion.

Prudential Financial has directed a number of demands against Skandia pertaining to representations and warranties. These pertain to, among other things, an agreement with the US Securities and Exchange Commission (SEC) and the New York Attorney General's office in reference to investigations into market timing by certain owners of fund units offered by American Skandia. In April 2009 final approval for the settlement was received from the SEC and the New York Attorney General's office. As a consequence of this and an agreement between Skandia and Prudential Financial, in April 2009 Skandia paid the entire final settlement amount of USD 68 million. A reserve provision had been made for the entire amount. Additional reserve provisions of USD 121 million have also been made for the guarantees pertaining to American Skandia.

Tax audit

In a decision made in December 2007, the Swedish Tax Authority rejected Skandia's tax-loss carryforward of SEK 1,244 million pertaining to provisions for guarantee obligations made in connection with Prudential Financial's acquisition of American Skandia (see above under American Skandia). Skandia plans to appeal the Tax Authority's decision. Since Skandia has accumulated tax deficits in amounts higher than the disputed carryforwards, which have not been assigned any value on the balance sheet, the Tax Authority's decision does not affect Skandia's result.

Other

Apart from the disputes described above, Skandia is party to a number of other disputes of a scope which – in Skandia's opinion – is normal considering the business conducted by the group.

financial review

The past year was characterised by major turbulence in the financial market. Despite this, and above all owing to the launch of new, successful products, Skandia Link increased its new sales by 37% in 2008 compared with a year earlier. The greatest increase is attributable to the new Skandia Depå product, which accounted for 11% of total new sales.

Despite a very strong year with higher premium volumes and lower outflows, the value of investments for the benefit of life assurance policyholders who bear the investment risk decreased to SEK 70,359 million as per December, compared with SEK 91,867 million in December 2007. The decline is attributable to the negative trend in the financial market. Unfortunately, the turbulence in the financial market has continued into 2009, with dramatic fluctuations in the stock market, exchange rates and interest rates.

Following is a brief commentary on the income statement, balance sheet, cash flow statement and solvency. More detailed information can be found in the notes. The comments are written primarily in terms of deviations.

For further information on Skandia's financial performance, see the five-year summary on p. 36.

Result for the year

The result for the year was SEK 841 million (968).

The technical result for property & casualty insurance business before ceded reinsurance was SEK -50 million (43), which is not shown in the income statement, since all property & casualty business is reinsured and the technical result thereby amounts to SEK 0. The result for property & casualty insurance is specified further in note 49. The poorer result compared with 2007 is mainly attributable to higher claim costs.

The technical result for life assurance business was SEK 998 million (954).

Premiums written, totalling SEK 852 million (914), consist of premiums attributable to insurance components of investment contracts and fees from customers. The decline in premiums written is mainly explained by a lower fee on fund values charged to customers, in the amount of SEK -63 million, due to the negative trend in the financial market.

Among Other technical income, totalling SEK 1,399 million (1,447) during the year, the policyholder tax charge increased by SEK 107 million, since this was based on fund values at the end of 2007 at the same time that the volume-based cost reduction was reduced by SEK -153 million as an effect of the negative performance of fund values.

Claims incurred amounted to SEK -78 million (-126), mainly due to fewer incurred claims for risk business, totalling SEK 22 million, and an improvement in the run-off result, totalling SEK 16 million.

The result for the year includes income of SEK 17 million attributable to a change in the provision for unearned premiums. The preceding year showed a corresponding expense of SEK 35 million. A reserve strengthening was made last year, attributable to active reserves and the deficiency supplement. This year, premiums were adjusted, and the reserve was dissolved in pace with premium due dates in the insurance portfolio.

Operating expenses, totalling SEK -1,191 million (-1,244), were reduced by SEK 23 million as a result of lower administrative expenses and by SEK 60 million as a result of a higher level of deferred acquisition costs.

Total investment income amounted to SEK 1,734 million (436). Revenues consist of dividends from subsidiaries, totalling SEK 2,314 million, of which SEK 1,700 million from Skandiabanken AB and SEK 550 million from Dial Försäkrings AB. The figure also includes net capital losses of SEK -334 million attributable to sales of participations in subsidiaries. The result was charged with a net total of SEK -314 million in write-downs and reversals of previous years' write-downs of shares in subsidiaries.

Other expenses amounted to SEK -1,348 million (-67), of which SEK -1,328 million pertains to costs attributable to the arbitration ruling on the dispute between Skandia and Skandia Liv. See more information under "Disputes" above.

Other taxes, totalling SEK -631 million (-527), pertain to the policyholder tax, which increased compared with a year ago due to higher fund values at the start of the year.

Balance sheet

Total assets amounted to SEK 96,228 million (118,201).

Shares and participations in group companies, totalling SEK 10,671 million (11,320) have been reduced by SEK -890 million through sales of subsidiaries and through the net amount of SEK -314 million pertaining to write-downs and reversals of write-downs of shares in subsidiaries. In addition, this item increased by SEK 555 million attributable to the net of shareholder contributions rendered and repaid.

The net amount of loans to group companies, totalling SEK 3,218 million (2,468), increased as an effect of a higher receivable from the parent company, Old Mutual, totalling SEK 1,909 million, attributable to ongoing restructuring projects. At the same time, a loan receivable from the subsidiary Skandia Capital AB was reduced through the repayment of loans in the amount of SEK -1,254 million.

Lending to credit institutions, totalling SEK 665 million (1,560), pertains to investments of excess liquidity at year-end.

Deposits with ceding undertakings totalled SEK 1,390 million (2,435). The decrease is attributable to a decrease in corresponding claims reserves on the liabilities side of the balance sheet.

Investments for the benefit of life assurance policyholders who bear the investment risk amounted to SEK 70,359 million (91,867). The change is mainly attributable to the negative trend in the financial market, which has also affected the technical provisions for life assurance policies where the investment risk is borne by the policyholders, which totalled SEK 71,846 million (94,367).

Other receivables amounted to SEK 1,272 million (585). The increase is mainly attributable to a higher amount of receivables from group companies.

The item Other provisions amounted to SEK 2,540 million (1,850). The change consists mainly of provisions for costs associated with the arbitration between Skandia and Skandia Liv, totalling SEK 457 million, and a strengthening of the reserve coupled to American Skandia, totalling SEK 212 million.

Other liabilities, totalling SEK 4,974 million (5,602), decreased compared with a year ago. The change is attributable to a lower liability to group companies.

Cash flow

Developments during the year with respect to cash flow are described below.

Cash flow from operating activities was SEK 321 million (-1,493), which was mainly attributable to the result for the year.

Cash flow from investing activities amounted to SEK 2,537 million (3,088). Cash flow for the year was favourably affected in the amount of SEK 2,314 million as a result of dividends from subsidiaries, of which SEK 1,700 million from Skandiabanken AB and SEK 550 million from Dial Försäkrings AB accounted for the majority. A SEK 889 million decrease in investments of surplus liquidity had a positive impact on cash flow, as did a repayment of SEK 1,254 million in loans from Skandia Capital AB. Sales of subsidiaries and repayment of shareholder contributions, totalling SEK 875 million, also had a positive impact on cash flow. Increased lending to the parent company Old Mutual, totalling SEK -1,909 million, and a payment of SEK -871 million to Skandia Liv, had a negative impact on cash flow.

Cash flow from financing activities was SEK -2,724 million (-1,805) and pertained mainly to the repayment of loans to Skandia Capital AB, totalling SEK -2,610 million.

Solvency

Solvency is a measure of an insurance company's ability meet all of the obligations the company has. Since Skandia mainly provides products with a low level of insurance risk, its solvency margin is low. Skandia's solvency margin was SEK 893 million as per December 2008. The capital base at the same time was SEK 8,710 million, and the surplus thereby was at a secure level of SEK 7,817 million.

Solvency is also calculated per insurance category. The aim of this calculation is to prevent double gearing, whereby the same capital is utilised by several companies. The solvency margin for the group was SEK 1,258 million as per December 2008. The capital base at the same time was SEK 9,136 million, whereby the surplus for the group was SEK 7,878 million.

risks in the business activities

Skandia's business gives rise to various types of risk that can affect the company's results and financial position. Some of these risks are associated with the company's business strategy and are not limited to a specific business segment. Other risks are segment-specific, such as insurance risk. The significant risks in Skandia's business can be broken down in the following categories:

- Strategic and political risks
- Financial market risks
- Insurance risk
- Solvency risk
- Customer behaviour risk
- Operational risk
- HR risk
- Credit risk
- Liquidity risk
- Compliance risk

A more detailed discussion of these risks, how they affect Skandia, and how the risks are managed and controlled, is provided in note 2.

insurance contracts and investment contracts

According to IFRS 4, contracts are to be classified as either insurance contracts or investment contracts. For contracts that contain both an insurance component and a deposit component, and where it is possible determine the value of the components separately, then there is an opportunity to use unbundling. Skandia issues both insurance and investment contracts. With respect to Skandia's unit linked assurance and traditional life assurance, which is initially classified as an investment contract, it is possible to determine the value of the deposit component separately from the insurance component in a reliable manner. To provide more relevant financial information, Skandia unbundles its unit linked assurance and traditional life assurance contracts and reports the deposit component and insurance component as if they were separate contracts. More detailed information on the handling of insurance contracts and investment contracts is provided in note 1, section 5.

the environment

Skandia's CSR policy stipulates that the company's environmental strategy shall lead to a reduction in the environmental impact of operations through continuous improvement. Skandia has also joined the UN's Global Compact and conforms to the OECD's guidelines for multinational companies and the Carbon Disclosure Project.

Skandia does not conduct any operations that require a permit or reporting obligation pursuant to the Environmental Code.

employees

The principles and processes for compensation and benefits of senior executives are described in note 44.

future outlook

The market in 2009 will continue to be characterised by greater transparency, price pressure from niche players, larger central procurement processes and continued turbulence in the financial markets.

To meet the market's demands going forward and be even more customer-focused, Skandia has adapted its organisation to the Corporate and Private markets, respectively. This will improve Skandia's ability to create the right offerings, develop the right products to meet the customers' needs, and keep its promises with respect to the service level of Skandia's offering.

Much focus will be dedicated in the future to developing new offerings that are cost-effective for both Skandia's customers and owners. In the corporate market, Skandia today is a leading player in insurance-based savings. The largest competitors consist of other insurance companies, however, niche players have also entered the market in recent years and compete with low prices. In the private market there is a greater need for advice that takes the customer's entire financial situation and business into account. This will put great demands on a highly developed distribution strategy that is both effective and quality-assured, and which looks after the customer's total needs. In addition, competition will remain fierce in the development of new types of products and services designed for private customers. The competitors consist primarily of other insurance companies and banks – large, established players as well as niche companies.

It is important that Skandia continues to focus its work on the customer, which is the reason why Skandia's new vision is to have the market's most satisfied customers. To meet customers' expectations, Skandia's offering in the future will reflect even more clearly customer needs and offerings will be packaged accordingly. An example of a new offering in 2009 is Skandia's integrated occupational pensions offering – containing savings, risk and rehabilitation services.

Skandia Lifeline Private Healthcare and Group Insurance is seeing growing interest from companies in finding solutions that give their employees quick access to healthcare so that they can return to work more quickly after an illness or accident. In the end this will help employers reduce their costs for sick pay and loss of production. Skandia meets this need by combining Skandia's disability insurance with rehabilitation services.

proposed distribution of profit

DISPOSITION OF FÖRSÄKRINGSAKTIEBOLAGET SKANDIA'S UNRESTRICTED SHAREHOLDERS' EQUITY	SEK
The following amount is available for distribution by the Annual General Meeting:	
Profit brought forward from 2007	8,550,404,042
Group contributions provided	-462,685,950
Net profit for the year	841,446,258
Share-based payments	2,965,000
Translation differences for the year	-15,228,302
	8,916,901,048
The Board of Directors propose that this amount be distributed as follows:	
Dividend to shareholders	1,562,842,943
To be carried forward	7,354,058,105
	8,916,901,048
IF THIS PROPOSAL IS ADOPTED, THE COMPANY'S REPORTED SHAREHOLDERS' EQUITY WILL CONSIST OF:	
Share capital	1,030,762,688
Share premium reserve	139,565,842
Profit carried forward	7,354,058,105
	8,524,386,635

The proposed dividend which comprises 15% of Skandia's shareholders' equity, is made taking into account the rules on buffer capital, risk limitation and transparency in accordance with the Insurance Business Act. The proposed dividend pertains all shares of Skandia's holding in the wholly owned subsidiary Skandia Europe AB and the 1% holding in Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna. Dividends in kind will be effected at book value which for Skandia Europe AB amounts to SEK 1,562,842,942 and for Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna amounts to SEK 1.

Skandia's solvency surplus prior to the dividend amounts to SEK 7,817 million and after the proposed dividend will amount to SEK 6,254 million.

Skandia's financial position does not give cause for an assessment other than that Skandia can be expected to meet its commitments in both the short and long term.

The Board of Directors' assessment is that Skandia's shareholders' equity as reported in this annual report is of a sufficient size in relation to the scope and risks of the company's operations. Consolidated unrestricted shareholders' equity prior to the dividend amounts to SEK 25,321 million and after the proposed dividend will amount to SEK 22,621 million.

Details of Skandia's results and financial position are provided on the following pages in the income statement and balance sheet with accompanying notes.

Stockholm, 29 June 2009

Lars Otterbeck
Chairman of the Board

Anne Andersson

Magnus Beer

Robert Head

Bertil Hult
Chief Executive

Ingolf Lundin

Julian Roberts

Gert-Ove Zettergren

Indra Åsander

Our audit report was submitted on 29 June 2009.

KPMG AB

Thomas Thiel
Authorised Public Accountant

income statement

SEK million	Note	2008	2007
TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS			
Premiums earned, net of reinsurance			
Premiums written	3	779	696
Premiums ceded	3	-779	-696
Change in provision for unearned premiums and unexpired risks		-37	-21
Reinsurers' share of change in provision for unearned premiums and unexpired risks		37	21
		0	**0**
Allocated investment return transferred from the non-technical account	4	**0**	**0**
Claims incurred, net of reinsurance	5		
Claims paid			
Gross		-549	-448
Reinsurers' share		549	448
Change in provision for claims outstanding			
Gross		-39	13
Reinsurers' share		39	-13
		0	**0**
Operating expenses	6	**0**	**0**
Technical result, property & casualty insurance business		**0**	**0**
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS			
Premiums written, net of reinsurance	7		
Premiums written		878	938
Premiums ceded		-26	-24
		852	**914**
Investment income		**0**	**0**
Other technical income, net of reinsurance	8	**1,399**	**1,447**
Claims incurred, net of reinsurance			
Claims paid	9		
Gross		-138	-160
Reinsurers' share		5	6
Change in provision for claims outstanding			
Gross		43	27
Reinsurers' share		12	1
		-78	**-126**
Change in other technical provisions, net of reinsurance			
Provision for unearned premiums and unexpired risks			
Gross		17	-35
		17	**-35**
Operating expenses	10	**-1,191**	**-1,244**
Investment charges		**-1**	**-2**
Technical result, life assurance business		**998**	**954**

SEK million	Note	2008	2007
NON-TECHNICAL ACCOUNT			
Technical result, property & casualty insurance business		**0**	**0**
Technical result, life assurance business		**998**	**954**
Investment income	11	2,910	5,556
Unrealised gains on investments	12	174	8
Investment charges	13	-1,290	-5,098
Unrealised losses on investments	14	-60	-30
	15	**1,734**	**436**
Allocated investment return transferred to the technical account	4	0	0
Other revenues		0	83
Other expenses		-1,348	-67
Result before taxes		**1,384**	**1,406**
Tax on result for the year	16	88	89
Other taxes	16	-631	-527
		-543	**-438**
Result for the year		**841**	**968**

balance sheet

SEK million	Note	2008	2007
ASSETS			
Investments			
Investments in group and associated companies	17		
Shares and participations in group companies		10,671	11,320
Loans to group companies		3,218	2,468
Shares and participations in associated companies		199	152
Other financial investments	18		
Shares and participations		119	190
Bonds and other fixed-income securities		2,455	2,120
Other loans		—	0
Lending to credit institutions		665	1,560
Derivatives		19	4
Deposits held with ceding undertakings	19	1,390	2,435
		18,736	**20,249**
Investments for the benefit of life assurance policyholders who bear the investment risk			
Assets for conditional bonuses	20	2,466	103
Unit linked assets	21	67,893	91,764
		70,359	**91,867**
Reinsurers' share of technical provisions			
Provision for unearned premiums and unexpired risks	31	243	197
Provision for claims outstanding	32	854	787
		1,097	**984**
Debtors			
Debtors arising out of direct insurance operations	22	44	35
Debtors arising out of reinsurance operations		57	21
Other debtors	23	1,272	585
Deferred tax, net	24	837	565
		2,210	**1,206**
Other assets			
Tangible assets	25	33	41
Cash and bank balances	26	203	68
		236	**109**
Prepaid expenses and accrued income			
Accrued interest and rent		65	62
Deferred acquisition costs	27	3,043	3,185
Other prepayments and accrued income	28	482	539
		3,590	**3,786**
TOTAL ASSETS		**96,228**	**118,201**

SEK million	Note	2008	2007
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (1,030,762,688 shares with par value of SEK 1)		1,031	1,031
Share premium reserve		139	139
Profit or loss brought forward		8,076	7,583
Result for the year		841	968
		10,087	**9,721**
Untaxed reserves	29	**2,091**	**2,091**
Technical provisions, gross	30		
Unearned premiums and unexpired risks	31	286	257
Claims outstanding	32	1,421	1,410
		1,707	**1,667**
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross			
Conditional bonuses	33	2,471	103
Unit linked obligations	34	69,375	94,264
		71,846	**94,367**
Other provisions			
Pensions and similar obligations	35	234	287
Taxes		175	10
Other provisions	30, 36	2,540	1,850
		2,949	**2,147**
Deposits received from reinsurers		**1,073**	**965**
Creditors			
Creditors arising out of direct insurance operations	37	267	270
Creditors arising out of reinsurance operations		20	21
Derivatives	38	61	32
Other creditors	39	4,974	5,602
		5,322	**5,925**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	27	20	14
Other accruals and deferred income	40	1,133	1,304
		1,153	**1,318**
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		**96,228**	**118,201**
Memorandum items			
Pledged assets and collateral			
Pledged assets and therewith comparable collateral for own liabilities and for reported commitments for provisions	42	2,356	3,617
Assets covered by policyholders' beneficiary rights	42	72,867	94,035
		75,223	**97,652**
Contingent liabilities	43	878	1,049

statement of changes in shareholders' equity

SEK million	Restricted shareholders' equity Share capital	 Share premium reserve	Unrestricted shareholders' equity Profit/loss brought forward	Total share-holders' equity
Shareholders' equity at the beginning of 2007	**1,031**	**139**	**7,527**	**8,697**
Translation differences for the year			-4	-4
Group contributions after deducted tax			54	54
Share-based payments			6	6
Total changes in net worth recognised directly in shareholders' equity, excluding transactions with owners	**1,031**	**139**	**7,583**	**8,753**
Result for the year			968	968
Shareholders' equity at year-end 2007	**1,031**	**139**	**8,551**	**9,721**
Translation differences for the year			-15	-15
Group contributions after deducted tax			-463	-463
Share-based payments			3	3
Total changes in net worth recognised directly in shareholders' equity, excluding transactions with owners	**1,031**	**139**	**8,076**	**9,246**
Result for the year			841	841
Shareholders' equity at year-end 2008	**1,031**	**139**	**8,917**	**10,087**

Total number of shares outstanding	2008	2007
At 1 January	1,030,762,688	1,030,762,688
At 31 December	1,030,762,688	1,030,762,688
All shares have a par value of SEK 1 per share.		

cash flow statement

SEK million	2008	2007
Operating activities		
Result before tax	1,384	1,406
Policyholder tax	-631	-527
Adjustment for dividends from group companies	-2,314	-2,628
Adjustment for non-cash items[1)]	952	1,514
Adjustment for payment to Skandia Liv in accordance with arbitration ruling	871	—
Paid tax	—	-35
Cash flow from operating activities before changes in assets and liabilities	**262**	**-270**
Cash flow from change in investments/technical provisions, where the risk is borne by the policyholders, net[2)]	24	6
Increase of other investments pertaining to operating activities	-155	-81
Change in other operating receivables and operating liabilities[3)]	190	-1,148
Cash flow from operating activities	**321**	**-1,493**
Investing activities		
Change in investments not used directly in the operations, net	901	-1,422
Dividends from group companies	2,314	2,628
Other[4)]	-678	1,882
Cash flow from investing activities	**2,537**	**3,088**
Financing activities		
Loans floated	8,728	20,185
Amortisation of loans	-11,518	-22,013
Group contribution preceding year	54	—
Other	12	23
Cash flow from financing activities	**-2,724**	**-1,805**
NET CASH FLOW FOR THE YEAR	**134**	**-210**
Cash and cash equivalents at start of year	**68**	**273**
Exchange rate differences in cash and cash equivalents	**1**	**5**
Cash and cash equivalents at end of year	**203**	**68**

1) Amortisation and write-downs	12	15
Change in value of investments	-115	31
Unrealised foreign exchange gains/losses	309	-46
Change in deferred acquisition costs	165	228
Change in deferred fee income	-8	-10
Change in technical provisions excluding savings in life and unit linked assurance	-72	7
Share-based payments	4	9
Reversal of write-down of group companies	-220	-2,473
Loss on sale of group companies	329	3,531
Write-down of group companies	534	154
Other	14	68
Adjustment for non-cash items	**952**	**1,514**
2) Change in technical provisions where the risk is borne by the policyholders, net	-22,799	5,420
Purchases and sales of investments where the risk is borne by the policyholders, net	22,823	-5,410
Other	—	-4
Cash flow from change in investments/technical provisions where the risk is borne by the policyholders, net	**24**	**6**

3) The item “Change in other operating receivables and operating liabilities” has been adjusted for group contributions that have been booked, but not received/paid, in the amount of SEK -643 million (75) including tax on group contributions.

4) Acquisition of tangible fixed assets	-5	-13
Adjustment of payment from group companies	—	2,530
Shareholder contribution to associated companies	-47	-37
Change in loans, group companies	-532	-1,934
Liquidation of group companies	0	694
Acquisitions of group companies	—	-712
Sales of group companies	561	1,215
Repayment of shareholder contribution from group companies	314	378
Shareholder contribution to group companies	-30	-197
Payment to Skandia Liv in accordance with arbitration ruling	-871	—
Other	-68	-42
Other	**-678**	**1,882**

performance analysis

PROPERTY & CASUALTY INSURANCE (PER LINE OF INSURANCE)

SEK million	TOTAL	Disability and accident	Direct foreign
Technical result, property & casualty insurance business			
Premiums earned, net of reinsurance	0	0	0
Allocated investment return transferred from the non-technical account	0	0	0
Claims incurred, net of reinsurance	0	0	0
Operating expenses	0	0	0
Technical result, property & casualty insurance business	**0**	**0**	**0**
Run-off result	**0**	**0**	**0**
Technical provisions, gross			
Unearned premiums and unexpired risks	243	156	87
Claims outstanding	795	656	139
Total technical provisions, gross	**1 038**	**812**	**226**
Reinsurers' share of technical provisions			
Unearned premiums and unexpired risks	-243	-156	-87
Claims outstanding	-795	-656	-139
Total reinsurers' share of technical provisions	**-1 038**	**-812**	**-226**
Notes to the Performance analysis, property & casualty insurance business			
Premiums earned, net of reinsurance			
Premiums written, gross	779	540	239
Premiums ceded	-779	-540	-239
Change in provision for unearned premiums and unexpired risks	-37	-8	-29
Reinsurers' share of change in provision for unearned premiums and unexpired risks	37	8	29
	0	**0**	**0**
Claims incurred, net of reinsurance			
Claims paid[1]			
Gross	-549	-377	-172
Reinsurers' share	549	377	172
Change in claims outstanding[2]			
Gross	-39	-7	-32
Reinsurers' share	39	7	32
	0	**0**	**0**

[1] Including claims portfolios and claims settlement costs.
[2] Including change in claims settlement reserve.

LIFE ASSURANCE (PER LINE OF INSURANCE)

SEK million	TOTAL	Occupational pension insurance[1)] Unit linked assurance	Occupational pension insurance Waiver of premium insurance	Occupational pension insurance Total	Other life assurance Life assurance	Other life assurance Unit linked assurance	Other life assurance Waiver of premium insurance	Other life assurance Total	Life reassurance accepted	Unbundling
Technical result, life assurance business										
Premiums written, net of reinsurance	**852**	6,199	127	6,326	2,750	2,488	9	5,247	-53	-10,668
Investment income	**—**	—	—	—	—	—	—	—	—	—
Increase in value of investment assets where the investment risk is borne by the policyholders	**0**	-18,065	—	-18,065	-727	-8,043	—	-8,770	—	26,835
Other technical income, net of reinsurance	**1,399**	896	—	896	55	448	—	503	—	—
Claims incurred, net of reinsurance	**-78**	-1,126	-7	-1,133	-86	-2,781	-13	-2,880	-478	4,413
Change in other technical provisions, net of reinsurance	**17**	13,547	17	13,564	-2,386	8,892	—	6,506	1,270	-21,323
Operating expenses	**-1,191**	-634	-5	-639	-128	-385	0	-513	-39	—
Investment charges	**-1**	0	-1	-1	—	0	0	0	-743	743
Technical result, life assurance business	**998**	**817**	**131**	**948**	**-522**	**619**	**-4**	**93**	**-43**	**0**
Run-off result	**158**	**—**	**148**	**148**	**—**	**—**	**10**	**10**	**—**	**—**
Technical provisions, gross										
Unearned premiums and unexpired risks	**43**	—	43	43	—	—	—	—	—	—
Life assurance provision	**0**	—	—	—	—	—	—	—	1,443	-1,443
Claims outstanding	**626**	0	552	552	—	0	74	74	—	—
Technical provisions, gross	**669**	**0**	**595**	**595**	**—**	**0**	**74**	**74**	**1,443**	**-1,443**
Technical provision for life assurance policies where the risk is borne by the policyholders, gross										
Conditional bonuses	**2,471**	—	—	—	2,471	—	—	2,471	—	—
Unit linked obligations	**69,375**	47,739	—	47,739	—	20,193	—	20,193	—	1,443
Technical provision for life assurance policies where the risk is borne by the policyholders, gross	**71,846**	**47,739**	**—**	**47,739**	**2,471**	**20,193**	**—**	**22,664**	**—**	**1,443**
Reinsurers' share of technical provisions										
Claims outstanding	**-59**	—	-58	-58	—	—	-1	-1	—	—

1) Occupational pension insurance is defined in accordance with the definition provided by the Swedish Financial Supervisory Authority.

Notes to the Performance analysis, life assurance business

SEK million	TOTAL	Occupational pension insurance Unit linked assurance	Occupational pension insurance Waiver of premium insurance	Occupational pension insurance Total	Other life assurance Life assurance	Other life assurance Unit linked assurance	Other life assurance Waiver of premium insurance	Other life assurance Total	Life reassurance accepted	Unbundling
Premiums written, net of reinsurance										
Premiums written, gross	**878**	6,199	153	6,352	2,750	2,488	9	5,247	-53	-10,668
Premiums ceded	**-26**	0	-26	-26	—	0	0	0	—	—
	852	**6,199**	**127**	**6,326**	**2,750**	**2,488**	**9**	**5,247**	**-53**	**-10,668**
Claims incurred, net of reinsurance										
Claims paid										
Gross	**-123**	-1,123	-67	-1,190	-86	-2,772	-10	-2,868	-478	4,413
Reinsurers' share	**5**	—	5	5	—	—	0	0	—	—
Claims settlement costs	**-15**	-3	-2	-5	0	-9	-1	-10	—	—
Change in claims outstanding										
Gross	**43**	0	45	45	—	0	-2	-2	—	—
Reinsurers' share	**12**	—	12	12	—	—	0	0	—	—
	-78	**-1,126**	**-7**	**-1,133**	**-86**	**-2,781**	**-13**	**-2,880**	**-478**	**4,413**

notes (SEK million)

Note 1 Significant accounting policies

1. General information
The Annual Report of Skandia Insurance Company Ltd (publ) pertains to the period 1 January–31 December 2008. Skandia is domiciled in Stockholm, Sweden, with head offices at Sveavägen 44 and registered number 502017-3083. Skandia was established in 1855 and was listed on the Stockholm Stock Exchange between 1863 and 2006. As from 2006, Skandia is a subsidiary of Old Mutual plc, domiciled in London, UK.

The Annual Report for the 2008 financial year has been approved by the Board of Directors and Chief Executive for publication on 26 May 2009 and will be presented at the Annual General Meeting which will start on 30 June 2009.

2. Basis of preparation
The Annual Report has been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies and Swedish Financial Supervisory Authority regulations and general guidelines on annual reports of insurance companies (FFFS 2008:26), as well as Swedish Financial Reporting Board (RFR) recommendation RFR 2.1 "Accounting for legal entities". In accordance with these regulations and general guidelines, Skandia applies so-called legally limited IFRS. By legally limited IFRS is meant application of IFRS and accompanying interpretations that have been adopted by the European Commission, along with the deviations prescribed by FFFS 2008:26 and RFR 2.1. This entails that all EU-approved IFRSs and interpretations are to be applied as far as possible within the framework of Swedish legislation and taking into account the connection between accounting and taxation.

In reference to Ch. 7 of the Swedish Annual Accounts Act for Insurance Companies, no consolidated financial statements are prepared for Skandia. Skandia is a subsidiary of Old Mutual plc and is included in the consolidated financial statements prepared by Old Mutual. The Annual Report of Old Mutual plc is available at www.oldmutual.com and can be ordered from Old Mutual, 2 Lambeth Hill, London EC4V 4GG, UK.

The financial statements are presented in Swedish kronor (SEK), rounded off to the nearest million (unless otherwise indicated). They are based on historical cost, except for the following assets and liabilities, which are stated at fair value: financial derivative instruments, investments held for trading, and financial assets and liabilities pertaining to unit linked assurance and traditional life assurance.

The accounting policies stated below have been applied for all periods presented in this annual report.

3. Important estimations and assessments for accounting purposes
The accounting policy that has the most significant impact on the reported amounts in the financial statements is the unbundling of contracts into insurance components and deposit components, which is described in section 5. Skandia has chosen to apply this unbundling method because of the increased transparency it results in. It clarifies how Skandia's revenues and expenses arise, and it treats all unit linked and traditional life assurance contracts in a uniform manner.

The most important assumptions about the future and sources of uncertainty that can affect the reported amounts of assets and liabilities are related to the technical provisions that are described in note 32 and the other provisions that are described in note 36 and in the Disputes section in the Board of Directors' Report.

4. Foreign currencies
Transactions in foreign currency are recalculated to the functional currency at the exchange rate in effect on the transaction date. Skandia's functional currency is the Swedish krona. As an approximation of the exchange rate in effect on the date of transaction, ordinarily the average exchange rate for the period is used. Foreign currency–denominated assets and liabilities are translated to SEK at financial year-end rates of exchange. Non-monetary items denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect on the date of the transaction, and non-monetary items in foreign currency that are measured at fair value are translated using the exchange rate in effect at the date when the fair value was determined.

Exchange rate differences are reported in the income statement as foreign exchange gains and losses, respectively.

Assets and liabilities in independent foreign branches are translated to SEK at financial year-end rates of exchange, while the income statements are translated at the average rate of exchange for the period. Translation differences that arise do not affect profit/loss, but are instead recognised directly in shareholders' equity.

5. Insurance and investment contracts – classification and unbundling
According to IFRS 4, contracts are to be classified as either insurance or investment contracts. Contracts that contain a significant insurance risk are classified as insurance contracts and are reported in accordance with IFRS 4. Contracts that do not transfer significant insurance risk from the policyholder to the company are classified as investment contracts and are reported as financial instruments in accordance with IAS 39. For contracts that contain both an insurance component and a deposit component, and where it is possible to determine the value of the components separately, according to IFRS 4 the company is permitted to use unbundling, which entails that the contract is broken down into an insurance component and a deposit component in the accounting.

Skandia issues both insurance contracts and investment contracts. Insurance contracts are contracts under which Skandia accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary on the occurrence of a defined insured event. Investment contracts are financial instruments that do not meet the definition of an insurance contract, as they do not transfer significant insurance risk from the policyholder to the company.

With respect to Skandia's unit linked and traditional life assurance, which is initially classified as an investment contract, it is possible to determine the value of the deposit component separately from the insurance component in a reliable manner. To provide more relevant financial information, Skandia unbundles its unit linked assurance contracts and reports the deposit component and insurance component as if they were separate contracts. The insurance component of unit linked assurance is classified as an insurance contract and is handled according 5.1 below. The deposit component, which includes the financial instrument and the related service process, is treated according to the principles that apply for investment contracts, see 5.2 below. For the unbundled contracts, the fees and costs arising from the contract are split between the insurance and deposit components. Front-end fees and acquisition costs are split according to the expected future profitability within the components.

5.1 Insurance contracts
Insurance contracts include healthcare insurance contracts and the unbundled insurance component of unit linked contracts.

(a) Measurement
Skandia makes a provision for anticipated future claims that have been incurred but not yet paid. As a rule, such provisions are made in accordance with the principles for reserve provisions and calculation of guarantees set forth in the Skandia Group Corporate Manual, which is approved by the Board of Skandia. For long-term obligations, such as provisions for disability insurance business, the liability is discounted using a market interest rate, but taking into account regulatory guidelines and other rules on how discounting may be done. Such provision is reported in the balance sheet as "Claims outstanding".

For contracts where insurance risk premiums in a period are intended to cover the claims in that period, the portion of premiums received that relates to unexpired risks on the balance sheet date is reported as an unearned premium liability. Such contracts include, for example, unit linked contracts and certain life assurance contracts. This provision is reported in the balance sheet as "Unearned premiums and unexpired risks".

(b) Liability adequacy test
At each reporting date, Skandia carries out a liability adequacy test of its insurance contract liabilities to ensure that the carrying amount of its liabilities is sufficient in the light of estimated future cash flows. In performing these tests, current best estimates of future contractual cash flows as well as claims handling and administration expenses are used. These cash flows are discounted and compared to the carrying amount of the liability. Any deficiency is immediately charged to income.

(c) Recognition of revenue
Premiums for insurance contracts are recognised as revenue when they become payable by the contract holder. For contracts where insurance risk premiums in a period are intended to cover the claims in that period, those premiums are recognised as revenue proportionally over the period of coverage.

(d) Recognition of costs
Costs for insurance contracts are recognised as an expense when incurred, with the exception of commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts. These are capitalised as deferred acquisition costs. The principles for deferring acquisition costs of insurance contracts are the same as the principles for deferring acquisition costs of investment contracts, see section 5.2 (c).

The change in provisions for insurance contracts is reported under expenses in the income statement. Claims paid are recorded as an expense upon payment.

(e) Reinsurance
Contracts entered into by Skandia with reinsurers, under which the company is compensated for losses on contracts issued by the company and that meet the classification requirements for insurance contracts in section 5, are classified as ceded reinsurance. Contracts that do not meet these requirements are classified as financial assets and liabilities. Accepted reinsurance is treated similarly to other contracts (see section 5) and is reported according to that classification.

For ceded reinsurance, the benefits to which the group is entitled under its reinsurance contracts are reported as the reinsurers' share of technical provisions and deposits held with cedants. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

Skandia assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that a reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the income statement.

The impairment loss is also calculated following the same method used for these financial assets. These processes are described in section 9.

5.2 Investment contracts
Investment contracts include the deposit component of unit linked and traditional life assurance contracts.

(a) Measurement
Investment contracts are financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial instruments at fair value through profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date. The company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit linked financial liability is determined using the current values, which reflect the fair value of the financial assets contained within the securities linked to the financial liability, multiplied by the number of units attributed to the contract holder on the balance sheet date.

The initial and subsequent measurement amount of the financial liability is its fair value. However, if the liability is subject to a surrender option, the fair value of the financial liability is never less than the amount payable on surrender.

If, for a certain portfolio, the expected future revenue is lower than the expected future variable costs, a provision for onerous contracts must to be established for this portfolio.

(b) Recognition of revenue
Amounts received from and paid to investment contract holders are accounted for in the balance sheet as deposits received or repaid, and are not included in premiums and claims in the income statement.

Fees charged for managing investment contracts are recognised as revenue in line with the provision of the investment management services to the contract holders by Skandia. The revenue is recognised in the income statement as premiums and among other technical income, respectively. These services are provided equally over the lifetime of a contract. Front-end fee income, such as the unallocated part of premiums, is therefore deferred through a deferred fee income (DFI) item. In practice, this entails a linear amortisation over the anticipated lifetime of the contracts. Amortisation is calculated for groups of contracts, but it is done in such a way that it reflects the pattern that a contract-for-contract method would have resulted in. The amortisation takes into account the fact that contracts are prematurely redeemed or cancelled upon death using a persistency factor. For a portfolio of contracts, amortisation is thus done according to a slightly exponential curve, with higher amounts early in the lifetime of the contracts and lower amounts toward the end of lifetime of the contracts, when fewer contracts remain in the respective portfolios.

(c) Recognition of costs

Incremental costs directly attributable to securing a new investment contract are deferred. In Skandia's case, these costs are mainly incremental acquisition costs paid to brokers and others. Deferred acquisition costs are amortised as Skandia recognises the related revenue, which means that they follow the pattern of the service provision. Just like with deferred fee income, deferred acquisition costs are amortised according to a persistency factor. The asset is tested for impairment every accounting period to ensure that the economic future benefits expected to arise from the contracts exceed its face amount.

All other costs, such as non-incremental acquisition costs or maintenance costs, are recognised in the accounting period in which they arise.

6. Subsidiaries, associates and jointly controlled entities

Subsidiaries are companies that are subject to the controlling interest of Skandia. Controlling interest entails, directly or indirectly, a right to determine a company's financial and operating strategies in order to receive economic benefit. When determining whether a controlling interest exists, consideration is given to potential shares with voting rights that can immediately be exercised or converted.

Associates are entities in which Skandia has significant influence, but not control, over the financial and operating strategies – usually a holding between 20% and 50% of the number of votes.

Joint ventures are entities in which Skandia exercises a joint controlling interest established by a contractual agreement.

Shares in these categories of company are stated at cost. The carrying amount is reviewed on each balance sheet date to determine if there is any indication of impairment. If such an indication exists, the asset's recoverable value is established. An impairment charge is made when the carrying amount of the asset or cash-generating unit exceeds the recoverable value. The impairment charge is recognised in the income statement.

7. Unit linked investment contracts

(a) Investments held to cover liabilities for unit linked and traditional life assurance contracts

These assets consist of investments for the benefit of life assurance policyholders who bear the investment risk and are reported on a separate line in the balance sheet ("Unit linked assets" and "Assets for conditional bonuses", respectively). Investments for the benefit of policyholders who bear the investment risk are stated at fair value. The securities are classified as "fair value through profit or loss" and are stated at fair value, with any resulting gain or loss recognised in the income statement.

Changes in the value of unit linked funds and traditional life assurance and the corresponding change in insurance liabilities are reported net in the income statement. The substance of the transaction is that the changes in value belong solely to the policyholders. Therefore, Skandia believes that net accounting makes it easier for policyholders and other interested parties to understand the transactions and assess the entity's performance and future cash flows. Insurance assets are valued at the latest bid price.

(b) Liabilities for linked investment contracts

Policyholder deposits are invested in securities chosen by the policyholder, and the undertaking to the policyholders is reported as a liability. The size of the liability correlates directly to the value development of the securities and the amount of premiums paid in and benefits paid out. The liabilities are accounted for under the fair value option as fair value through profit or loss.

8. Other financial instruments

Financial instruments reported in the balance sheet include, on the assets side, trade accounts receivable, equities, loan receivables, fixed-income securities and derivatives. Among liabilities and shareholders' equity are trade accounts payable, loan receivables and derivatives.

Non-derivative financial instruments are initially carried at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments, except for those that belong to the category "financial assets carried at fair value through profit or loss", which are stated at fair value excluding transaction costs. A financial instrument is classified upon initial accounting based on the purpose that the instrument was acquired for. Derivative instruments are carried initially and on a continuing basis at fair value.

Financial instruments are valued on a continuing basis according to the type of asset or liability in question (see below). Realised gains and losses are calculated as the difference between the book value and the sales price. Purchases and sales of securities and currencies are recognised on the transaction date, i.e., on the day the transaction was carried out. The counterparty's receivable/liability is reported net between the transaction date and the settlement date under the items "Other debtors" or "Other creditors" if clearing is done through a clearing organisation. If this is not the case, the payment is reported gross under the items "Other debtors" or "Other creditors". Valuation of the respective asset classes is described below. Assets are valued at bid price and liabilities at offer price.

(a) Loan receivables and trade accounts receivable

Loans used as investments are stated at amortised cost less a deduction for possible impairment. Each receivable is valued individually. Loans are initially recorded at cost including transaction costs and are recognised at the settlement date. The initial value at the settlement date represents the fair value of the loan.

Interest received on loans and changes in amortised cost are accounted for as interest income. Interest income is allocated to the period to which it pertains in accordance with the effective interest rate method. Loans are derecognised from the balance sheet when they are pre-paid or redeemed.

Trade receivables are reported in the amount in which they are expected to be received after deducting for bad debts, which are assessed individually. The anticipated duration of trade receivables is short, which is why the value is reported at nominal amount without discounting. Impairment of trade receivables is reported among operating expenses.

Cash and bank balances consist of cash balances and call deposits. The item also includes funds that constitute part of transactions between policyholders and fund companies. Cash and cash equivalents include cash and bank balances and bank lines of credit.

(b) Financial assets held for trading

Investments held for trading are stated at fair value, with resulting gains or losses recognised in the income statement. By fair value is meant the realisable value on the accounting date without deducting estimated sales costs. For stocks and bonds listed on an authorised stock exchange or marketplace, the realisable value normally refers to the bid/offer price on the accounting date. All changes in value are recognised in the income statement.

Unlisted equities are stated at fair value in accordance with the valuation principles used by industry organisations in Europe and the USA (EVCA). For unlisted shares where the fair value cannot be determined with reliability, the shares are valued at cost.

All derivatives are stated at fair value. Derivatives are valued individually. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see below). Gains and losses on derivatives not classified as hedges are recognised in the income statement.

The fair value of currency options is calculated using the Black & Scholes model, while the fair value of interest derivatives is calculated by discounting future cash flows. Fair value of FX-forwards are obtained from official market quotes.

(c) Other financial liabilities
Fixed-income liabilities are stated at amortised cost. Interest expenses are allocated to the period to which they belong.

Borrowing costs are expensed in the income statement in the period they pertain to. Skandia does not capitalise borrowing costs as a part of the asset's acquisition cost.

Trade accounts payable and other current liabilities with short durations are stated at nominal amount without discounting.

9. Impairment of assets
The carrying amount of Skandia's assets is reviewed at each balance sheet date to determine if there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated, which is the greater of the net sales price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time-adjusted monetary values and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there is both evidence that the need to recognise impairment no longer exists and a change has been made in the assumptions that served as the basis for calculating the impaired amount. The reversal increases the asset's carrying amount. The carrying amount may not exceed the carrying amount after depreciation, if the impairment loss had never been recognised.

Assets excluded from this principle include financial assets that are stated at fair value through profit or loss (see section 8 above) and deferred tax assets (see section 17).

10. Equipment
Items of equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is reported in the income statement on a straight-line basis over the estimated useful lives of the items. The estimated useful life varies between 3 to 5 years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

11. Shareholders' equity
Restricted equity consists of share capital and the share premium reserve. Other equity is classified as unrestricted equity.

12. Group contributions
The Swedish tax code permits group contributions to be rendered and received by Swedish corporations, subject to special restrictions, with the contribution becoming taxable for the recipient and tax-deductible for the rendering entity. In accordance with pronouncement UFR 2 issued by the Swedish Financial Reporting Board (RFR), group contributions are reported according to their economic significance. This entails that group contributions rendered and received in order to minimise the group's total tax are reported directly against profit brought forward after deducting for their current tax effect.

13. Appropriations and untaxed reserves
The tax code in Sweden allows companies to reduce their taxable income through appropriations to untaxed reserves. In accordance with Swedish practice, changes in these reserves are reported in the income statement of individual companies under the heading "Appropriations". The accumulated total of these appropriations is reported in the balance sheet under the heading "Untaxed reserves", of which 26.3% can be considered to be a deferred tax liability and 73.7% as restricted shareholders' equity. The deferred tax liability can be described as a noninterest-bearing liability with an unspecified maturity.

Where applicable, untaxed reserves are offset against tax-loss carry-forwards or become subject to taxation when they are dissolved. In evaluating the company's financial strength, the total value of untaxed reserves can be regarded as risk capital, since losses generally can be covered through reversals of these untaxed reserves, without payment of taxes.

14. Technical provisions
The rules of the Skandia Group Policy for Technical Provisions have been adhered to in calculations of all technical provisions.

Technical provisions for waiver of premium insurance are calculated using a discount rate that has been set according to market principles. The Financial Supervisory Authority's guidelines on choice of interest rate (FFFS 2008:23) have also been taken into account to calculate life assurance provisions and certain other technical provisions. The assumptions used in the calculation, except for the interest rate and an inflation assumption regarding insured benefits, are an estimate for recoveries among disability claimants on the basis of previous experience from this business. The calculation is in conformity with standard formulas and Swedish practice.

Technical provisions for group accident and private healthcare insurance have been calculated using triangulation methods combined with average claims techniques – methods that have been accepted practice in property & casualty insurance for a long time and are recommended by actuarial associations in general in both Europe and the USA. These reserves are not discounted due to the short average duration of claims payments.

The uncertainties that exist in the estimations are handled in a prudent manner in accordance with generally accepted accounting practice. An example of this prudence principle is that an incompletely reported claim is taken up at its maximum value in the calculation.

IBNR provisions are made for claims that have been incurred but not reported. Based on experience, it can be warranted to assume that certain claims are reported with a time delay. The IBNR calculation is performed using several different variants of the chain ladder method, involving the number of reported claims, benefits paid out to date, etc. The calculation variants are compared and compiled to arrive at a joint estimation of number of claims, after which the reserve is determined under the assumption that the unreported claims have the same average cost as those that have been reported.

Technical provisions for unearned premiums can be of the following three types:

- "Genuine" unearned premium
  In cases where risk premiums are paid to the insurance company long before their due date, an allocation of premiums should be done, i.e., a provision is made for the excess amount and is dissolved in the period in which the premiums are due. Since the com-

pany's business consists mostly of monthly premiums, no provision has been made for the 2008 accounts. Checks are performed on a regular basis to ensure that the need for this type of provision is immaterial.

- So-called active reserves
  Waiver of premium insurance is written at an equalised premium. A calculation is made of the need for periodic premiums, and a provision for the future is made of any excess amount of paid-in premiums. In the same way, the provision is dissolved for insureds whose premium requirement exceeds the charged, equalised premium. In this manner, the earned premium will consist of a risk premium that is charged according to an age-differentiated rate. This calculation technique is in accordance with Swedish practice.
- Provision for unexpired risks
  For insurance contracts with insufficient risk premium compared with the premium need, a technical provision is made for unexpired risks – a so-called deficiency supplement. This provision is dissolved in pace with premiums as they fall due.

15. Other provisions

Provisions are reported in the balance sheet when the group has an obligation (legal or constructive) due to an event that has occurred and when it is likely that an outflow of resources will be required to meet the obligation and that amount can be estimated in a reliable manner.

16. Revenue recognition

Skandia's accounting policies for revenues and expenses from insurance contracts are reported in section 5.1. The corresponding report for investment contracts can be found in section 5.2.

Revenue consists of the fair value of consideration received or receivables for services provided in the ordinary course of business. Revenue is recognised as follows:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount. Dividend income from investments is recognised when the shareholder's rights to receive payments have been established.

17. Taxes

(a) Current tax

Current tax is the tax that is to be paid or received in the current year, based on the tax rates that apply as per the balance sheet date. Current tax also includes the tax on group contributions and adjustments of current tax pertaining to previous periods. Current tax is based on a tax rate of 28% for the 2008 financial year.

(b) Deferred tax

Deferred taxes are calculated according to the balance sheet method, based on temporary differences between reported and tax values of assets and liabilities. Loss carryforwards that can be used to reduce taxable profits in future years are only assigned such value that corresponds to the company's anticipated future taxable profits in the coming three years.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax for the 2008 financial year has been calculated using a tax rate of 26.3%. Deferred tax liabilities and receivables are not discounted.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to shareholders' equity, in which case the deferred tax is also recognised in equity.

(c) Policyholder tax

Policyholder tax is not a tax on Skandia's result, but rather, is paid by the company on the behalf of its policyholders. In Sweden, life assurance companies pay a policyholder tax that is based on a standard calculation of the return on the net assets managed for the benefit of policyholders. The expense is classified as a tax expense. The corresponding income received when debiting the policyholders is reported in the income statement in the item "Other technical income". There is a direct connection between the tax paid and the cost charged to the policyholders.

18. Pensions

Skandia applies the rules of the Pension Obligations Vesting Act *(Tryggandelagen)* and the Financial Supervisory Authority's guidelines for reporting of pensions. Compliance with the Pension Obligations Vesting Act is a prerequisite for obtaining the right to make tax deductions for premiums. Consequently, legal entities are not required to comply with the rules of IAS 19 pertaining to defined benefit pension plans. For further information on pensions, see note 45, "Pension disclosures".

19. Share-based payments

According to IFRS 2, share-based payments are to be expensed. The expense is calculated as the market value of the shares and options at the grant date. The fair value determined at the grant date of equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on Old Mutual's estimate of shares that will eventually vest. The vesting period is the period that the employees must remain in service at Skandia in order for their options to vest. Social security costs are also allocated over the vesting period, in accordance with pronouncement UFR 7 issued by Swedish Financial Reporting Board (RFR): "IFRS 2 and social security costs for listed companies". For further disclosures on share-based payments, see note 44, Average number of employees, salaries and remuneration, section VI.

20. Leasing

In its capacity as a lessee, Skandia only has operating lease contracts and no finance leases. The charge to income under an operating lease is the rental expense for the accounting period, recognised on a straight-line basis over the term of the relevant lease.

21. Cash flow statement

IAS 7 Cash Flow Statements is applied with the adaptations that are necessary in view of Skandia's business. In preparation of the cash flow statement, in cash flow from operating activities, net accounting has been done of changes in technical provisions, assumptions on unit linked assurance contracts and similar investments. Net accounting provides a better picture of the cash flows accruing to Skandia.

Investments are an integral part of the business, as a large part of inflows in the insurance operations must be invested in accordance with the operating rules.

The change of investments in the group which are not used directly in the operations is reported under "Cash flow from investing activities".

Cash and cash equivalents include bank balances less bank overdrafts, which are reported in the balance sheet as loans. Cash and cash equivalents also include amounts that make up part of transactions between policyholders and fund companies. Short-term investments are not included in cash and cash equivalents, but are reported among investments.

Note 2 Risk analysis

Introduction

Skandia's activities give rise to a wide range of risks that have the potential to affect the group's results and financial position. Skandia's unit linked assurance and healthcare insurance business includes risk aspects in the form of insurance risk, among other things. In addition to these are operational risk – risks attributable to people, processes and systems. Certain risks in the operations are eliminated, others are limited, and certain risks are accepted. Regardless of which strategy that applies in the management of risks, it is of utmost importance that all risks in the operations are effectively managed and controlled.

Risks in the context of the financial crisis

In 2008 the stock market fell by 42%, which affected Skandia in several different ways. Skandia has a low tolerance for risk, particularly financial market risk, and therefore has a business model that is mainly based on insurance in which the policyholder bears the investment risk. However, Skandia has exposure to financial market risk through the fee structure of the insurance policies. As a result of events in the external environment, such as when issuers go bankrupt or when the media focuses on the financial market in a negative light, players in the savings market become more observant of financial market risks – especially liquidity and credit risks – including Skandia.

The following description of risks is presented in accordance with IFRS 7 and IFRS 4.

Risk strategy

Skandia's risk strategy is based on consideration for two stakeholder groups: customers and shareholders. Through measures aimed at safeguarding the interests of Skandia's customers and shareholders, the interests of other stakeholders are also taken into account, such as Skandia's employees.

With respect to customer risk, Skandia's goal is to be able to guarantee the obligations it has made towards its customers with a high degree of certainty and to meet reasonable expectations made by customers. Customer risk is managed through technical provisions and by maintaining a sufficient capital base, and by maintaining a sound governance structure within the company. Skandia works actively with its customers on informing them and suggesting suitable measures to help customers manage their insurance capital in a reasonable manner.

Other risks, in addition to financial market risks, are actively managed with the intention of reducing the expected negative outcome and keeping the unlikely potential outcomes within tolerance. Skandia assumes that its shareholders can independently manage the main financial risks such as market and currency volatility by, for example, hedging or diversification in order to achieve their own desired exposures.

Organisation of Skandia's internal control

Skandia's board of directors is responsible for the overall governance and control of all risks in Skandia – business risks as well as operational risks. This is done through principles and policies, among other things. The Audit Committee, which is a committee within Skandia's board, is responsible for reviewing the risk management and compliance within Skandia based on the detailed Instructions for the Audit Committee adopted by the Board.

Skandia's Chief Executive has a composite view of Skandia's risks and is responsible for ensuring that the risks in Skandia are reported, managed and escalated, as well as – where necessary – providing risk management support to the operations. Skandia's Chief Executive shall also co-ordinate all risk reporting done within Skandia as well as compliance. Skandia's Chief Executive has delegated the execution of these duties to a Chief Risk Officer ("CRO"). The CRO's responsibility includes analysing risks and compliance and – where necessary – challenging the operative management's assessments and reporting on risks in the division to the Chief Executive and the Board of Directors. A business control unit that is responsible for quantitatively evaluating the risks that arise in the operations (including calculations of economic capital and risk measurement). A risk committee is tasked with monitoring and analysing risks in the operations. Skandia's Chief Actuary is responsible for controlling insurance risks.

Skandia's Internal Audit function is directly subordinate to the Board and is organisationally separated from Skandia's operations. It is responsible for performing independent audit and oversight of both the operative units and internal control (the risk control and compliance functions). External Audit is appointed by the Annual General Meeting and must meet certain authorisation requirements. External Audit performs an external, independent audit.

Risk responsibility at Skandia

Skandia uses Old Mutual's decentralised Enterprise Risk Management methodology for managing and controlling risks. According to this methodology, formal governance structures are complemented by a risk governance model based on "three lines of defence".

This model distinguishes between the functions that own and manage risks and compliance (the first line), the functions that oversee risks and compliance (the second line), and the functions for independent review that provide independent assurance (the third line). Skandia applies Old Mutual's risk model, as illustrated in the chart below:

	Executive		Non-executive
	First line	*Second line*	*Third line*
What it covers	• Strategy • Tone at the top • Code of conduct/risk tolerance • Risk prediction and avoidance • Risk management and reporting • Compliant and risk-aware operating practices • Performance management	• Clear and well communicated risk policies • Effective control and monitoring systems • Independent risk and compliance oversight, control and challenge • Assist with advisory support	• Independent assurance and oversight
Responsibility	The business head or person who, according to internal/external rules, job description or work duties, owns and manages the risk, such as: • Skandia's board of directors • Skandia's Chief Executive • Divisional management • Business management • All management levels • All employees	The person who, according to internal/external rules, job description or work duties, is responsible for controlling risk, such as: • Skandia's Chief Executive, divisional management, business management, all management levels • Specialist functions, such as CFO, CRO, Chief Actuary, General Counsel, Head of HR	• Internal Audit • External Audit • Board sub-committees for audit and risk

- As the first line of defence, the Board sets the company's risk tolerance, approves the strategy for managing risk and is responsible for the company's system of internal control. The Chief Executive, supported by Executive Management, has overall responsibility for the management of risks facing the company. Management and staff within each division have the primary responsibility for managing risk and compliance, i.e., they are responsible for taking a risk inventory (including compliance risks), for regularly reporting and managing risks and violations of internal or external rules, and for writing and implementing policy documents, instructions and/or guidelines adapted to the business unit.

- The second line of defence which exercises oversight of risk management and compliance with rules consists of management (the Chief Executive, management teams and all other managers), and of CROs (Chief Risk Officers) and other specialist functions. The second line of defence is also responsible for ensuring that routines, methods and tools for management and control of risks and compliance are on hand. The second line of defence also performs supporting duties when needed, such as training, workshops, information and advice. However, the second line of defence may never perform services or conduct business that it oversees itself.
- The functions in the third line of defence shall provide independent, objective assurance to the Board of the effectiveness of the company's risk management, risk control and compliance. This is handled by Skandia's Internal Audit unit, by the Board's Audit Committee, and by the external auditors.

In 2008 a review was conducted of risk management at Skandia in an effort to further develop the work on identifying, managing and analysing risks arising in the company. In addition, a framework was established for the risk and compliance work at Skandia, which will be adopted by the Board in early 2009. The aim of the framework is to clarify roles, responsibilities and reporting requirements.

To further shore up independence with respect to the first line of defence, for the Nordic operations, with effect from 1 January 2009 Skandia has centralised all risk and compliance functions. Apart from ensuring independence, this centralisation is expected to lead to more effective oversight, control and support, where all units are to work according to the same model while making knowledge-sharing easier and more natural.

Skandia's risk tolerance

Skandia's risk tolerance, i.e., how much risk the group is willing to accept, and is set out in the Skandia Corporate Manual. Any risks or events falling outside the agreed levels are identified for immediate remedial action and subjected to Executive Management and Audit Committee oversight. In 2008 work was begun on defining and describing Skandia's risk appetite.

Risk measurement

Sensitivity analysis – Skandia calculates aggregate sensitivities on a quarterly basis. These analyses evaluate the impact of changes in assumptions on the value of in-force business and the present value of new business. They also show the sensitivity of value to key parameters regarding risks related to financial markets, insurance and customer behaviours, which are an integral part of Skandia's business.

Economic Capital – Skandia measures customer risk using an Economic Capital calculation that uses the following key concepts:

- Required Economic Capital: the amount required to secure promises made to customers with the desired high degree of certainty.
- Actual Economic Capital: the amount available to secure promises made to customers – basically the economic value of the company.

Skandia assesses the adequacy of its available economic capital biannually by carrying out an analysis of its main risk exposures and resulting required capital levels according to a standard set by Old Mutual.

Significant risks in Skandia's business

At present Skandia conducts unit linked assurance business including a discretionary account–based insurance *(depåförsäkring)* and supplementary insurance, such as waiver of premium insurance, some property & casualty insurance (private healthcare and accident insurance), and advisory business. In addition, Skandia conducts support services associated with insurance and advisory activities. Skandia also provides such support services to other companies in the Skandia group. Skandia's activities give rise to a wide range of risks that have the potential to affect the company's results and financial position. Some of these are a natural consequence of the company's business strategy and are not limited to a specific business segment. Other risks, such as insurance risks, are segment-specific.

The most significant risks in Skandia's business are described below. For the purpose of this report, this categorisation groups together risks that are analysed similarly and for which similar types of mitigation can be applied within Skandia.

Strategic and political risks

Strategic risk is the risk that Skandia's strategy is insufficient for maintaining Skandia's position in the market or inappropriate for the operating environment or the available resources. Strategic and political risks commonly include market conduct and misselling risks, changes in tax codes and other legislation, loss of rating and reputation, and similar other risks.

Strategic risk is coupled to the group's strategy, and this risk is therefore primarily a group risk for the Old Mutual Group. This risk will, however, be acknowledged and managed also at the company and business unit levels. This risk is addressed through regular reconsideration of the strategy and through processes for reviewing, following up and assessing the objectives and risks of Skandia's strategy. While some mitigating actions are possible, often this risk cannot be avoided and is an integral part of doing business.

Financial markets risk

Financial markets risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, thereby affecting Skandia's results. The term embodies both the potential for loss and the potential for gain.

Financial markets risk includes three main types of risk:

- exchange rate risk, which reflects changes in foreign currency exchange rates
- interest rate risk, which reflects changes in market interest rates
- equity risk, which reflects changes in the market value of shares and other equity instruments (such as mutual funds)

Skandia's future revenues consist largely of fees on assets under management. These fees, which are based on fund values and other securities, are affected by the development of these values. For example, the value of funds and custody accounts are affected by interest rate movements as well as the trend in the stock market, and thus Skandia's future cash flows are exposed to both interest rate risk and share price risk. These cash flows are part of the distributable profits that form the basis for the calculation of embedded value[1]. Skandia does not hedge cash flow risks arising from the volatility of customers' holdings or the volatility that arises from fluctuations in exchange rates.

Skandia is exposed to market risks associated with purchases and sales of fund units that are made in connection with policyholders' trading in unit linked insurance. The exchange rate risk that arises from this is hedged. Interest rate and equity risks are limited.

Market risks exist in the form of options embedded in unit linked contracts, but to a small extent. Due to the nature of Skandia's business, these risks are not substantial to shareholders. Risk management in the form of controls is exercised with respect to these risks.

[1] Embedded value is the sum of shareholders' equity in unit linked and traditional life assurance and the surplus values of insurance in force.

Insurance risks
Pure insurance risks are related to factors such as accidents, mortality, longevity and morbidity, transferred from policyholders to the company. These risks can arise for various reasons, from natural statistical variations and misestimations, to political or socioeconomic factors than could not be foreseen.

The risks for the company consist of a development that is different than what the company assumed in its calculations.

This is managed through regular follow-up of claims experience and, where necessary, reconsideration of applied assumptions when setting premiums and calculating provisions for incurred claims. For example, morbidity risks are partly dependent on the economy, i.e., factors in the operating environment, such as the Swedish Social Insurance Office's practices, have an impact on claims experience. The trend in mortality in society and in insured portfolios is also studied on a continuing basis.

Insurance contracts are written so as to allow future changes in applicable assumptions, even if the change may lead to changes in premiums.

Skandia has a restrictive stance to insurance risks, and Skandia's Corporate Manual contains a set of rules aimed at limiting the group's net insurance risk. Both morbidity risks and mortality risks are reinsured when the risk in a single contract exceeds the limit stated in the rules. The risk insurance business that is written today consists primarily of waiver of premium risks, i.e., disability risks. Contracts are written for individual customers in connection with occupational pensions business in Sweden. Adverse selection risk associated with the writing of contracts containing insurance risk is low, since the risk element cannot be chosen without corresponding savings.

In exceptional cases Skandia also provides reinsurance for a few contracts to companies that are or have been part of the Skandia group.

The table below shows the extent to which Skandia has covered its insurance risks through reinsurance.

RISK REINSURANCE

Insurance obligations	2008	2007
Total exposure	1,707	1,667
Reinsured exposure	-1,097	-984
Non-reinsured exposure	610	683

When a death has occurred, as a rule the insurance case is finally settled within one or a couple of months after the death. For waiver of premium claims, which are settled with periodic payment of benefits during the entire time that of the disability, the uncertainty is initially greater with respect to the exact size of the claim. Provisions are based on experience-based assumptions, and a new, individual calculation for each claim is made monthly. After approximately two years' time, it is easy to predict a claim's remaining total claim cost.

The assumptions are managed through a duration-matched bond portfolio and are reviewed by a special committee, which continuously monitors changes in the development pattern. The duration of claims is shown in the table below.

DURATION

	< 1 yr	1-5 yrs	>5 yrs	Total
Claims reserves	13%	43%	44%	100%

Management of credit risk, market risk and liquidity risk in connection with insurance risk follows the descriptions under these headings.

Solvency risk
Solvency risk is the risk of the company not being able to meet its obligations to the policyholders. Skandia manages solvency risk by maintaining a low risk tolerance, i.e., by having a business model that is primarily based on insurance in which the policyholders bear the investment risk, by taking solvency costs into account in economic calculations, by performing regular solvency measurements, and by developing a risk-based view of its business activities.

Risks arising from unforeseen customer behaviour
Customer behaviour risk is the risk that customers surrender or transfer their insurance contracts, or cease premium payments for their contracts with Skandia in a volume that has not been expected. In general, customer actions such as surrenders, prepayments or premium cessation can give rise to liquidity problems and the loss of future revenues or interest. The risk for insufficient liquidity is explained in the section on liquidity risk below.

Customer behaviour risk is primarily managed through conscious product design. In addition, activities are undertaken to persuade customers to continue their contracts with Skandia.

Many insurance contracts with a savings element can be surrendered in full or in part before maturity for a cash surrender value. There seems to be some covariance in the risk for surrenders with developments in the financial markets and labour markets. This risk for loss of future revenues is managed according to local market conditions. For example, for unit linked assurance, Skandia charges a surrender fee to customers and/or distributors who cancel contracts early.

The sensitivity of the present value of future, anticipated cash flows to changes in customer behaviour is shown in the Sensitivity analysis section below.

Operational risks
Operational risks arise from external events and from the failure of people, processes and systems. Most areas can be affected, including management, handling of complaints, standards of service for policyholders, brand management and marketing, product pricing, solvency, capital and liquidity management, improper handling of confidential information, containment of costs, risks not addressed and managed, accounting systems and controls (including their documentation), management of major internal changes, the use of information technology in the day-to-day businesses, information technology infrastructure and security, internal and external fraud, physical security and others.

Skandia manages operational risks through various forms of preventive measures and security arrangements as well as through preparedness planning aimed at handling situations that may arise as effectively as possible. Operational risks shall be identified on a yearly basis and measured through self assessment. In addition, Skandia has a system for capturing "hits and near misses", chiefly for operational risks, in order to learn from experience and thereby avoid similar events in the future.

The impact of operational risks is usually recognised through expenses. The sensitivity of embedded value and the value of new business to changes in expense levels is shown in the Sensitivity analysis section below.

HR risks
HR risk is the risk of the company not having the human capital needed to maintain its business. This can include the risk of the company not being able to attract and retain competent people for maintaining its business. In addition, there may be a risk of the company culture not being in agreement with the company's objectives or of the incentive structure failing to motivate the employees. The respective departmental managers are responsible for taking care of their employees in the best manner possible. However, it is Skandia's HR department which, together with management, creates the conditions for this through methods, tools and an overriding HR strategy that is coupled to the company's overall objectives.

Credit risk

Credit risk (counterparty risk) is the risk that a counterparty will be unable to pay amounts in full when due, thereby causing Skandia a loss. Skandia is exposed to credit risk in connection with reinsurance, among other things. The main form of credit risk management is the assessment of the counterparty's ability to fulfil its obligations. Credit risk is managed in general through guidelines with clearly set limits.

For its investments in bonds and derivatives, Skandia has adopted a conservative investment strategy that is limited in concentration and credit rating. Similarly, wherever possible, Skandia only uses reinsurers with at least a single A rating over the long term from Standard & Poor's or its equivalent. Skandia has credit exposure to intermediaries. These are also well diversified with local limits on maximum individual exposures.

The focus on counterparty risks has grown stronger in the financial climate that prevailed in 2008.

Skandia is exposed to the following credit risks:

CREDIT RISK EXPOSURES[1) 2)]

	2008	2007
Loans to companies		
Other	3,218	2,468
Loans to credit institutions		
Bank	665	1,560
Bonds		
Government bonds, credit rating AAA	2,455	2,120
Derivatives		
Counterparties with AA credit rating	–	4
Counterparties with single-A credit rating	19	–
Reinsurers		
Reinsurers with single-A credit rating	1,129	1,002
Reinsurers with undetermined credit rating	25	3
Banks		
Counterparties with AA credit rating	15	9
Counterparties with single-A credit rating	186	56
Counterparties with undetermined credit rating	2	3
Total	**7,714**	**7,225**

1) Credit exposure is indicated as the book value after provision for doubtful debts.
2) There are no pledged assets.

Liquidity risk

Liquidity risk is the risk that Skandia will encounter difficulty in meeting obligations associated with financial liabilities when they are called. Skandia is exposed to liquidity risk in several areas, including:

- funding unexpectedly large volumes of new business,
- in unit linked assurance in connection with fund switches,
- derivatives.

Skandia manages liquidity risk by assigning each business area to draw up liquidity strategies for the daily management of liquidity in the business, by setting – where applicable – and continuously monitoring liquidity limits, and by drawing up continuity plans for liquidity risks.

These risks are managed on a day-to-day basis by Skandia's Treasury unit through forecasting and maintaining back-up credit facilities, which put Skandia in a better position to handle unforeseen liquidity flows. The credit facilities are summarised in the following table, which refers to the Standard & Poor's credit rating system:

AVAILABLE CREDIT OPPORTUNITIES

Lender's credit rating	**2008**	**2007**
AA	1,000	–
A	2,000	1,650

For derivatives, liquidity risk arises due to cash flow effects in relation to roll-overs. Again, this is managed by Treasury in the manner described above.

The following table shows a term structure of Skandia's financial liabilities that are subject to liquidity risk. The table is based on contractual maturity dates.

MATURITY ANALYSIS

CONTRACTUAL RESET DATES FOR FINANCIAL AND INSURANCE LIABILITIES EXPOSED TO LIQUIDITY RISK 2008

	<1 yr	1-5 yrs	>5 yrs	Total
Derivatives	61	–	–	**61**
Provisions for life assurance policies where the investment risk is borne by the policyholders	30,454	7,560	33,832	**71,846**
Technical provisions	593	558	556	**1,707**
Creditors arising out of direct insurance operations	267	–	–	**267**
Creditors arising out of reinsurance operations	20	–	–	**20**
Other loans	288	–	–	**288**
Other creditors	4,686	–	–	**4,686**
Total	**36,369**	**8,118**	**34,388**	**78,875**

Assets that cover the above liabilities are included on the asset side of the balance sheet. In addition, the company has unutilised lines of credit. See also note 26.

Investments to cover technical provisions have the following maturities in 2008

	<1 yr	1-5 yrs	>5 yrs	Total
Market value including accrued interest	543	813	812	2,168

MATURITY ANALYSIS

CONTRACTUAL RESET DATES FOR FINANCIAL AND INSURANCE LIABILITIES EXPOSED TO LIQUIDITY RISK 2007

	<1 yr	1-5 yrs	>5 yrs	Total
Subordinated loans	–	–	–	**–**
Derivatives	–	32	–	**32**
Provisions for life assurance policies where the investment risk is borne by the policyholders	38,241	8,730	47,396	**94,367**
Technical provisions	522	578	567	**1,667**
Creditors arising out of direct insurance operations	270	–	–	**270**
Creditors arising out of reinsurance operations	21	–	–	**21**
Other loans	618	218	2,242	**3,078**
Other creditors	2,524	–	–	**2,524**
Total	**42,196**	**9,558**	**50,205**	**101,959**

Investments to cover technical provisions have the following maturities in 2007

	<1 yr	1-5 yrs	>5 yrs	Total
Market value including accrued interest	841	615	1 ,052	2,508

Compliance risks

Compliance risk is the risk of Skandia not complying with laws, regulations and internal rules that govern how Skandia's business is to be conducted, which can lead to various types of sanctions or financial loss. Management of this risk is conducted within the individual units at Skandia and is followed up on a regular basis by the independent Risk and compliance function.

Sensitivity analysis

In 2008 Skandia implemented changes in its reporting of embedded value. Starting in 2008, Skandia adheres to the Market Consistent Embedded Value (MCEV) calculation principles and result monitoring prescribed by Old Mutual. Embedded value reporting is used internally as the principal method for measuring the performance of the business. MCEV is also the base for the sensitivity tests that are performed.

MCEV consists of expenses and revenues that have already been recognised in the form of adjusted shareholders' equity (the Adjusted Net Worth or "ANW") and of the discounted expected future cash flows (the value of business in force or "VBIF"). For a more detailed description of MCEV, please refer to the CFO Forum document entitled *Market Consistent Embedded Value (MCEV) Principles © and associated Basis for Conclusions*, which is available at www.cfoforum.nl.

The anticipated flows in VBIF are based on – among other things – assumptions with respect to the surrender rates of contracts, fees, fund management and other costs, commissions be paid to distributors and mortality. The return on policyholders' investments, inflation and discount rates are based on the applicable risk-free market interest rate.

MCEV consists of the sum of reported shareholders' equity for unit linked and life assurance, and the surplus value of business in force (VBIF). VBIF represents the present value of expected future cash flows from in-force contracts that cannot be included in reported shareholders' equity.

New business is defined as new contracts sold during the reporting period. The value of new business (VNB) includes the value of expected future premiums and renewals and expected future contractual alterations to the extent that they can reasonably be predicted. VNB also includes recurring single premiums and changes to existing contracts where these are not variations already anticipated in VBIF.

The results of sensitivity tests pertaining to both VBIF and the VNB are shown below. The sensitivity tests for the financial assumptions sequentially test the effect of an increase first in the risk discount rate, and thereafter in the return on equities, bonds and inflation.

- **Tests A and B.** These show the effect of a 1 percentage point increase (A) and decrease (B) in the opening economic assumptions, compared with that used for the VBIF, ANW and VNB calculations. The increase and decrease, respectively, includes assumptions for inflation and the discount rate.
- **Tests C and D.** These tests show the effect of a one-time rise (C) and a one-time decline (D) in the equity markets as per 31 December 2008. Most of the effect arises through the change in the level of fund-based fees in the future. The tests do not include any corresponding fall or rise in the bond market. The tests are not relevant for VNB, which is why only the effect on MCEV is shown.
- **Test E.** This test shows the effect of a surrender ratio being 10% lower than assumed, i.e., an assumption of 10% per year is changed to 9% per year in this test.
- **Test F.** This test shows the effect of a 10% decrease in internal maintenance expenses. If the continuing, future maintenance expense is assumed to be 50 per year for a product (and increasing with inflation), Test F entails that the cost will be assumed to be 45. External commission costs are fixed in advance and are thus not included in this test.
- **Tests G and H.** These tests show the effect of a decrease in the assumptions for the mortality rate by 5%. Test G shows the effect of lower assumptions for insurance policies with a positive risk sum, and Test H shows the effect of a corresponding decrease in the assumptions for insurance policies with a negative risk sum.
- **Test I.** This test shows the effect of a 10% increase in acquisition costs and thus only affects VNB.
- **Test J.** The economic capital that forms the basis for the cost of non-hedgeable risks in MCEV has been calculated with a 99.5% confidence interval over a one-year time horizon. In this test, the cost of non-hedgeable risks has increased through a change in the confidence level to 99.93%.
- **Test K.** This test shows diversification effects between hedgeable and non-hedgeable risks in the risk capital requirement.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

SEK 000s	MCEV	% change	VNB	% change	ANW (Req. cap.)	% change	ANW (Free surplus)	% change
Starting assumption	**11,092,907**		**383,316**		**707,836**		**450,316**	
A: 1% increase in economic assumptions	-333,235	-3.0%	-16,551	-4.3%				
B: 1% decrease in economic assumptions	357,404	3.2%	11,985	3.1%				
C: 10% increase in assets	518,559	4.7%	—	—	-18	-0.003%	-11	-0.003%
D: 10% decrease in assets	-518,214	-4.7%	—	—	18	0.003%	11	0.003%
E: 10% decrease in surrender assumptions	323,551	2.9%	76,490	20.0%				
F: 10% decrease in internal maintenance expenses	392,132	3.5%	22,840	6.0%				
G: 5% decrease in mortality assumptions for positive risk sum	36,936	0.3%	6,673	1.7%				
H: 5% decrease in mortality assumptions for negative risk sum	9	0.0%	10	0.0%				
I: 10% increase in acquisition costs	—	—	-17,305	-4.5%				
J: Capital requirement with risk capital requirement based on a 99.93% confidence interval	-125,772	-1.1%	-10,952	-2.9%				
K: Capital requirement including diversification effects between hedgeable and non-hedgeable risks	122,406	1.1%	10,659	2.8%				

Capital requirement

The focus, control and mandate of asset management are governed by Skandia's investment policy, which is a section of the Skandia Group Corporate Manual. Monitoring of debt coverage, outcomes and risks is handled by a special Skandia committee. Follow-up, including sensitivity analyses, is conducted and reported on a quarterly basis. On the whole, the investment strategy is characterised by Skandia's general low risk appetite and risk tolerance, which is why the assets are invested carefully and taking into account the anticipated future cash flows of technical provisions.

The Financial Supervisory Authority's oversight of insurance companies includes a quarterly reporting requirement for minimum solvency capital and capital base. The calculation model for the solvency requirement for unit linked obligations and so-called custody account insurance *(depåförsäkring)* is simple – the requirement is 1% of unit linked assets under management. An additional requirement is made for products that include insurance risk, depending on the risk content and type of insurance risk. However, in terms of amount, products containing insurance risk constitute a small portion of Skandia's insurance portfolio.

The solvency requirement according to the table is low compared with available capital. Alternative calculations are performed to reflect future requirements in a new solvency system, among other things in the form of the Financial Supervisory Authority's traffic light system.

CAPITAL BASE AND SOLVENCY REQUIREMENT

	2008	2007
Capital base	8,710	9,283
Solvency requirement	893	867
Surplus	**7,817**	**8,416**

NOTES ON THE TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS

Note 3 Premiums written

	2008	2007
Direct insurance in Sweden	540	515
Direct insurance in other EEA countries	239	181
Premiums for ceded reinsurance with group companies	-779	-696
Paid-in and recognised premiums	**0**	**0**

Note 4 Allocated investment return transferred from the non-technical account

In the property & casualty insurance operations, the allocated investment return is transferred from the non-technical to the technical account based on average technical provisions less outstanding net receivables in the insurance operations. The interest rates mainly follow the yield of medium-term government bonds with consideration given to the insurance operations' cash flow over time. The entire insurance risk has been reinsured, and no investment income was transferred to the non-technical account in 2007 or 2008.

Note 5 Claims incurred

	2008			2007		
	Gross	Ceded[1]	Net	Gross	Ceded[1]	Net
Claims paid	-536	549	13	-433	448	15
Change in provision for incurred and reported claims	-9	9	0	-212	212	0
Change in provision for incurred but not reported (IBNR) claims	-30	30	0	225	-225	0
Operating expenses for claims settlement	-13	—	-13	-15	—	-15
Total	**-588**	**588**	**0**	**-435**	**435**	**0**

[1] Pertains to reinsurance with group companies.

Of claims incurred, SEK 0 million (0) consists of net run-off result.

Note 6 Operating expenses

	2008	2007
Internal acquisition costs	-44	-49
External acquisition costs[1]	-19	-8
Change in deferred acquisition costs, gross	5	4
Administrative expenses	-145	-144
Reinsurance commissions and profit participations	208	201
Change in deferred acquisition costs, ceded reinsurance	-5	-4
Total	**0**	**0**

[1] Pertains to commissions for direct insurance.

For breakdown of total operating expenses, see note 46.

NOTES ON THE TECHNICAL ACCOUNT, LIFE INSURANCE BUSINESS

Note 7 Premiums written

	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Periodic premiums[1]	204	-26	178	221	-24	197
Fees	674	—	674	717	—	717
Total	**878**	**-26**	**852**	**938**	**-24**	**914**

[1] Pertains to premiums for the insurance element of life assurance business where the investment risk is borne by the life assurance policyholders. All insurance contracts have been written in Sweden.

Note 8 Other technical income

	2008	2007
Volume-based cost reduction	752	902
Policyholder tax	630	524
Other	17	21
Total	**1,399**	**1,447**

Note 9 Claims paid

	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Death	-45	—	-45	-55	—	-55
Disability	-78	5	-73	-87	6	-81
Claims settlement costs	-15	—	-15	-18	—	-18
Claims paid	**-138**	**5**	**-133**	**-160**	**6**	**-154**

Note 10 Operating expenses

	2008	2007
Internal acquisition costs	-383	-354
External acquisition costs	-406	-435
Change in deferred acquisition costs, gross	-158	-218
Administrative expenses	-245	-250
Reinsurance commissions and profit participations	1	13
Total	**-1,191**	**-1,244**

For breakdown of total operating expenses, see note 46.

NOTES ON THE NON-TECHNICAL ACCOUNT

Note 11 Investment income

	2008	2007
Dividends from shares and participations		
Shares and participations in group companies	2,314	2,628
Other shares and participations	59	92
Interest income, etc.		
Bonds and other fixed-income securities	82	77
Shares and participations in group companies	190	125
Other interest income	20	105
Foreign exchange gains, net	25	56
Reversed write-downs		
Shares and participations in group companies	220	2 473
Capital gains, net		
Other shares and participations	—	—
Total	**2,910**	**5,556**

Note 12 Unrealised gains on investments

	2008	2007
Shares and participations	—	8
Fixed-income securities	174	—
Total	**174**	**8**

Note 13 Investment charges

	2008	2007
Asset management charges	-236	-1,072
Interest expenses, etc.		
Shares and participations in group companies	-167	-246
Other interest expenses	-19	-86
Foreign exchange losses, net	—	—
Depreciation and write-downs		
Write-down of shares in group companies	-534	-154
Capital losses, net		
Shares and participations in group companies	-334	-3,531
Other shares and participations	—	-9
Total	**-1,290**	**-5,098**

Note 14 Unrealised losses on investments

	2008	2007
Shares and participations	-60	—
Fixed-income securities	—	-30
Total	**-60**	**-30**

Note 15 Investment income, net, per category of financial instrument

	Asset/liability stated at fair value through profit or loss[1]		Loan receivables and trade receivables		Other asset/liability not stated at fair value		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Capital gains/losses								
Asset management charges	—	—	—	—	-236	-1,072	-236	-1,072
Dividends on shares and participations	59	92	—	—	2,314	2,628	2,373	2,720
Interest income	87	166	204	140	1	1	292	307
Interest expenses	-19	-64	—	—	-167	-268	-186	-332
Foreign exchange gains	51	1	0	71	359	5	410	77
Foreign exchange losses	0	-14	0	0	-385	-7	-385	-21
Reversed write-downs on shares in group companies	—	—	—	—	220	2,473	220	2,473
Write-down of shares in group companies	—	—	—	—	-534	-154	-534	-154
Capital gains/losses on equities	0	-9	—	—	-334	-3,531	-334	-3,540
Capital gains/losses on fixed-income securities	0	0	—	—	—	—	,0	,0
	178	**172**	**204**	**211**	**1,238**	**75**	**1,620**	**458**
Unrealised gains/losses								
Equities	-60	8	—	—	—	—	-60	8
Fixed-income securities	174	-30	—	—	—	—	174	-30
	114	**-22**	**—**	**—**	**—**	**—**	**114**	**-22**
Investment income	**292**	**150**	**204**	**211**	**1,238**	**75**	**1,734**	**436**

[1] Pertains to securities held for trading.

Note 16 Taxes

	2008	2007
Current tax pertaining to current year[1]	-187	21
Current tax pertaining to previous years	6	-35
Deferred tax	269	103
Tax on result for the year	**88**	**89**
Policyholder tax	-631	-527
Tax charge	**-543**	**-438**
Difference between company's tax charge and tax charge based on applicable Swedish tax rate:		
Pre-tax result	754	882
Less: Policyholder tax charge	630	524
Pre-tax result based on income taxation	**1,384**	**1,406**
Tax based on applicable tax rate, 28%	**-388**	**-394**
Tax pertaining to previous years	6	-35
Losses for which deferred tax asset has not been taken into account	-304	-155
Non-deductible costs	-252	-1,039
Non-taxable revenues	850	1,565
Tax effect of policyholder tax charged	176	147
Policyholder tax	-631	-527
Reported tax charge	**-543**	**-438**

[1] Pertains mainly to tax on group contributions.

NOTES ON THE BALANCE SHEET

Note 17 Investments in group and associated companies

	Cost[1]		Fair value		Carrying amount	
	2008	2007	2008	2007	2008	2007
Shares and participations in group companies[2]	10,671	11,320	28,194	25,394	10,671	11,320
Loans to group companies	3,218	2,468	3,218	2,468	3,218	2,468
Shares and participations in associated companies[3]	199	152	199	152	199	152
Total	**14,088**	**13,940**	**31,611**	**28,014**	**14,088**	**13,940**

[1] Valuation based on cost, i.e., after requisite write-downs.

[2] Shares and participations in group companies

	Reg. no.	Domicile	No. of shares	Share of capital, %	Share of equity	Share of result	Carrying amount **2008**	Carrying amount **2007**
Australia								
Australian Skandia Ltd		Sydney	—	—	—	—	—	389
Chile								
Skandia Chile S.A.		Santiago	—	—	—	—	—	53
Skandia Chile S.A. Corredora de Bolsa		Santiago	—	—	—	—	—	0
Colombia								
Skandia Holding de Colombia S.A.		Bogotá	—	—	—	—	—	2
Denmark								
Skandia Link Livsforsikring A/S		Copenhagen	7,470	100	252	-15	407	712
Hong Kong								
Skandia Global Funds (Asia Pacific) Ltd		Hong Kong	—	—	—	—	—	7
Ireland								
SGF Marketing Ltd		Dublin	—	—	—	—	—	5
Skandia Fund Management (Ireland) Ltd		Dublin	—	—	—	—	—	24
Mexico								
Skandia Vida S.A. de C.V.		Mexico City	—	—	—	—	—	113
Skandia Servicios Mexico S.A. de C.V.		Mexico City	—	—	—	—	—	5
Skandia Operadora de Fondos S.A de C.V. Sociedad Operadora de Sociedades de Inversión		Mexico City	—	—	—	—	—	51
Norway								
Skandia Informasjonsteknologi AS		Oslo	1,000	100	18	0	15	15
Poland								
Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna[1]		Warsaw	460	1	2	1	0	0
UK								
Skandia UK Ltd		London	376,870,000	100	21,015	-1	4,558	4,558
Skandia NTS Ltd		London	500,001	100	2	-7	2	13

Cont. Note 17 Investments in group companies and associated companies

2) Shares and participations in group companies

	Reg. no.	Domicile	No. of shares	Share of capital, %	Share of equity	Share of result	Carrying amount **2008**	Carrying amount **2007**
Sweden								
Dial Försäkring AB	516401-8300	Stockholm	100,000	100	120	3	252	765
Livförsäkringsaktiebolaget Skandia (publ)	502019-6365	Stockholm	3,000	100	50,881	-78,378	0	0
Schnil HB	969711-6201	Stockholm	—	—	—	—	—	2
SkandiaBanken AB (publ)	516401-9738	Stockholm	4,000,000	100	1,785	1.045	3,367	2,529
Skandia Capital AB (publ)	556306-3881	Stockholm	5,000	100	107	15	100	100
Skandia Europe AB	556598-0322	Stockholm	1,000	100	2,163	135	1,563	1,563
Skandia Holding AB	556000-1033	Stockholm	3,639,552	100	459	17	200	200
Skandia Informationsteknologi AB	556023-5797	Stockholm	10,000	100	5	-1	5	15
Skandia Investment Advisory Services	556555-6965	Stockholm	1,697,000	100	3	8	7	7
Skandia Netline AB	556567-0154	Stockholm	1,000	100	40	-21	33	33
Skandia Telemarketing AB	556606-6832	Stockholm	1,000	100	10	0	10	10
Sturebadet AB	556302-8421	Stockholm	—	—	—	—	—	4
USA								
Skandia America Corporation		New York	100	100	249	-48	152	145
Total							**10,671**	**11,320**

1) Skandia Europe holds the other 99%.

Changes of shares in group companies

	2008	2007
Accumulated cost		
Opening balance	15,698	20,607
Purchases	—	712
Sales	-890	-5,440
Shareholder contributions	869	197
Repayment of shareholder contribution	-314	-378
Closing balance, 31 December	**15,363**	**15,698**
Accumulated write-downs		
Opening balance	-4,378	-6,697
Sales	220	2,473
Write-downs	-534	-154
Closing balance, 31 December	**-4,692**	**-4,378**
Carrying amount on 31 December	**10,671**	**11,320**

3) Shares and participations in associated companies

	Reg. no.	Domicile	No. of shares	Share of capital, %	Carrying amount **2008**	Carrying amount **2007**
Skandia-BSAM Life Insurance Company Ltd		Beijing	n.a.	50	195	151
Sophiahemmet Rehab Center AB	556248-6323	Stockholm	750	50	0	0
Skandia A/S		Copenhagen	250	50	1	1
Skandia Asset Management Fondmaeglarselskab A/S		Copenhagen	750,000	30	3	—
Total					**199**	**152**

Condensed information for associated companies	Revenues	Result	Assets	Liabilities	Equity	Share, %
Skandia-BSAM Life Insurance Company Ltd	0	-50	111	9	102	50
Sophiahemmet Rehab Center AB	33	0	9	5	4	50
Skandia A/S	3	2	31	27	4	50
Skandia Asset Management Fondmaeglarselskab A/S	4	2	6	3	3	30

Note 18 Categories of financial assets and liabilities, and their fair values

	Financial assets stated at fair value through profit or loss					
Financial assets 2008	**Assets determined to belong to category**	**Held for trading**	**Loan receivables**	**Carrying amount**	**Fair value**	**Cost**
Shares and participations	—	119	—	119	119	84
Bonds and other fixed-income securities	—	2,455	—	2,455	2,455	2,308
Other loans	—	—	—	—	—	—
Lending to credit institutions	—	—	665	665	665	665
Derivatives[1]	—	19	—	19	19	—
Deposits with ceding undertakings	1,390	—	—	1,390	1,390	1,390
Assets for conditional bonuses	2,466	—	—	2,466	2,466	2,684
Unit linked assets	67,893	—	—	67,893	67,893	81,211
Debtors arising out of direct insurance operations	—	—	1	1	1	1
Other debtors	—	—	1,272	1,272	1,272	1,272
Cash and bank balances	—	—	203	203	203	203
Accrued income	—	—	403	403	403	403
Total	**71,749**	**2,593**	**2,544**	**76,886**	**76,886**	**90,221**

1) Pertains to currency derivatives with a nominal value of SEK 262 million.

	Financial liabilities stated at fair value through profit or loss				
Financial liabilities 2008	**Liabilities determined to belong to category**	**Held for trading**	**Other financial liabilities**	**Carrying amount**	**Fair value**
Conditional bonuses	2,471	—	—	2,471	2,471
Unit linked obligations	69,375	—	—	69,375	69,375
Creditors arising out of direct insurance operations	—	—	235	235	235
Derivatives	—	61	—	61	61
Other creditors	—	—	4,974	4,974	4,974
Accrued expenses	—	—	1,100	1,100	1,100
Total	**71,846**	**61**	**6,309**	**78,216**	**78,216**

	Financial assets stated at fair value through profit or loss					
Financial assets 2007	**Assets determined to belong to category**	**Held for trading**	**Loan receivables**	**Carrying amount**	**Fair value**	**Cost**
Shares and participations	—	190	—	190	190	95
Bonds and other fixed-income securities	—	2,120	—	2,120	2,120	2,147
Other loans	—	—	0	0	0	0
Lending to credit institutions	—	—	1,560	1,560	1,560	1,560
Derivatives[1]	—	4	—	4	4	—
Deposits with ceding undertakings	2,435	—	—	2,435	2,435	2,435
Assets for conditional bonuses	103	—	—	103	103	77
Unit linked assets	91,764	—	—	91,764	91,764	81,423
Debtors arising out of direct insurance operations	—	—	4	4	4	4
Other debtors	—	—	585	585	585	585
Cash and bank balances	—	—	68	68	68	68
Accrued income	—	—	430	430	430	430
Total	**94,302**	**2,314**	**2,647**	**99,263**	**99,263**	**88,824**

1) Pertains to currency forward contracts with a nominal value of SEK 1,137 million.

Cont. Note 18 Categories of financial assets and liabilities, and their fair values

Financial liabilities 2007	Financial liabilities stated at fair value through profit or loss: Liabilities determined to belong to category	Held for trading	Other financial liabilities	Carrying amount	Fair value
Conditional bonuses	103	—	—	103	103
Unit linked obligations	94,264	—	—	94,264	94,264
Creditors arising out of direct insurance operations	—	—	228	228	228
Derivatives	—	32	—	32	32
Other creditors	—	—	5,602	5,602	5,602
Accrued expenses	—	—	1,240	1,240	1,240
Total	**94,367**	**32**	**7,070**	**101,469**	**101,469**

Note 19 Deposits with ceding undertakings

	2008	2007
Pertains to reinsurance of unit linked obligations. The deposits consist of Skandia's share of unit linked assets in group companies that have ceded reinsurance.	1,390	2,435

Note 20 Assets for conditional bonuses

	2008	2007
Pertains to custody account–based insurance *(depåförsäkring)*, in which the terms and conditions are equivalent to unit linked assurance. The life assurance policyholders bear the direct investment risk for these assets.	2,466	103

Note 21 Unit linked assets

	2008	2007
Equity-based funds	47,054	75,989
Fixed income funds	20,839	15,775
Total	**67,893**	**91,764**

Note 22 Debtors arising out of direct insurance operations

	2008	2007
Amounts receivable from policyholders	43	31
Amounts receivable from insurance brokers	1	4
Total	**44**	**35**

Note 23 Other debtors

	2008	2007
Amounts receivable from group companies	1,048	369
Amounts receivable from companies in the Skandia Liv group	73	128
Other debtors	151	88
Total	**1,272**	**585**

Note 24 Deferred tax, net

	2008	2007
Deferred tax liability, gross, pertaining to:		
Investments	47	2
Deferred tax assets, gross, pertaining to:		
Tax-loss carryforwards or other future tax deductions	1,342	914
Pensions and similar obligations	62	80
Other provisions	349	158
Other accrued expenses	19	55
Endowment insurance policies pledged as security for pension obligations	254	331
Less: items that do no meet requirements for asset accounting[1]	-1,142	-971
Deferred tax assets	**884**	**567**
Total deferred tax assets, net	**837**	**565**

[1] Pertains primarily to tax assets on loss carryforwards in cases where it has been judged to be less likely that they can be deducted from future taxation in the years immediately ahead.

Tax loss deductions can be offset against future profits indefinitely and amount to SEK 5,103 million (3,265).
Unreported deferred tax liabilities pertaining to untaxed reserves amount to SEK 550 million (585).

Note 25 Tangible assets

Machinery and equipment	Cost	Accumulated depreciation	Carrying amount
As per 1 January 2007	**84**	**-42**	**42**
Purchases	19	—	19
Sales	-17	11	-6
Depreciation for the year	—	-14	-14
Exchange rate difference	0	0	0
As per 1 January 2008	**86**	**-45**	**41**
Purchases	7	—	7
Sales	-11	9	-2
Depreciation for the year	—	-13	-13
Exchange rate difference	0	0	0
As per 31 December 2008	**82**	**-49**	**33**

Note 26 Cash and bank

	2008	2007
Granted credits as per balance sheet date	3,000	1,650
Of which, utilised as per balance sheet date	0	0

Note 27 Deferred acquisition costs

	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance						
Capitalisation of acquisition costs during the year	20	-20	0	14	-14	0
	20	**-20**	**0**	**14**	**-14**	**0**
Life assurance						
Accumulated capitalisation of acquisition costs	4,503	—	4,503	4,273	—	4,273
Amortisation of deferred acquisition costs during the year	-1,480	—	-1,480	-1,102	—	-1,102
	3,023	**—**	**3,023**	**3,171**	**—**	**3,171**
Total	**3,043**	**-20**	**3,023**	**3,185**	**-14**	**3,171**

Note 28 Other prepayments and accrued income

	2008	2007
Prepayments in the Skandia Liv group	77	104
Other prepayments	68	67
Accrued income from group companies	168	149
Other accrued income	169	219
Total	**482**	**539**

Note 29 Untaxed reserves

	2008	2007
Untaxed reserves consist of an equalisation reserve. The aim of the equalisation reserve is to smoothen out changes in the result of the insurance operations over time. Reversals are regulated in accordance with transitional stipulations made by the National Tax Act. No new provisions can be made to the equalisation reserve after 1990.	2,091	2,091

Note 30 Reclassification from technical provision to other provision

A portfolio of occupational pensions in which, after further investigation, has been shown that Skandia has not made any guarantees in an actuarial sense, has been reclassified. The reclassification has been reported in accordance with IAS 8, whereby the opening balance for 2007 has been recalculated.

	Before reclassification	Reclassification	After reclassification
Effects on income statement 2007	—	—	—
Effects on balance sheet 2007			
Life assurance provision	300	-300	—
Other provisions	—	300	300

Note 31 Provision for unearned premiums and unexpired risks

	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance	243	-243	0	197	-197	0
Life assurance	43	—	43	60	—	60
Total	**286**	**-243**	**43**	**257**	**-197**	**60**

Note 32 Provision for claims outstanding

	2008			2007		
	Gross	Ceded	Net	Gross	Ceded	Net
Property & casualty insurance						
Incurred and reported claims	614	-671	-57	598	-647	-49
Incurred but not reported claims (IBNR)	124	-124	0	94	-94	0
Provision for claims settlement costs	57	—	57	49	—	49
	795	**-795**	**0**	**741**	**-741**	**0**
Life assurance						
Notified claims[1)]	535	-24	511	597	-33	564
Unnotified claims	91	-35	56	72	-13	59
	626	**-59**	**567**	**669**	**-46**	**623**
Total	**1,421**	**-854**	**567**	**1,410**	**-787**	**623**

[1)] The amount is discounted. The undiscounted amount was SEK 603 million (684).

Note 33 Conditional bonuses

	2008	2007
Opening balance	**103**	**110**
Deposits	2,732	3
Decrease due to surrenders	-84	-7
Decrease due to mortality	-2	-3
Changes in fund values		
Unrealised change in value	-243	-11
Realised gain	38	15
Realised loss	-54	-2
Charges	-19	-2
Closing balance	**2,471**	**103**

Note 34 Unit linked obligations

	2008	2007
Opening balance	**94,264**	**92,870**
Portfolio transfers	—	-3,734
Deposits	8,032	8,337
Decrease due to surrenders	-2,253	-2,774
Decrease due to maturity	-2,023	-2,328
Decrease due to mortality	-114	-139
Change in fund values		
Unrealised change in value	-24,424	-4,162
Realised gain	2,480	8,655
Realised loss	-5,396	-566
Charges	-1,470	-1,596
Exchange rate difference	279	-299
Closing balance	**69,375**	**94,264**

Note 35 Provisions for pensions and similar obligations

	2008	2007
Pertains to the provision for special employers' payroll tax to be paid upon future disbursements of previously expensed pensions. See also note 45, Pension disclosures.	234	287

Note 36 Other provisions

	2008	2007
Opening balance	**1,850**	**1,037**
Reclassification	—	300
New provisions	926	616
Utilisation of reserves	-224	-78
Reversal of provisions from previous years	-185	10
Exchange rate difference	173	-35
Closing balance[1)]	**2,540**	**1,850**

[1)] Of which:

Provision for restructuring	
Opening balance	67
New provisions	66
Utilisation of reserves	-53
Closing balance	**80**
Provision for cost of sold subsidiaries	
Opening balance	812
Reclassification	-803
Exchange rate difference	1
Closing balance	**10**
Provision for guarantees for divested businesses	
Opening balance	—
Reclassification	803
Exchange rate difference	172
New provisions	228
Utilisation of reserves	-24
Reversal of provisions from previous years	-15
Closing balance	**1,164**
Other provisions[2)]	
Opening balance	971
New provisions	632
Utilisation of reserves	-147
Reversal of provisions from previous years	-170
Closing balance	**1,286**

[2)] For additional information on other provisions, see the Board of Directors' Report.

Note 37 Creditors arising out of direct insurance operations

	2008	2007
Policyholders	236	235
Insurance brokers	31	35
Total	**267**	**270**

Note 38 Derivatives

	Cost		Fair value		Carrying amount	
	2008	2007	2008	2007	2008	2007
Currency forward contracts	—	—	61	32	61	32

Note 39 Other creditors

	2008	2007
Amounts payable to group companies	4,589	5,173
Amounts payable to companies in the Skandia Liv group	32	41
Other creditors	353	388
Total	**4,974**	**5,602**

The estimated fair value of long-term liabilities to group companies was SEK 288 million (3,084). The market value of other interest-bearing liabilities is estimated as the book value, due to the short term of the liabilities.

Note 40 Other accruals and deferred income

	2008	2007
Accrued interest expense	10	27
Other accruals	1,121	1,255
Deferred income	2	22
Total	**1,133**	**1,304**

Note 41 Anticipated recovery dates for assets and liabilities

	Max. 1 yr	Longer than 1 yr	Total
Assets			
Shares and participations in group companies	—	10,671	10,671
Loans to group companies	2,018	1,200	3,218
Share and participations in associates	—	199	199
Shares and participations	119	—	119
Bonds and other fixed-income securities	822	1,633	2,455
Lending to credit institutions	665	—	665
Derivatives	19	—	19
Deposits with ceding undertakings	1,390	—	1,390
Investments for the benefit of policyholders who bear the investment risk	5,005	65,354	70,359
Reinsurers' share of technical provisions	1,038	59	1,097
Debtors arising out of direct insurance operations	44	—	44
Debtors arising out of reinsurance operations	57	—	57
Other debtors	1,272	—	1,272
Deferred tax, net	—	837	837
Tangible assets	—	33	33
Cash and bank balances	203	—	203
Deferred expenses and accrued income	567	3,023	3,590
Total assets	**13,219**	**83,009**	**96,228**
Liabilities			
Technical provisions, gross	593	1,114	1,707
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	6,448	65,398	71,846
Other provisions	1,791	1,158	2,949
Deposits from reinsurers	1,073	—	1,073
Creditors arising out of direct insurance operations	267	—	267
Creditors arising out of reinsurance operations	20	—	20
Derivatives	61	—	61
Other creditors	4,974	—	4,974
Accrued expenses and deferred income	1,153	—	1,153
Total liabilities	**16,380**	**67,670**	**84,050**

Note 42 Pledged assets and security

	2008	2007
Pledged assets and therewith comparable security		
Deposits with ceding undertakings	1,390	2,435
Endowment insurance policies pledged as security for pension obligations[1]	966	1,182
Assets covered by policyholders' beneficiary rights[2]	72,867	94,035
Total	**75,223**	**97,652**

[1] See also note 45.

[2] Corresponds to provisions in the balance sheet, totalling SEK 72,085 million (93,738). In the event of insolvency, the policyholders have preferential rights to the registered assets. During the course of the business, the company has the right to transfer assets in and out of the register as long as all insurance obligations are covered in accordance with the Insurance Business Act.

Note 43 Contingent liabilities

	2008	2007
Pension obligations[1]	0	0
Sureties and guarantees[2]	878	1,049
Total	**878**	**1,049**

[1] In the parent company, there are pension obligations that have not been included in the balance sheet, amounting to SEK 966 million (1,182), which are covered by the value of company-owned endowment insurance policies and SEK 1 million (2) which are covered by assets in the Skandia Group Pension Foundation (see also note 45).

[2] Of which, on behalf of group companies 773 683

Skandia is – in relation to third parties – still bound to certain guarantee commitments stemming from property & casualty insurance operations which were transferred to the If Group in 1999. Through agreements between the companies concerned in the If Group on the one side and the Skandia group on the other, the If Group guarantees that the Skandia group will be indemnified for any possible claims made by third parties with respect to such guarantee commitments.

With respect to disputes, refer to the Disputes section in the Board of Directors' Report.

OTHER NOTES

Note 44 Average number of employees, salaries and remuneration

I. AVERAGE NUMBER OF EMPLOYEES AND AGENTS

	Men	Women	2008 Total	2007 Total
Office staff per country				
Sweden	476	725	1,201	1,128
Denmark	3	10	13	21
Finland	–	–	–	3
Norway	3	10	13	10
UK	16	22	38	24
Agents employed in Sweden	185	46	231	235
Total	**683**	**813**	**1,496**	**1,421**

II. GENDER BREAKDOWN, SENIOR EXECUTIVES

Information on the gender breakdown among company directors and other executives pertains to the conditions on 31 December 2008.

	Men	Women
Board members, including employee representatives	71%	29%
Chief Executive and other members of executive management	60%	40%

III. WAGES, SALARIES AND REMUNERATION[1]

	2008	2007
Senior executives[2]	44	57
Office staff in Sweden	547	531
Office staff outside Sweden	65	90
Agents	162	198
Wages, salaries and remuneration	**818**	**876**
Pensions and other social security charges for employees in Sweden	504	529
Of which, pension costs	239	249

[1] During the year, SEK 43 million (36) was allocated to Skandianen, Skandia's long-term profit-sharing foundation (including payroll tax), which covers Swedish employees who do not have a variable salary component in their compensation package.

[2] Pertains to 15 persons.

IV. LOANS TO SENIOR EXECUTIVES

SEK thousand	2008	2007
Senior executives in Sweden, including employee representatives on Skandia's board	13,882	8,968

Drawn lines of credit amount to SEK 146 thousand (44), with a credit limit of SEK 352 thousand (260). The terms of the loans are comparable with those normally applied in lending to the general public. However, more favourable interest rates are offered to all group employees working in Sweden. Neither Skandiabanken nor other group companies have pledged security or undertaken contingent liabilities on behalf of the executives reported here. The loans granted to senior executives in Sweden are issued by Skandiabanken.

V. INFORMATION ON SENIOR EXECUTIVES' COMPENSATION AND BENEFITS

Principles

Fees are paid to the Chairman of the Board and directors in accordance with a decision by the Annual General Meeting and where applicable for work on subsidiary boards. The fees decided by the AGM pertain to the period up until the next AGM. If changes are made in this group of individuals during the mandate period, the amount of fees will be adjusted accordingly. No fees are paid to board members who are employees of Skandia or any of its subsidiaries.

During the year, Skandia's senior executives consisted of persons who were employed directly by Skandia, Skandia Liv (the Chief Executive) and Skandiabanken (the Chief Executive). Julian Roberts was Chief Executive through 13 September 2008, after which Bertil Hult took over as Chief Executive. Julian Roberts has an underlying employment contract with Old Mutual plc. Compensation for the Chief Executive and other senior executives consists of base salary, variable compensation, other benefits and pension. By senior executives is meant the 18 persons including the Chief Executive, who at any time during the year were members of the Executive Management Board of Skandia Insurance Company Ltd, which at year-end consisted of 15 individuals. This definition applies throughout this annual report unless specifically stated otherwise.

Variable compensation

In 2008 a programme was in place for variable compensation of senior executives and key persons. For the management of Skandia's Nordic division and a number of key executives ("the Key Group"), an incentive programme is in place which includes both a long-term and short-term component. For members of the Key Group, the bonus opportunity amounts to a maximum of 60% of base salary, and for the Chief Executive, Bertil Hult, the bonus opportunity amounts to a maximum of 80% of base salary.

For other senior executives and key persons, the bonus opportunity amounts to a maximum of 20% or 10% of base salary. For senior executives and employees in the asset management unit, a variable compensation model is used which can amount to a maximum of 50% of base salary.

For other employees, variable compensation may amount to a maximum of 120% of one-half of the Price Base Amount for 2008 (the Price Base Amount for 2008 was SEK 41,000). Any such compensation is paid through an allocation to Skandianen, an employee foundation.

Employees can only be covered by one of the above-described models for variable compensation.

Senior executives

For senior executives of Skandia, the variable compensation is maximised according to a percentage of the respective individuals' base salary, whereby the target level is generally equivalent to half the maximum amount. Of earned variable compensation, two-thirds is payable in cash. The remaining one-third is paid in the form of Restricted Shares and Employee Stock Options based on Old Mutual plc shares. These programmes are described under section VI, "Share-based payment".

In addition, a few employees have been given the opportunity to invest up to 25% of their net cash incentive in Old Mutual plc shares in return for a matching restricted share award, on a gross for net basis, under the Old Mutual Restricted Share Plan.

For senior executives, Skandia's overall compensation policy is used, whereby the total compensation shall be in line with the going rate in the market based on local conditions. Variable compensation is based on the outcome in relation to individually set targets.

Compensation and benefits

The amounts pertain to the time during which the following persons were senior executives

Directors' fees paid by Skandia

SEK thousand	2008 Fee	2008 Committee work
Lars Henrik Otterbeck, Chairman of the Board	1,000	250
Michael Newman, director	275	46
Magnus Beer, director	300	50
Indra Åsander, director	300	–
Total	**1,875**	**346**

SEK thousand	2007 Fee	2007 Committee work
Lars Henrik Otterbeck[1], Chairman of the Board	767	267
Jim Sutcliffe[2], former Chairman of the Board	333	17
Björn Björnsson, director	200	100
Norman Broadhurst, director	125	104
Michael Newman, director	300	50
Magnus Beer, director	200	33
Indra Åsander, director	200	–
Total	**2,125**	**571**

[1] In his capacity as Chairman from 1 May 2007.

[2] In his capacity as Chairman through 30 April 2007.

Cont. Note 44, Average number of employees, salaries and remuneration

Other compensation and benefits for senior executives employed by Skandia in 2008

SEK thousand	Average number of persons	Base salary	Variable compensation	Share-based payment[4]	Other compensation and benefits	Pension contributions	Total
Chief Executives							
Julian Roberts[2]	1	7,060	2,622	4,670	2,245	226	16,823
Bertil Hult[3]	1	738	300	177	13	315	1,543
Management, excl. Chief Executive[5]	13	13,681	6,358	978	5,002[1]	7,199	33,218

[1] The amount SEK 5,002 thousand includes SEK 4,401 thousand in severance pay

[2] Chief Executive through 13 September 2008

[3] Chief Executive from 14 September 2008.

[4] Share-based payments to Julian Roberts are not charged to Skandia. These costs are borne by Old Mutual.

[5] Pension premiums also include premiums for three employee representatives on the Board

Other compensation and benefits for senior executives employed by Skandia in 2007

SEK thousand	Average number of persons	Base salary	Variable compensation	Share-based payment[3]	Other compensation and benefits	Pension contributions	Total
Chief Executives							
Hans-Erik Andersson	1	–	–	–	–	2,538	2,538
Julian Roberts	1	6,416	3,790	6,087	1,993	253	18,539
Management, excl. Chief Executive[1) 2)]	13	17,567	9,300	3,216	9,105	13,927	53,115

[1] The figure SEK 9,105 thousand includes SEK 8,494 thousand in severance pay.

[2] The amount specified for pension premiums includes SEK 7,145 thousand in severance pay and premiums for two employee representatives on the Board.

[3] Share-based payments to the Chief Executive are not charged to Skandia. These costs are borne by Old Mutual.

Other compensation and benefits for senior executives who were not employees of Skandia in 2008

SEK thousand	Average number of persons	Base salary	Variable compensation	Share-based payment	Other compensation and benefits	Pension contributions	Total
Other senior executives	4	10,882	2,709	897	296	4,295	19,079

Other compensation and benefits for senior executives who were not employees of Skandia in 2007

SEK thousand	Average number of persons	Base salary	Variable compensation	Share-based payment	Other compensation and benefits	Pension contributions	Total
Other senior executives	2	5,464	1,590	322	95	2,773	10,244

Information on the Chief Executive's compensation and benefits for 2008

Julian Roberts' and Bertil Hult's compensation for their time as Chief Executive of Skandia in 2008 is reported in the table above. No severance pay was paid to Julian Roberts in connection with his departure as Chief Executive of Skandia. Other components for Julian Roberts, such as share-based payments, notice period and severance pay, are described in the Old Mutual plc 2008 Annual Report. See also www.oldmutual.com.

Financial instruments

Senior executives participate in the incentive programme described in section VI, "Share-based payment". Grants of shares and options to senior executives are shown in the table below.

Number of options and shares in Old Mutual plc, senior executives

Thousands	Shares granted in Sept. 2006	Shares granted in March 2007	Options granted in March 2007	Shares granted in April 2008	Options granted in April 2008
Outstanding options/shares at 1/1/2006	**–**	**–**	**–**	**–**	**–**
Granted options/shares	125	–	–	–	–
Exercised options/shares	–	–	–	–	–
Forfeited options/shares	–	–	–	–	–
Outstanding options/shares at 1/1/2007	**125**	**–**	**–**	**–**	**–**
Granted options/shares	–	111	138	–	–
Exercised options/shares	–	–	–	–	–
Forfeited options/shares	–	–	–	–	–
Outstanding options/shares at 1/1/2008	**125**	**111**	**138**	**–**	**–**
Granted options/shares	–	–	–	133	484
Exercised options/shares	–	–	–	–	–
Forfeited options/shares	–	–	–	–	–
Outstanding options/shares at 31/12/2008	**125**	**111**	**138**	**133**	**484**

No shares or options were fully vested as per 31/12/2008.

The financial instruments held by Chief Executive Julian Roberts that are coupled to Old Mutual shares are described in the Old Mutual plc 2008 Annual Report.

Pensions

Julian Roberts as Chief Executive of Skandia was also a member of the Old Mutual Staff Pension Fund, which is a defined contribution pension plan. The terms of this pension plan are described in the Old Mutual plc 2008 Annual Report (see also www.oldmutual.com). Bertil Hult has benefits according to the FTP plan's department 2 (the occupational pension plan for the insurance industry). This plan is mainly a defined benefit solution with a maximum benefit of 65%. The retirement age according to the plan is 65. For pensionable salary amounts above the plan's ceiling of 30 times the Income Base Amount, a defined contribution premium of 37% is paid. Variable salary amounts above the plan's ceiling are not included in the pensionable salary base.

For other senior executives in Sweden, the retirement age varies from 60 to 65 years. This group of employees is covered by defined contribution as well as defined benefit pension commitments. The premiums are set at a level that would apply for a level of benefits corresponding to 70% of pensionable salary. For senior executives in other countries, terms are applied in accordance with the going rate in the market in the respective countries. All pension commitments are vested.

The year's defined contribution pension cost in relation to pensionable compensation was 27%. The year's defined benefit pension cost in relation to pensionable compensation was 4%.

Severance pay

For information on the terms of severance pay for Julian Roberts, see the Old Mutual plc 2008 Annual Report (see also www.oldmutual.com). Bertil Hult is entitled to salary during the notice period, which is 12 months, in the event the company serves notice. Other senior executives are entitled, in the event the company serves notice, to salary during the notice period, plus severance pay. Normally, termination salary and severance pay together do not amount to more than 24 months' salary.

Drafting and decision-making process

According to the Board's instructions, the Compensation Committee is responsible for assisting the Board in drafting recommendations on the principles of compensation for senior executives. Decisions on the Chief Executive's compensation are made by the Old Mutual plc Remuneration Committee.

Cont. Note 44, Average number of employees, salaries and remuneration

VI. SHARE-BASED PAYMENT

Some 20 key employees of Skandia are covered by a share-based incentive programme. Skandia's parent company, Old Mutual, has two programmes in which these employees participate:

- The UK Restricted Share plan consists of shares in Old Mutual plc.
- The UK Share Option Plan consists of options which give their holders the right to buy shares in Old Mutual plc at a predetermined exercise price.

The employees covered by the programmes were granted shares and options in April 2008. The options give their holders the right to buy shares in Old Mutual plc at a predetermined price. The options have an exercise price of GBP 1.2320. the grants were made on the basis of a combination of individual targets and result-based outcome for 2007.

The term of the options is six years. The options can be exercised three years after their grant at the earliest. In accordance with international practice, options and shares are granted without cost to the individual employees. In order for employees to be able to benefit from the value of granted options and shares, they must remain in service for at least three years. Options are personal and are not transferrable for employees.

The company has not taken out any hedges for the programmes, but has set aside a reserve for future social insurance costs in connection with exercise of the options and shares. The company has not had any management costs for the option programmes. In all, the incentive programme resulted in a cost of SEK 4 million (9) in 2008.

Number of options and shares in Old Mutual Plc, Skandia

Thousands	Shares granted in Sept. 2006	Shares granted in March 2007[1]	Options granted in March 2007[1]	Shares granted in April 2008	Options granted in April 2008
Outstanding options/shares at 1/1/2006	**–**	**–**	**–**	**–**	**–**
Granted options/shares	520	–	–	–	–
Exercised options/shares	0	–	–	–	–
Forfeited options/shares	-192	–	–	–	–
Outstanding options/shares at 1/1/2007	**328**	**–**	**–**	**–**	**–**
Granted options/shares	0	202	511	–	–
Exercised options/shares[2]	-86	–	–	–	–
Forfeited options/shares	-29	-4	-18	–	–
Outstanding options/shares at 1/1/2008	**213**	**198**	**493**	**–**	**–**
Granted options/shares	0	0	0	225	768
Exercised options/shares[3]	-20	-4	–	–	–
Forfeited options/shares	–	–	-22	–	–
Outstanding options/shares at 31/12/2008	**193**	**194**	**471**	**225**	**768**

[1] Including a few shares and options granted in August 2007.

[2] The weighted average share price for the exercised options was GBP 1.47 per share.

[3] The share price for the exercised options was GBP 0.55 per share and pertains to employees who were entitled to exercise their options before the vesting date in connection with their departure from Skandia.

No shares or options were fully vested as per 31/12/2008.

For further information about the incentive programmes, see the Old Mutual plc Annual Report and website: www.oldmutual.com.

Calculated value

SEK per share/option	Shares	Options
30/9/2006	22.90	n.a.
31/12/2006	22.20	n.a.
31/3/2007	22.60	5.40
3/4/2008	14.60	2.60

The calculated value of the shares through 31 March 2007 is based on the closing price on the Stockholm Stock Exchange on the respective valuation dates.
The value as per 3 April 2008 consists of the latest price paid on the London Stock Exchange.

The value of the options has been calculated using the Black & Scholes option pricing model.

The following parameters have been used in the calculation:	3/4/2008	31/3/2007
Anticipated volatility[1]	29.3%	31%
Exercise price, GBP	1.23	1.63
Share price, GBP	1.24	1.63
Exchange rate, GBP	11.79146	13.76051
Anticipated dividend	5.6%	3.70%
Risk-free interest rate	4.1%	4.60%
Calculated remaining term, years[2]	5.0	5.0

[1] This forecast is based on actual volatility during the quarter preceding the measurement date.

[2] The expected life assumption is based on the average length of time similar grants have remained outstanding in the past and the type of employees to which awards have been granted.

VII. SICKNESS-RELATED ABSENCE

	2008	2007
Total, sickness-related absence	**3.48%**	**3.56%**
— Long-term sickness-related absence (>60 days)	1.50%	1.89%
— Sickness-related absence, men	2.51%	2.95%
— Sickness-related absence, women	4.28%	4.05%
— Employees -29 years	2.93%	1.89%
— Employees 30-49 years	2.83%	3.15%
— Employees 50 years –	5.44%	3.96%

Data above pertains only to employees in Sweden and is expressed as a percentage of the employees' total working time.

Note 45 Pension disclosures

Skandia adheres to the rules of the Pension Obligations Vesting Act *(Lagen (1967:531) om tryggande av pensionsutfästelse)* and the Swedish Financial Supervisory Authority's guidelines for reporting pensions. Application of the Pension Obligations Vesting Act is a prerequisite for the right to tax deductions. The rules of IAS 19 pertaining to defined benefit pension plans are therefore not used by Skandia; instead, disclosures are provided in relevant areas with respect to IAS 19.

Skandia's pension plans consist primarily of pension benefits provided under the collectively bargained occupational pension plan for salaried employees in the insurance industry ("FTP") and to some extent by additional pension benefits for senior executives. The pension plans consists primarily of retirement pension, disability pension and family pension. In January 2008 the FTP plan was split into two departments. Department 1 (FTP1) is a defined contribution solution, which entails that the premium is set at a percentage of the employee's pensionable salary. Department 2 (FTP2) is a defined benefit solution, which entails that the employee is guaranteed a set level of post-retirement pension benefits that are based on the employee's final salary. Normally the employee's age determines which department is to be used.

Salaried employees with a pensionable salary in excess of 10 times the Income Base Amount have the right to a pension solution pertaining to salary amounts ranging between 7.5 and 30 times the Income Base Amount (called "Alternative FTP"). Alternative FTP, as well as supplementary retirement pension ("FTPK"), is classified as a defined contribution pension plan.

Skandia's pension plans are vested through payment of insurance premiums primarily to Skandia Liv and Försäkringsbranschens pensionskassa (FPK). Certain defined benefit pension obligations are also vested in the Skandia Group Pension Foundation. Pension obligations vested in the pension foundation are not reported on Skandia's balance sheet.

Pension obligations that are secured through company-owned endowment insurance policies are not reported on the balance sheet. The value of these pension obligations corresponds to the insurance capital in the respective endowment policies. The insurance capital is based on actuarial guidelines and calculation bases of the insurers and consists of the market value of the share of the insurer's investments that accrue to the policy, excluding unallocated surpluses. As a result of the reporting of the pension obligations secured through the endowment insurance policies, the value of company-owned endowment insurance policies is not reported as an asset on the balance sheet.

The endowment insurance policies are pledged for the benefit of the pension beneficiary and are thus reported as pledged assets. The value of the pledged assets corresponds to the insurance capital in the endowment insurance policies.

For endowment insurance contributions, the premiums are reported as a pension cost. Future premiums for endowment insurance policies may be affected by salary increases, returns on pension funds and allocations of surpluses. For most pension beneficiaries, capital from the endowment policies is paid out on a continuing basis directly to the beneficiaries without going via Skandia. Where applicable, capital from the policies is paid via Skandia to the beneficiaries.

In the income statement, the company's pension cost consists of the sum of pension premiums, contributions to endowment insurance policies, and payroll tax. The cost is reported as an administrative expense, see note 46. A provision has been made for payroll tax in the balance sheet for pension obligations secured through company-owned endowment insurance policies.

INFORMATION ON OBLIGATIONS SECURED THROUGH FOUNDATIONS

	2008	2007
Specification of assets and liabilities pertaining to pensions vested under own management		
Present value of obligations pertaining to funded pension plans	-2	-3
Fair value of assets in pension foundation at end of period	58	72
Surplus in pension foundation (+)	**56**	**69**
Unreported surplus in pension foundation	-56	-69
Net liability in balance sheet	**0**	**0**
Specification of change in surplus in pension foundation		
Net liability at start of year pertaining to pension obligations	**0**	**0**
Carrying amount in income statement of costs for pensions vested under own management	0	-31
Provision to pension foundation	0	0
Pension payments	0	0
Compensation from pension foundation	0	31
Net liability at year-end pertaining to pension obligations	**0**	**0**
Specification of pension costs and revenues during the period		
Pensions vested under own management		
Cost for earning of pensions	0	0
Difference between compensation from pension foundation and paid-out pensions	0	31
Interest expense	0	0
Actual return on specially detachable assets	13	-17
Cost for pension vested under own management	**13**	**14**
Pensions through insurance		
Insurance premiums	-205	-214
Pension cost for the year	**-192**	**-200**
Increase in surplus in specially detachable assets	-13	17
Reported net cost pertaining to pensions, excluding taxes	**-205**	**-183**

Fair value of assets in foundation, broken down by main categories		
Equities	24	49
Fixed-income investments	26	15
Cash and bank balances	3	3
Other assets	5	5
Total assets	**58**	**72**

The following actuarial assumptions have been used to calculate the pension liability:
Discount rate 3.5% (4.5%)
Inflation 2.0% (2.0%)

For 2009, payments for defined benefit pension plans are expected to be level with the payments made in 2008.

Note 46 Administrative expenses

	2008	2007
Wages, salaries and remuneration	-818	-876
Social security charges	-264	-280
Pension costs (including special payroll tax)	-239	-280
Compensation from pension foundation	—	31
Other payroll costs	135	-475
Payroll costs	**-1,186**	**-1,880**
Cost of premises	-206	-210
Depreciation	-12	-15
Provision for restructuring costs	-66	-67
Other[1)]	-41	105
Administrative expenses	**-1,511**	**-2,067**

Administrative expenses are broken down in the income statement as follows:

Investment income (included in note 13)	-236	-1,072
Provision for restructuring costs	-66	-67
Claims incurred in the technical result of property & casualty insurance business (included in note 5)	-13	-15
Claims incurred in the technical result of life assurance business (included in note 9)	-15	-18
Operating expenses in the technical result of property & casualty insurance business (included in note 6)	-189	-192
Operating expenses in the technical result of life assurance business (included in note 10)	-992	-703
Total distributed administrative expenses	**-1,511**	**-2,067**

[2)] Auditing and other assignments are broken down as follows:

Audit assignment, KPMG AB	-9	-9
Other assignments, KPMG AB	-6	-2
Audit assignment, SET Revision	0	-1
Total	**-15**	**-12**

By audit assignments is meant review of the annual report and bookkeeping as well as of the Board's and CEO's management, other duties that are incumbent on the company's auditor to perform, and advice or other assistance that results from observations from such review or execution of such other duties. Everything else consists of other assignments.

Note 47 Leasing

In its capacity as a lessee, Skandia has entered into a number of operating leases. Minimum lease payments pertaining to non-cancellable operating leases as per 31 December 2008 mature as follows:

Operating leases	Amount
2009	-202
2010	-263
2011	-60
2012	-98
2013	-98
2014 and later	-711
Total leasing expense	**-1,432**

Leasing expenses for the year amounted to SEK 204 million (205).

Note 48 Related party disclosures

Related parties
Related parties are defined as all companies in the Old Mutual Group. Added to these are board members and senior executives of Skandia, and their close relatives. Associated companies and joint ventures are also defined as related parties.

Skandia Liv is a wholly owned subsidiary of Skandia. However, Skandia Liv's business is conducted on a mutual basis. This means that the profit or loss that is generated from Skandia Liv's operations is to be passed on to the policyholders. No profit distribution may take place to the shareholder. All companies in the Skandia Liv group are defined as related parties.

Compensation of the Board and senior executives of Skandia is disclosed in note 44. In other respects, no transactions have been made with these persons or close relatives of these persons other than normal customer transactions conducted at market terms.

Internal pricing
Skandia's goal is that every legal entity shall show an accurate result. Toward this end, Skandia uses the arm's length principle and the OECD guidelines for internal pricing.

Following is a description of the significant relations that Skandia has with companies in the Skandia Liv group, subsidiaries and other companies in the Old Mutual Group.

TRANSACTIONS BETWEEN SKANDIA AND THE SKANDIA LIV GROUP

Process between Skandia and the Skandia Liv group
Skandia's board of directors has adopted guidelines for transactions and other relations between Skandia and the Skandia Liv group. These entail, among other things, that agreements of an economic nature between Skandia and the Skandia Liv group must be specially considered to ensure that they are compatible with the prohibition against profit distribution, and valuations must be tested in a thorough and impartial manner. Clear documentation shall be prepared for agreements and valuations in which it is clearly stated who is commercially responsible for the transaction. All agreements shall be specified and be reported yearly for the board of Skandia Liv. Skandia Liv's audit committee has special responsibility for reviewing the application of the guidelines adopted by the Board for transactions and other relations between Skandia Liv and Skandia.

Transactions of a nonrecurring nature shall be decided on by the respective boards, and in connection with the sale of material assets in which a market quotation is lacking, a valuation shall be performed by an external appraiser. Such valuation shall be documented.

With respect to transactions of an ongoing nature, an established process is in place. For each respective assignment, business heads are appointed who are responsible for control and follow-up. Outsourcing agreements and specifications shall be drawn up for each assignment, specifying the assignment and the details of its execution, control and planning of the assignment, business heads, decision-making and work processes, payment methods, routines for handling errors, and reporting and follow-up. Consultation groups are set up for the respective assignments, and the parties consult with each other regarding the level of service, how errors are to be handled, compensation levels, follow-up and other questions. In addition, Skandia Liv has its own contracts group comprising all responsible agreement owners. The purpose of this group is to ensure compliance with the guidelines and processes.

Pricing
The pricing methods used are market price or cost-price. Market price is used in cases where it is possible to make comparisons with similar services in the market. In other respects, the cost-price method is used. When cost-price is used, a consultation group decides on the scope and allocation of costs. In connection with business planning, a budget is produced which includes the total cost per assignment, broken down into separate costs and joint costs, along with an allocation formula that reflects degree of use. Compensation is paid based on the actual outcome. Departures from the budget must be presented to and approved by the consultation groups, and a review of the allocation formulas shall be performed on a quarterly basis in the aim of changing these if material changes have taken place.

Transactions by order of significance (as per income statement)

Character	Receiving company	Rendering company	Compensation, SEK m 2008	Reference	Compensation, SEK m 2007
Arbitration	Skandia Liv	Skandia	-871	1)	—
Distribution support, market communication, customer service centres, group insurance and staffs, and business development	Skandia	Skandia Liv	602	2)	645
Distribution compensation (retrocessions)	Skandia	Skandia Liv	546	2)	520
Rents of office premises	Skandia Liv	Skandia	-173	3)	-190
Occupational pensions to Skandia employees	Skandia Liv	Skandia	-155	4)	-164
Joint occupational pensions concept	Skandia Liv	Skandia	-60	5)	-47
Reinsurance contracts (net)	Skandia Liv	Skandia	-17	6)	-6
IT operations and service	Skandia	Skandia Liv	8	7)	9
Liability insurance	Skandia	Skandia Liv	5	8)	5
Accounting systems and treasury	Skandia	Skandia Liv	4	9)	19
Other	Skandia Liv	Skandia	-1	10) 11)	-3

1) The dispute between Skandia and Skandia Liv regarding whether the asset management agreement that Skandia Liv signed in 2002 with Skandia Asset Management was made at market terms or not, has been resolved through arbitration. The arbitration board ruled partly in favour of Skandia Liv with respect to its claim against Skandia and stated in its motivation for the ruling that the fee level in the asset management agreement has not been in line with the going rate in the market. The arbitration board therefore ruled that the asset management agreement is invalid in certain parts with respect to the rules on prohibited profit distribution. The arbitration board awarded Skandia Liv SEK 581 million plus interest, which the parent company Skandia must pay. Skandia Liv will also be compensated for the excessive fee level for the remainder of the agreement's term.

2) In 2004 Skandia and Skandia Liv entered into an agreement in principle and framework agreement on co-operation covering market-related functions and certain staff functions in order to increase efficiencies between the companies. The co-ordinated services involve distribution and distribution support, customer service, market communication, business development, administration of group insurance products, and diverse staff and service functions. With respect to distribution, Skandia receives going-rate compensation for performed services, but at the same time is responsible to reimburse Skandia Liv in the event of a cancellation of the sold policies. Compensation for sales via Skandia's own sales channels is based on the level of commissions to external insurance brokers plus the client's special risks and outlays for its own sales channel. The compensation that is payable for other areas covered by this point is based on cost-price, broken down into degree of actual use. This latter category includes the business development for the Individuals and Corporate segments, which is conducted jointly by the companies. The former is conducted by Skandia and the latter by Skandia Liv.

3) Skandia rents office premises at various locations around Sweden from Skandia Liv and pays market rents for these.

4) Skandia Liv provides occupational pensions for the employees of the Skandia group. These pension benefits are based on agreements made in the Swedish labour market, and the premiums are thus in line with the going rate in the market.

5) Through the Skandia Link unit, Skandia Liv and Skandia have a joint occupational pensions concept. Skandia Liv handles the administration and receives compensation for administrative services based on cost-price. Skandia and Skandia Liv fully accept their own share of the risks.

6) Skandia reinsures a significant share of its disability insurance risks in the Swedish operations with Skandia Liv. In this way, co-ordination gains are obtained in risk assessment, etc. Skandia pays a going-rate premium for the reinsurance, which has been secured in such way that Skandia Liv, in turn, reinsures part of its risk in the open market.

7) Skandia Forsikring, a branch of Försäkringsaktiebolaget Skandia (publ), Denmark (Skandia A/S) provides IT services to Skandia A/S. Compensation is based on cost-price and is allocated based on use of the various IT services.

8) The entire Old Mutual Group has joint liability insurance. Skandia Liv pays its share of this cover to Skandia. Its share has been verified by an external party.

9) Skandia provides joint functions for accounting systems, treasury and certain legal functions for the Skandia group. The compensation that Skandia Liv pays to Skandia is based on cost-price and is allocated according to actual degree of use.

Cont. Note 48 Related party disclosures

10) Skandia Liv performs certain administrative services for Skandia in developing services for companies and in IT. Compensation is based on the cost-price principle based on debited time.
11) Skandia Liv has the opportunity to invest its surplus liquidity with Skandia. The maximum amount that can be invested is SEK 1,400 million. Market interest rates are charged for these transactions. In 2008, overnight investments were made on 11 (61) occasions. At year-end there was no short-term lending or borrowing.

Skandia had a net receivable of SEK 114 million from Skandia Liv as per 31 December 2008.

TRANSACTIONS BETWEEN SKANDIA AND ITS SUBSIDIARIES

Investments
Skandia owns shares in subsidiaries and made shareholder contributions during the year to certain subsidiaries. Information on the book value of subsidiaries and the size of the shareholder contributions is provided in note 17. During the year Skandia received dividends of SEK 2,314 million (2,628) from subsidiaries. Certain Swedish subsidiaries have also rendered or received group contributions.

Transactions by order of significance

			2008		2007
Character	Receiving company	Pricing method	Compensation, SEK m	Reference	Compensation, SEK m
Distribution compensation from fund companies	Skandia	Market price	481	1)	570
Administrative services	Skandia	Cost-price	412	2)	154
IT-operations, net	Subsidiaries	Cost-price	-224	3)	-226
Ceded reinsurance	Skandia	Market price	45	4)	-70
Accepted reinsurance	Subsidiaries	Market price	-32	5)	20
Rents of office premises	Skandia	Market price	30	6)	31
Cash management and financing	Skandia	Market price	23	7)	-105

Transactions, based on income statement
1) Distribution compensation (retrocessions) from fund companies
Skandia receives compensation from fund companies, based on sold volume. The compensation is in line with the going rate in the market.
2) Administrative services
Skandia performs certain administrative services under assignment from subsidiaries in the following areas:
- Legal affairs
- HR
- Marketing and communication
- Internal audit
- Treasury administration
- Administration of premises

The compensation paid in these areas is based on cost-price according to actual use.
3) IT activities
IT activities are conducted by several Skandia subsidiaries, which is why Skandia both invoices IT services to subsidiaries and receives invoices from some subsidiaries for IT services. The main services provided by Skandia are operation and development of joint accounting and cash management systems. The services that Skandia buys pertain to operation and service of PCs and networks, as well as insurance systems for unit linked assurance. The compensation paid for these services is based on cost-price.
4) Ceded reinsurance
Skandia reinsures the disability risks that arise in the Health and Private Healthcare product area to the subsidiary Dial Försäkringsaktiebolag. Skandia has a net receivable of SEK 27 million. Contracts with Dial Försäkringsaktiebolag are based on market prices.
5) Reinsurance accepted
The subsidiary Dial Försäkringsaktiebolag reinsures 100% of its mortality risks with Skandia. The contract with Dial Försäkringsaktiebolag is based on market prices.
6) Premises
Skandia rents office premises from Skandia Liv. Parts of these premises are sublet to subsidiaries, which pay market rents for these.
7) Cash management and financing
Skandia co-operates with subsidiaries in cash management and financing. Skandia's Swedish subsidiaries (with the exception of Skandia Liv and Skandiabanken) are included in Skandia's group account and receive or pay interest to Skandia for their share of the account balance. Skandia also conducts partial financing via Skandia Capital AB. For all transactions, Skandia pays or receives interest in accordance with market rates or a price in accordance with the going rate in the market.

Skandia has a net receivable of SEK 920 million from subsidiaries. Of this net receivable, SEK 288 million pertains to loans from subsidiaries and SEK 1,208 million pertains to loans to subsidiaries.

TRANSACTIONS BETWEEN SKANDIA AND OTHER COMPANIES IN THE OLD MUTUAL GROUP

Transactions by order of significance

			2008		2007	
Character	Receiving company	Pricing method	Compensation, SEK m	Reference	Compensation, SEK m	Reference
Administrative services	SICL	Market price	137	1)	33	1)
Personnel	SICL	Market price	26	2)	25	2)
Liability insurance	OM	Market price	-17	3)	-17	3)
IT projects	SICL	Market price	13	4)	—	4)
Interest income	SICL	Market price	8	5)	—	5)
Rents of office premises	OM	Market price	-7	6)	2	6)

Transactions based on income statement
1) Skandia performs administrative services under assignment from Old Mutual. The compensation paid for these services is based on market prices.
2) Skandia both buys and sells personnel-related services from/to Old Mutual. The table above shows the net sum of these transactions. Through 13 September 2008, Julian Roberts was Chief Executive of Skandia, and during his tenure he received salary from Old Mutual, which then invoiced these costs onward to Skandia on a regular basis. For further information, see note 44, which also shows comparison figures for 2007.
3) Old Mutual pays for joint liability insurance for the entire Old Mutual Group, including Skandia. During the year Skandia paid SEK 17 million (17) for its share of this insurance cover, of which a certain portion was subsequently invoiced onward to Skandia Liv. See also "Transactions between Skandia and the Skandia Liv group".
4) Skandia and Old Mutual have conducted a joint project aimed and streamlining tools used in the finance and accounting department. In 2008 Skandia invoiced part of this project cost to Old Mutual.
5) Skandia receives interest from loans to Old Mutual.
6) Old Mutual rents out premises to Skandia in the UK, which is invoiced to Skandia's UK branch.

Skandia has a net receivable of SEK 2,163 million from Old Mutual. Of this net receivable, SEK 2,009 million pertains to loans, SEK 107 million to trade accounts receivable, SEK 45 million to accrued income, and SEK 2 million to accrued interest.

Note 49 Result per class of insurance, property & casualty insurance

	2008	2007
Accident and illness		
Premiums written, gross	779	696
Premiums earned, gross	742	675
Claims incurred, gross	-589	-435
Operating expenses, gross	-203	-197
Result of ceded reinsurance	50	-43
Technical result before investment income	**0**	**0**

Note 50 Post balance-sheet events

No significant events have occurred after the balance sheet date.

five-year summary

SEK million **RESULT**	**2004**	**2005**	**2006**	**2007**	**2008**
Premiums earned, net of reinsurance, property & casualty insurance	0	0	0	0	0
Premiums written, net of reinsurance, life assurance	778	755	943	914	852
Investment income in insurance business, net	-3	-2	1	-2	-1
Claims incurred, net of reinsurance, property & casualty insurance	0	0	0	0	0
Claims incurred, net of reinsurance, life assurance	-255	-102	-116	-126	-78
Change in technical provisions, net of reinsurance	0	18	-25	-35	17
Operating expenses	-552	-643	-866	-1,244	-1,191
Other technical income and expenses	765	946	1,202	1,447	1,399
Technical result, insurance business	**733**	**972**	**1,139**	**954**	**998**
Result for the year	**-810**	**-3,688**	**-657**	**968**	**841**

FINANCIAL POSITION					
Investments	24,517	33,260	23,854	20,249	18,736
Investments for the benefit of policyholders who bear the investment risk	53,800	74,039	86,077	91,867	70,359
Reinsurers' share of technical provisions	967	963	969	984	1,097
Net asset value					
Shareholders' equity	4,893	8,844	8,697	9,721	10,087
72% of untaxed reserves	1,506	1,506	1,506	1,506	—
73.7% of untaxed reserves	—	—	—	—	1,541
Surplus values in business in force after deferred tax	6,770	8,907	10,444	8,940	7,056
28% of untaxed reserves	585	585	585	585	—
26.3% of untaxed reserves	—	—	—	—	550
Deferred tax assets	-2,558	-448	-462	-565	-837
Subordinated loans	849	850	850	—	—
Net asset value[1]	**12,045**	**20,244**	**21,620**	**20,187**	**18,397**
Capital base, parent company	7,651	12,038	9,159	9,283	8,710
Of which, deduction for intangible assets	—	—	—	—	—
Solvency margin, parent company	604	977	841	867	893
Capital base, group	20,505	12,793	12,876	15,980	9,136
Of which, deduction for intangible assets	-201	-184	-181	-9	-8
Solvency margin, group	3,540	3,273	3,182	2,332	1,258

KEY RATIOS					
Result of insurance operations					
Property & casualty insurance					
Claims ratio, gross, %[2]	78	66	62	65	79
Expense ratio, gross, %[3]	30	28	30	29	28
Combined ratio, gross, %[4]	108	94	92	94	107
Life assurance operations					
Management expense ratio, %[5]	0.7	0.7	0.8	1.1	1.2
Result of asset management					
Direct yield, %[6]	1.6	3.6	5.9	15.9	14.6
Total return, %[6]	4.1	3.6	7.1	9.1	11.6
Financial position					
Net asset value ratio, %[7]	5,972	11,299	13,639	12,817	9,863

1) Net asset value calculated in accordance with the guidelines of the Swedish Financial Supervisory Authority.
2) Claims incurred in relation to net premiums earned.
3) Operating expenses of the insurance operations in relation to net premiums earned, excluding other technical income and charges.
4) Claims incurred plus operating expenses of the insurance operations, in relation to net premiums earned.
5) Operating expenses and claims settlement costs in relation to investments and cash at bank and in hand.
6) Starting in 2007, the direct yield and total return are calculated in accordance with the Swedish Financial Supervisory Authority's guidelines and general advice on Annual Reports for Insurance Companies, FFFS 2008:26. Previous years are calculated in accordance with therecommendation issued by Försäkringsbranschens Redovisningsnämnd (FRN) in a circular memo dated 1/93. In calculating the direct yield and total return, the assets for which the policyholders bear the investment risk are not included, since the purpose of the key ratio is to report the result of the company's own asset management.
7) Risk-bearing capital in relation to risk-bearing premium.

auditors' report

To the Annual General Meeting of the shareholders of Skandia Insurance Company Ltd (publ) Corporate identity number 502017-3083

We have audited the annual accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Skandia Insurance Company Ltd (publ) for the financial year 2008. The Board of Directors and the Chief Executive Officer are responsible for the accounting records and the administration of the company as well as for the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the chief executive and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the Annual General Meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the statutory administration report, and that the members of the board of directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 29 June 2009

KPMG AB

Thomas Thiel
Authorised Pubic Accountant

A-7487:38

Skandia Insurance Company Ltd (publ)
Sveavägen 44
SE-103 50 Stockholm
T +46-8-788 10 00
F +46-8-788 30 80
www.skandia.com