

Solid Försäkrings AB
Corp. ID. No. 516401-8482

Annual Report for 2018 financial year

The Board and CEO hereby submit the following Annual Report:

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All amounts are in thousands of SEK unless otherwise stated. Figures in brackets refer to the preceding year.

Board of Directors' Report

The Board and CEO of Solid Försäkrings AB, Corp. ID. No. 516401-8482, hereby submit the Annual Report for the 1 January - 31 December 2018 financial year.

Information on the business and organisation

Solid Försäkrings AB has since 12 November 2012 been a wholly owned subsidiary of Resurs Holding AB, Corp. ID. No.556898-2291, which on the closing date is owned by Waldakt AB (28.9 per cent) and Cidron Semper Ltd (17.4 per cent). Of the remaining owners, no single owner holds 20 per cent or more. The head office is located in Helsingborg in Sweden.

Solid Försäkring conducts non-life insurance in Sweden, the rest of the Nordic region and to some extent in other European countries. Operations in Norway, Finland and Switzerland are conducted as a branch. Operations in other countries apart from Sweden, Norway and Finland and Switzerland are conducted on a cross-border basis.

Solid Försäkring offers traditional speciality insurance with a focus on niche insurance. The insurance operations are organised into the following business lines: Product, Travel, Personal Safety and Motor. Asset management is a separate function and is responsible for all the company's investment assets. Support functions such as Business Development, IT, Human Resources and Finance are organised to support the business activities.

Results of operations

Profit

Operating profit before tax amounted to SEK 18,873 thousand (29,497). The recognised technical result from the non-life insurance business amounted to SEK 88,475 thousand (74,422). The increases were primarily due to growth in the Personal Safety business line and to improved profitability in the Travel business line.

During the second quarter, a dividend of SEK 129,999 thousand was paid to the parent company. Group contributions of SEK 65,000 thousand (56,000) were also paid during the year.

Premium income

Gross written premiums for the year amounted to SEK 915,331 thousand (844,929). Adjusted for currency effects and the discontinued UK travel-insurance operation, an underlying volume increase of 7 per cent was reported. This increase was primarily due to increased sales in the Personal Safety and Motor business lines.

Claims incurred and operating expenses

Claims paid declined to SEK 224,486 thousand (276,032). The claims ratio performed positively during the year and amounted to 27.3 per cent (31.1), primarily driven by growth in the Personal Safety business line, as well as by changed product mix and lower claims ratio in the Travel business line and by lower claims cost in the Motor business line.

Operating expenses in the insurance operations amounted to SEK 521,586 thousand (486,126). Adjusted for currency effects, operating expenses increased 10 per cent year-on-year. The increase is mainly attributable to higher acquisitions cost driven by the growth in Personal Safety business line. The combined ratio fell to 90.2 per cent (91.8), primarily due to the positive trend in the claims ratio.

Net profit and tax expense

Net profit amounted to SEK 14,335 thousand (22,764). The effective tax expense for the year amounted to 24 per cent (22.8).

Cash flow

Cash flow from operating activities amounted to SEK 139,482 thousand (87,536). Operating receivables and operating liabilities increased during the year, mainly attributable to growth in the Personal Safety business line in Norway. Cash flow from investing activities amounted to SEK -11,331 (-39,778). Cash flow from financing activities amounted to SEK -185,995 thousand (-44,000). During the year the additional dividend of SEK 129,999 thousand and group contributions of SEK 56,000 thousands have been paid to parent company. Net investments in investment assets amounted to SEK 6,633 thousand (39,433) and cash and cash equivalents decreased to SEK 221,633 thousand (281,498).

Technical provisions (reserves)

Gross provisions at year-end increased to SEK 532,115 thousand (455,123). Reinsurers' share of technical provisions fell to SEK 4,267 thousand (5,688), the increase of gross provisions are primarily a result of the growth in Personal Safety business line in Norway.

Asset management and results of asset management

2018 was occasionally characterised by positive development but the end of the year was marked with downturns, and the Swedish market closed on minus. The economic downturn can be explained by several factors like concerns about slowdowns, trade conflicts and political uncertainty.

Despite the above, Riksbanken increased the interest rate in the end of 2018 for the first time since 2011. Interest rates still remains extremely low and the reference rate is negative. Low market rates lead to limited possibilities for the year to interest income for interest-bearing securities.

Solid Försäkring holds interest-bearing securities that represent a large share of the company's total investment portfolio. The majority of the investment portfolio is listed in SEK. The percentage of equities remains a limited share of the total portfolio. Most of the company's investment assets carry variable interest. Derivatives can be used to reduce market and currency risk.

The direct yield was SEK 18,108 thousand (22,658), corresponding to a direct yield for asset management of 1.8 per cent (1.5). The total return was 0.5 per cent (2.3).

The market value of the company's investment assets, including cash and cash equivalents in cash and bank balances, was SEK 939,836 thousand (1,001,608) at the end of the financial year.

Significant events during the year and future performance

The year was characterised by positive development of the technical result, profitability and a stable organisation with new and enhanced collaborations.

The segment's main strategy is to strengthen the Nordic emphases by new strategical collaborations, developing existing collaborations and realising the potential aftermarket by focusing on higher renewals and effective cross selling. The leading Nordic market position in the bicycle business reinforced during the year and sales increased 9 per cent compared to last year.

One important step was the development of digital interface to customer. A new market tool was launched enabling both cost-effective and automatic customer communication.

In November, the company moved to new premises at Landskronavägen 23 in Helsingborg.

Expectations regarding future performance

The company offers supplementary insurance with focus on increasing growth in its own product lines in the Nordic market with a clear and coherent partner and consumer offering. The company continuously works on improvements in existing partner base to make the entire process as simple and efficient as possible for both partners and consumers.

Continued focus will be on implementing more efforts to increase digitisation and to digitise interactions throughout the company and further improve and streamline the use of the digital marketing tool.

Five-year overview

	2018	2017	2016	2015	2014
Earnings					
Gross written premiums	915,331	844,929	916,712	1,161,490	967,705
Premiums earned, net of reinsurance	828,678	800,442	908,610	1,168,646	990,854
Allocated investment return transferred from non-technical account	7,594	8,843	14,616	6,365	2,687
Claims incurred, net of reinsurance	-226,211	-248,737	-349,584	-505,002	-408,741
Technical result, insurance business	88,475	74,422	29,373	61,622	73,669
Net profit for the year	14,335	22,764	11,125	38,053	76,228
Financial position					
Investment assets at fair value	718,203	720,110	693,980	748,600	764,476
Technical provisions, net of reinsurance	527,848	449,435	455,118	509,552	545,825
Net asset value a)	552,038	667,793	645,139	650,550	595,373
of which deferred tax				3,639	
Capital base b)	538,279	649,567	622,428	619,943	588,889
Solvency margin c)				176,837	90,224
Available capital base to meet solvency capital requirement d)	538,760	653,203	631,662		
of which Tier 1 capital e)	538,760	653,203	631,662		
of which Additional Capital					
Solvency Capital Requirement (SCR) f)	376,926	361,008	354,614		
SCR ratio g)	143%	181%	178%		
Minimum Capital Requirement (MCR) h)	116,868	101,819	108,798		
Performance measures					
Result of non-life insurance operations					
Claims ratio i)	27.3%	31.1%	38.5%	43.2%	41.3%
Operating costs ratio j)	62.9%	60.7%	59.9%	52.1%	54.7%
Combined ratio k)	90.2%	91.8%	98.4%	95.3%	96.0%
Result of asset management					
Direct yield l)	1.8%	1.5%	1.9%	2.5%	2.8%
Total return m)	0.5%	2.3%	3.2%	1.6%	2.9%
Financial position					
Solvency ratio n)	62.0%	81.5%	72.6%	59.7%	65.0%

a) Net asset value comprises recognised equity, untaxed reserves and any surplus and deficits in investment assets not recognised in the balance sheet. There are no surpluses and deficits to adjust for the net asset value since investment assets have the same carrying amount and fair value. If surplus and deficit values not recognised in the balance sheet are included in the net asset value, this is done without consideration of deferred tax. Deferred tax assets and liabilities that affected equity are restored when calculating the net asset value.

b) The capital base is a measure of the company's available capital. It comprises equity (fund for unrealised gains, calculated on a gross basis), untaxed reserves and openly recognised surpluses (net) in assets, less intangible assets in the balance sheet.

c) Solvency margin is a measure of the minimum capital base permitted under current legislation. The calculation is based on the company's premium income and claims paid. The solvency margin is the higher of the two calculated values. From 2016, this measure was replaced by the Solvency II measure, available capital base, Tier 1 capital, additional capital, Solvency Capital Requirement and Solvency Ratio.

d) The available capital base to satisfy the solvency capital requirement is the sum of Tier 1 capital and additional capital. The eligible capital base is the capital that is permitted to be included to cover the solvency capital requirement.

e) Tier 1 capital follows the Solvency II rules and is the net of accrued share capital, reconciliation reserve and deferred tax assets.

f) The Solvency Capital Requirement (SCR) is calculated according to EIOPA's standard formula.

g) The SCR ratio is the eligible capital base to satisfy the solvency capital requirement in relation to the solvency capital requirement.

h) The Minimum Capital Requirement (MCR) is calculated according to EIOPA's standard formula.

i) The claims ratio is claims incurred as a percentage of premiums earned.

j) The operating costs ratio is operating expenses as a percentage of premiums earned.

k) The combined ratio is the total of claims incurred and operating expenses as a percentage of premiums earned.

l) The direct yield is investment income minus gains/losses on disposals of investment assets divided by the average fair value of the balance sheet items "Investment assets" and "Cash and bank balances."

m) The total return is investment income, as described in the footnote above, changes in value and capital gains/losses on the sale of investment assets divided by the average fair value of the balance sheet items "Investment assets" and "Cash and bank balances."

n) The solvency ratio is the net asset value as a percentage of premium income net of reinsurance.

Risks and uncertainties

The company's operations face various types of risks. Risks and risk management decisions affect the company's financial position and ability to achieve its goals. Active, controlled and business-oriented decisions create the conditions for offering customers insurance solutions that give them security. Accordingly, it is important that risks are managed and controlled in a structured way both in a short and long-term perspective.

Solid Försäkrings risk management includes identifying, measuring and controlling significant risks to which the company is exposed. The company must ensure that there is adequate solvency in relation to the risks. The company's method of managing risk-taking is based on clearly defined responsibilities, efficient processes and use of three lines of defence for managing risks in the operations. The Board is ultimately responsible for risk management and has established internal policy documents in a three-level hierarchy: policies, guidelines and procedures. All policies are updated as necessary and revised at least once annually.

Solid Försäkrings risk management framework is a well-integrated part of its operations and aligns the company's strategic objectives with its risk management based on the Solvency II rules. Solid Försäkrings risks are defined in the following categories: Insurance risks, Market risks, Counterparty risks, Operational risks and Other risks. It is the company's assessment that the most significant risks in its operations are insurance risks.

The company's risk management is described in more detail in Note 4.

Performance analysis

The company's performance analysis for each line of insurance is presented later in this Annual Report in accordance with Chapter 6, Section 3, of the Swedish Annual Accounts Act for Insurance Companies (1995:1560) and FFFS 2015:12.

Employees and environment

The employees are the most important resource

The company's employee's skills, responsiveness and high level of service in customer relationships are important prerequisites for reaching the company's strategic and financial targets. One crucial aspect of the employer's responsibility is to take a targeted approach to developing and managing an operation characterized by professionalism, good opportunities for professional development, effective leadership, healthy work environment and conduct according to business ethics.

Competence maintenance and development in line with need of the organisation

As a successful company that continues to grow organically, a comprehensive long-term approach is needed to ensure a skilled workforce according to the need for resources and competence. It is important to motivate and involve current employees while continuing to reinforce the operation with new business-critical know-how that most importantly matches the rapid pace of IT development and digitalisation.

Solid Försäkring is today well organised in terms of skills and resources. However, knowledge often has a short lifespan, which is why opportunities for continued learning and development are a strategically important priority for the Group. The Resurs Academy Online Training internal training programme is growing steadily, and today the portal offers over 60 courses, covering everything from mandatory and regulation courses that pertain to all roles within the organisation to courses on the work environment, ergonomics and the environment. The portal also provides managers, HR and course owners with a statistical basis to ensure that all employees have taken part in the training courses.

Great opportunities to grow through job duties

Solid Försäkring encourages internal mobility and encourages its employees to apply for new positions and job duties within the Group. In 2018, 11 % of the vacancies was employed by internal resources.

One project linked to this effort is the Resurs Women Potential Program, which was introduced during the year. This is a programme for professional development for female employees. It is ten months long and meets ten times. The applicants who were accepted all aimed to grow within the Group, and each participant was assigned a female mentor with a managerial position to provide guidance on individual goals and the choice of a potential career path.

A Proactive effort to create a healthy work environment

Preventive efforts to quickly perceive signs of stress and ill health among employees are a priority. The digital tool implemented during the year enable a new and more effective approach where employees can report their experiences of their work situation, stress, job satisfaction and commitment in real time. Thanks to the tool's ability to continually gauge morale, thereby drawing attention to times or situations when there is a risk of ill health, resources can be chosen better and proactive measures can be taken.

For Solid Försäkring it is a matter of course to offer a healthy work life that contributes to a high level of attendance. In cases of reduced fitness for work or a return to work after a long sickness absence, there is an active rehabilitation program to minimise sick leave. Employees must receive assistance and support through early, coordinated rehabilitation measures in order to regain their fitness for work and be able to return fully or partially to work.

Two-stage leadership development

The Group-wide leadership programme Let's GROW aims to give managers fundamental skills and proficiency in coaching and communication. During the programme, participants must gradually apply their newly won knowledge to their daily work, which they then evaluate and modify. The effects so far can be summarised as positive feedback from the participants, which is also shown in employees' assessment of management, which is at a high and stable level. Resurs operations are continually evolving and must continually adapt to change. Therefore, Let's CHANGE, the next stage of leadership development, was introduced in May 2018. This programme aims to provide managers with the fundamental knowledge and skills to drive an effective change process while motivating employees.

Work that can never stop

The company's diversity plan, which is clearly integrated with internal targets, provides the guidelines for a proactive approach focusing on the roles and departments traditionally dominated by either men or women. Targeted efforts to achieve a more even gender distribution are continually being made in departments such as customer service and IT, concerning both recruitment and existing employees. In order to strengthen the recruitment process and effort to develop a policy that more clearly incorporates diversity, equal treatment and fair recruitment is in progress.

A working environment course was introduced during the year, which effect all managers with staff liability. Of course, Solid Försäkring has zero tolerance for discrimination and sexual harassment. Therefore, counteracting them and supporting an inclusive workplace in every way are important parts of this training.

Environment

The company complies with all of the applicable environmental laws and regulations. Environmental resources are used responsibly and conservatively. Active environmental work forms a founding pillar in the daily operations and the company strives to conduct its operations in an environmentally sustainable way by, for example, enhancing efficiency and investing in sustainable products and services.

For 2018, the Group has prepared a Sustainability Report that can be found in the Annual Report of Resurs Holding AB, Corporate Identity Number 556898-2291.

Employees in figures

The number of employees at year-end was 71 (77). The average number of employees during the year, regardless of degree of employment, was 74 (79), 58 per cent (57) of whom were women. Information about the principles and processes relating to remuneration and benefits to key management personnel is provided in Note 11 Personnel.

Proposed appropriation of profit

The following profit is at the disposal of the Annual General Meeting (SEK):

Fair value reserve	-461,774
Dividends to parent company	-129,999,000
Retained earnings	150,046,187
Net profit for the year	<u>14,334,879</u>
Total	<u>33,920,292</u>

The Board proposes that the available profits

33,920,292

be carried forward

Income statement

	Note	2018	2017
Technical account, non-life insurance operations			
Premiums earned			
Premium income	5	915,331	844,929
Outward reinsurance premiums		-25,075	-25,124
Change in Provision for unearned premiums and unexpired risks		-61,466	-16,137
Reinsurers' share of Change in provision for unearned premiums and unexpired risks		<u>-112</u>	<u>-3,226</u>
		828,678	800,442
Allocated investment return transferred from non-technical account	6	7,597	8,843
Claims incurred	7		
Net of outward reinsurance		-224,486	-276,032
<u>Claims paid</u>			
Reinsurers' share		8,208	9,700
<u>Change in Provision for claims outstanding</u>			
Net of outward reinsurance		-9,709	16,387
Reinsurers' share		<u>-224</u>	<u>1,208</u>
		-226,211	-248,737
Operating expenses	3, 8, 9, 10, 11	<u>-521,586</u>	<u>-486,126</u>
Technical result, non-life insurance operations		<u>88,475</u>	<u>74,422</u>
Non-technical account			
Investment income	12	18,108	22,658
Unrealised gains on investment assets	13	0	855
Investment charges	14	-1,893	-2,797
Unrealised losses on investment assets	15	-13,223	-798
Allocated investment return transferred to technical account	6	<u>-7,594</u>	<u>-8,843</u>
Profit before appropriations and tax		83,873	85,497
Appropriations	16	-65,000	-56,000
Profit before tax		18,873	29,497
Tax on profit for the year	17	<u>-4,538</u>	<u>-6,733</u>
Net profit for the year		<u>14,335</u>	<u>22,764</u>

STATEMENT OF COMPREHENSIVE INCOME

Net profit for the year	14,335	22,764
<u>Items that will be reclassified to profit or loss</u>		
Translation differences for the year, foreign branches	<u>-91</u>	<u>-110</u>
Comprehensive income for the year	<u>14,244</u>	<u>22,654</u>

	Note	31 Dec 2018	31 Dec 2017
Balance sheet			
Assets			
Intangible assets	18		
Goodwill		0	0
Other intangible assets		<u>14,221</u>	<u>18,597</u>
		14,221	18,597
Investment assets	23		
<i>Investments in Group companies and associates</i>			
Subordinated loans	19	200,000	200,000
<i>Other financial investment assets</i>	20		
Shares and participating interests	21	67,554	75,389
Bonds and other interest-bearing securities	22	423,332	408,819
Subordinated loans	22	<u>27,317</u>	<u>35,902</u>
		718,203	720,110
Reinsurers' share of Technical provisions	23		
Unearned premiums and unexpired risks	24	3,453	3,552
Claims outstanding	25	<u>814</u>	<u>2,136</u>
		4,267	5,688
Receivables			
Receivables, direct insurance	27	107,322	80,328
Receivable, reinsurers		63	0
Other receivables	28	<u>25,061</u>	<u>19,089</u>
		132,446	99,417
Other assets			
Property, plant & equipment	29	4,902	272
Cash and bank balances		221,633	281,498
Client accounts		1,691	0
Other assets	30	<u>349</u>	<u>21,857</u>
		228,575	303,627
Prepaid expenses and accrued income			
Accrued interest income		968	1,614
Deferred acquisition costs	31	167,119	136,586
Other prepaid expenses and accrued income		<u>6,474</u>	<u>3,525</u>
		174,561	141,725
Total assets		<u>1,272,273</u>	<u>1,289,164</u>

	Note	31 Dec 2018	31 Dec 2017
Balance sheet			
Equity and Liabilities			
Equity			
<i>Restricted equity</i>			
Share capital	32, 33	30,000	30,000
<i>Unrestricted equity</i>			
Fair value reserve		-462	-371
Retained earnings		20,047	127,282
Net profit for the year		<u>14,335</u>	<u>22,764</u>
Total equity		63,920	179,675
Untaxed reserves			
Contingency reserve	34	<u>488,118</u>	<u>488,118</u>
		488,118	488,118
Technical provisions (net of outward reinsurance)	23		
Unearned premiums and unexpired risks	24	490,282	423,574
Claims outstanding	25	<u>41,833</u>	<u>31,549</u>
		532,115	455,123
Liabilities			
Liabilities, direct insurance	35	105,140	95,533
Liabilities, reinsurance		1,633	278
Derivatives	20	631	1,901
Other liabilities	36	<u>68,360</u>	<u>59,202</u>
		175,764	156,914
Other accrued expenses and deferred income	37	<u>12,356</u>	<u>9,334</u>
Total equity and liabilities		<u>1,272,273</u>	<u>1,289,164</u>

Statement of changes in equity

	Share capital	Fair value reserve	Retained earnings	Net profit for the year	Total equity
Equity, 1 Jan 2017	30,000	-261	116,157	11,125	157,021
Previous year's profit brought forward	-	-	11,125	-11,125	-
Net profit for the year	-	-	-	22,764	22,764
Comprehensive income for the year	-	-110	-	-	-110
Equity, 31 Dec 2017	30,000	-371	127,282	22,764	179,675
Equity, 1 Jan 2018	30,000	-371	127,282	22,764	179,675
Previous year's profit brought forward	-	-	22,764	-22,764	-
Dividend	-	-	-129,999	-	-129,999
Net profit for the year	-	-	-	14,335	14,335
Comprehensive income for the year	-	-91	-	-	-91
Equity, 31 Dec 2018	30,000	-462	20,047	14,335	63,920

Statement of cash flows (indirect method)	2018	2017
<u>Operating activities</u>		
Profit before tax	18,873	29,497
Adjustment for non-cash items	168,977	62,671
Income taxes paid	-10,568	-5,572
Change in operating receivables	-51,870	16,003
Change in operating liabilities	<u>14,070</u>	<u>-15,063</u>
Cash flow from operating activities	139,482	87,536
<u>Investing activities</u>		
Investments in property, plant & equipment	-4,985	-345
Divestment/disposal of property, plant & equipment	287	0
Acquisition of investment assets	-107,627	-206,831
Disposal of investment assets	<u>100,994</u>	<u>167,398</u>
Cash flow from investing activities	-11,331	-39,778
<u>Financing activities</u>		
Group contributions paid / received	-56,000	-44,000
Dividend	<u>-129,999</u>	<u>0</u>
Cash flow from financing activities	-185,999	-44,000
Cash flow for the year*	-57,848	3,758
Cash and cash equivalents at beginning of year	281,498	275,561
Exchange-rate differences in cash and cash equivalents	<u>-2,017</u>	<u>2,179</u>
Cash and cash equivalents at year-end	221,633	281,498
 Adjustment for non-cash items		
Depreciation of property, plant & equipment	112	164
Amortisation of intangible assets	4,376	4,850
Group contributions paid	65,000	56,000
Change in technical provisions	89,991	-11,851
Capital gains/losses on property, plant & equipment	-31	268
Realised gains/losses on investment assets	-1,115	7,413
Unrealised gains/losses on investment assets	13,223	-57
Unrealised exchange-rate gains/losses	<u>-2,579</u>	<u>5,885</u>
	168,977	62,672
 * Interest paid from operating activities	-11	-119
Interest received from operating activities	119	104
Interest received from investing activities	<u>11,762</u>	<u>11,777</u>
Dividends received	3,425	1,737

The statement of cash flows is prepared using the indirect method. The reported cash flows only include transactions involving cash inflows and outflows. The cash transactions are classified under operating activities, investing activities and financing activities. Cash and cash equivalents are bank deposits.

Performance analysis by line of insurance 2018

SEK thousand	Total 2018	Swedish risks							
		Morbidity and accident	Motor vehicle	Property, home and home contents	Assistance	Income and redundancy allowance	Other*	Foreign risks	Reinsurance received
Premiums earned, net of reinsurance	828,678	166,073	54,005	193,787	79,105	6,038	4,295	325,375	0
Allocated investment return transferred from non-technical account	7,594	7	994	1,632	581	89	50	4,210	31
Other technical result									
Claims incurred, net of reinsurance	-226,211	-11,570	-23,253	-57,978	-44,261	-1,815	-4,038	-83,296	0
Operating expenses	-521,586	-128,601	-28,907	-107,906	-28,441	-587	-648	-226,496	0
Technical result, non-life insurance operations	88,475	25,909	2,839	29,535	6,984	3,725	-341	19,793	31
Run-off result	1,800	-86	-293	-626	244	-320	321	2,601	-43
Provision for unearned premiums and unexpired risks	490,282	295	64,711	100,751	34,965	3,561	2,772	283,227	0
Provision for claims outstanding	41,833	31	6,390	8,055	2,872	2,300	486	19,715	1,985
Technical provisions, net of outward reinsurance	532,115	326	71,100	108,806	37,837	5,861	3,258	302,942	1,985
Provision for unearned premiums and unexpired risks	3,453	0	0	3,271	0	0	0	182	0
Provision for claims outstanding	814	0	0	0	0	0	0	814	0
Reinsurers' share of technical provisions	4,267	0	0	3,271	0	0	0	996	0
Premiums earned, net of reinsurance									
Gross written premiums	915,331	165,851	64,574	213,089	79,576	5,792	4,170	382,279	0
Outward reinsurance premiums	-25,075	0	0	-19,353	-149	0	0	-5,573	0
Change in provision for unearned premiums and unexpired risks	-61,466	222	-10,569	177	-323	247	125	-51,345	0
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-112	0	0	-126	0	0	0	14	0
Total	828,678	166,073	54,005	193,787	79,105	6,038	4,295	325,375	0
Claims incurred, net of reinsurance									
Claims paid									
- net of outward reinsurance	-224,486	-11,576	-19,589	-63,051	-43,630	-5,184	0	-81,456	0
- reinsurers' share	8,208	0	0	6,149	0	0	0	2,059	0
Change in provision for claims outstanding									
- net of outward reinsurance	-9,709	5	-3,664	-1,076	-631	-505	-164	-3,675	0
- reinsurers' share	-224	0	0	0	0	0	0	-224	0
Total	-226,211	-11,570	-23,253	-57,978	-44,261	-1,815	-4,038	-83,296	0

* Legal protection and other property

Earnings by insurance class 2018

Direct insurance	Gross written premiums	Gross premiums earned	Claims incurred gross	Operating expenses gross	Profit/loss of ceded reinsurance
Morbidity and accident	362,187	318,473	-25,650	-253,518	0
Motor, other classes	64,574	54,005	-23,253	-30,083	0
Fire and other damage to property	364,698	357,770	-129,562	-198,777	-13,357
Legal expenses	371	380	0	-44	0
Assistance	117,708	117,198	-53,917	-38,107	-3,846
Other classes	5,793	6,039	-1,813	-1,057	0
Total	915,331	853,865	-234,195	-521,586	-17,203

Notes

Note 1 General information

General information

This Annual Report encompasses the 2018 financial year for Solid Försäkringsaktiebolag, Corp. ID. No. 516401-8482, with its registered office in Helsingborg, Sweden. The company's postal address is Box 22068, SE-250 22 Helsingborg, Sweden. The Annual Report was approved for issue by the Board on 18 March 2019. The income statement and balance sheet will be presented for adoption at the General Meeting on 9 April 2019.

Solid Försäkring is part of a Group for which Resurs Holding AB, Corp. ID. No. 556898-2291, registered office in Helsingborg, Sweden, prepares consolidated financial statements. Resurs Holding AB is listed on Nasdaq Stockholm and is indirectly owned, mostly by Nordic Capital Fund VII and Waldir AB through their holdings in Cidron Semper Ltd and Waldakt AB. See also Note 3 Related parties.

The notes below are not directly related to the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and performance analysis:

Note 1 General information

Note 2 Accounting policies

Note 4 Risk disclosures

Note 26 Significant estimates and judgements

Note 38 Significant events after the end of the financial year

Note 2 Accounting policies

Statement of compliance

The insurance company's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (1995:1560), the Swedish Financial Supervisory Authority's regulations and general guidelines on Annual Accounts at Insurance Undertakings (FFFS 2015:12), including all applicable amendment regulations, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The Annual Report has been prepared in accordance with IFRS, on a statutory exemption basis. This means applying International Financial Reporting Standards and IFRIC interpretations, as adopted by the EU, to the extent possible within the framework of national laws and regulations, taking into account the relationship between accounting and taxation.

The accounting policies described below have been applied consistently to all periods presented in the company's financial statements, unless otherwise stated.

Basis of preparation of the company's financial statements

The company's functional currency is the Swedish krona (SEK) and the financial statements are presented in this currency. Unless otherwise stated, all figures are rounded to the nearest thousand. The financial statements have been prepared under the historical cost convention. Financial assets and liabilities are measured at amortised cost, apart from certain financial assets and liabilities, which are measured at fair value. Financial assets and liabilities measured at fair value are classified as "financial assets and liabilities at fair value through profit or loss."

Judgements and estimates in the financial statements

Preparation of financial statements in compliance with IFRS requires the company's management to make judgements, accounting estimates and assumptions, which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expense. Estimates and assumptions are based on historical experience and a number of other factors that are considered reasonable in the present circumstances. The results of these estimates and assumptions are used to determine the carrying amounts of assets and liabilities, which are not readily apparent from other sources. The actual outcome may differ from those estimates and assumptions.

The accounting estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period of the change if the change only affects that period. Changes are recognised in the period of the change and future periods if the change affects both.

Assessments made by the company's management and key sources of estimation uncertainty when applying IFRS (with statutory exemption) that have a significant impact on the financial statements are described in more detail in Note 26 Significant estimates and judgements.

Changes in accounting policies

New accounting policies from IASB applied for the financial year 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has replaced the previous standard IAS 39 Financial Instruments from 1 January 2018. Solid Försäkring has applied IFRS 9 from the financial year beginning on 1 January 2018. The company has chosen not to recalculate comparing periods in accordance with IFRS 9. The new standard encompasses the following three areas: *Classification and measurement of financial instruments, Impairment and General hedge accounting*. The effects of the implementation of IFRS 9 on the company are described below.

Classification and measurement of financial instruments

Under IFRS 9, financial instruments are to be classified according to the following categories: *Fair value through profit or loss, Amortised cost or Fair value through other comprehensive income*.

The basis for classification of debt instruments is the company's business model for managing the financial asset and whether the instrument's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Equity items are classified at fair value through profit or loss, unless the company has chosen to present such instruments at fair value through other comprehensive income on initial recognition.

The company will apply the following classifications in its transition to IFRS 9

<u>Classification under IAS 39</u>	<u>New classification IFRS 9</u>
Loan and other receivables	Amortised cost
Fair value through profit or loss	Fair value through profit or loss
Other financial liabilities	Amortised cost

The transition has not lead to any reclassification between fair value and amortised cost, and thus did not have any impact on the financial statements.

Impairment

The new impairment requirements in accordance with IFRS 9 have increased compared with the former requirements under IAS 39. According to IAS 39, impairment requirements were based on a model for credit losses that have occurred, as opposed to the IFRS 9 requirements for which the model is based on expected credit losses. The assets identified for impairment testing under IFRS 9 are those that are *Measured at amortised cost, lease assets and contract assets*. Assets with a term of more than one year are to be divided into three stages to assess how loss allowances are to be established (general approach).

The company has evaluated the effects of IFRS 9 impairment. Since the risk of default for the company's financial instruments measured at amortised cost is deemed to be minimal, expected credit losses are deemed to total insignificant amounts. Accordingly, the company decided not to recognise any loss allowances for expected credit losses at the start of the 2018 fiscal year.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 brings together all the rules on revenue recognition in a single standard, which with effect from 2018 replaces the standards and interpretations that currently deal with revenue recognition. The company has chosen to apply IFRS 15 by the modified reactive method, meaning that the effect will apply on the implementation day of the standard and recalculation of comparative periods will not

occur. The standard was effective from annual periods beginning on or after 1 January 2018. The new standard does not encompass the company's financial position, result or cash flow.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 and is to be applied from 1 January 2019. In brief, the new standard entails that the current classification of operating and financial leases will disappear and be replaced by a model whereby assets and liabilities for all leases are recognised in the balance sheet. For leases for which the lease term is 12 months or less or the underlying asset has a low value, there is the option of applying a relief rule. The company's assessment is that the new standard will not have a significant impact on its earnings or financial position.

IFRS 17 Insurance Contracts (not approved by the EU)

The final standard that will replace the standard previously known as IFRS 4 (Phase II) was published in May 2017 and takes effect on 1 January 2022. The standard entails new basis for the recognition and measurement of insurance contracts with the aim of enhancing transparency and reducing differences in the recognition of insurance contracts.

The company commenced internal activities to analyse the effects of the new standard, internal training requirements and planning for the transition to the new standard when it comes into force. Work will continue over the next few years on analysing the effects and impact on the financial reporting as well as on ensuring that the company is well prepared to meet the changes required in good time.

Insurance contracts

IAS 4 Insurance contracts

Insurance contracts are contracts in which Solid Försäkring undertakes a significant insurance risk by offering to compensate a policyholder if a predetermined, insured event were to occur. Insurance contracts are recognised and measured in accordance with IFRS 4.

Foreign currency

Foreign branches

The company has foreign branches in Norway, Finland and Switzerland. The functional currency of the branches is the Norwegian krone (NOK), euro (EUR) and Swiss franc (CHF).

The income statement and balance sheet of the branches, which have a different functional currency from that of the company, are translated as follows:

- Assets and liabilities are translated at the closing rate
- Income and expenses are translated at the average exchange rate
- All currency effects are recognised in other comprehensive income

Foreign branches with the same functional currency as the company are translated according to the principle described above relating to the translation of all transactions in net profit for the year.

Translation differences arising on consolidation of branch operations are recognised in a component of equity - the fair value reserve - and are included in the company's other comprehensive income. On disposal of a foreign branch, the translation differences that have accumulated in the fair value reserve via other comprehensive income are recognised through profit or loss.

Foreign currency transactions

The company uses the Swedish krona (SEK) as its accounting currency and this is therefore also the presentation currency. Foreign currency transactions are translated into the functional currency using the average rate for the period in which the income and expense arose. Exchange-rate gains and losses arising on settlement of these transactions and on translation of foreign currency assets and liabilities using the closing rate are recognised through profit or loss under *Investment income* and *Investment charges*.

Principles applied for income statement items

Premium income

Premium income is recognised as the total gross premium for direct insurance deposited or that can be credited to the company for insurance contracts for which the insurance period commenced prior to the end of the financial year. If the contracted premium for the insurance period is divided into several partial payments, the entire premium is recognised from the start of the period. Cancellations reduce premium income as soon as the amount is known. Premium income is recognised excluding tax and other public fees charged to the insurance premium.

Premiums earned

The portion of premium income that is attributable to the current accounting period is recognised as premiums earned. The portion of income from insurance contracts that pertains to a period after the closing date is reserved in the premium reserve in the balance sheet and is calculated taking into account the term of the insurance contract.

Outward reinsurance premiums

Outward reinsurance premiums comprise amounts paid during the financial year or amounts recognised as a liability to insurance companies that assumed reinsurance according to signed reinsurance contracts, including portfolio premiums. The premiums are allocated so that the cost is distributed to the period to which the insurance cover pertains.

Claims incurred

Total claims incurred include claims paid during the period, changes in provision for claims outstanding and claims-adjustment expenses. Claims paid includes payments to policyholders during under financial year based on insurance contracts or incurred insurance claims, regardless of when the claim occurred.

Operating expenses

All operating expenses are allocated in the income statement according to their function: acquisitions, administration, commission and profit-sharing in outward reinsurance, claims adjustment and investment charges. Administrative expenses include lease payments for the company's premises, vehicles and equipment. All leases are treated as operating leases, with lease payments recognised as an expense through profit or loss on a straight-line basis over the agreed term of the lease.

Operating expenses associated with claims adjustment are recognised as a portion of claims incurred in profit or loss. Operating expenses associated with the investment returns are recognised under non-technical account.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, payroll overhead and variable remuneration, are recognised through profit or loss during the period in which the employee rendered service to the company. A provision for variable remuneration is recognised when the company has a legal or constructive obligation to make such payments as a result of the services in question having been rendered by the employees, and when the amount can be measured reliably.

Pensions

Pension commitment for officials are ensured by Alecta. According to the counsel of financial reporting, URF 10, it is a defined benefit pension plan embracing several employers. The Pension plan according to ITP that are ensured by Alecta, are reported and defined as a contribution pension because there are no available information to calculate it like a defined benefit pension plan.

Termination benefits

Termination benefits are only recognised if the company is demonstrably committed, without realistic possibility of withdrawal, to terminate employment before the normal retirement date and has a detailed formal plan for termination.

Investment return

The allocated investment return is transferred from the non-technical account to the technical account and is calculated based on average technical provisions, net of reinsurance. The transferred investment return is calculated as the average technical provisions net of reinsurance's share of total investment assets and cash and bank balances and is then recognised as a share of total investment return.

Investment income

Investment income relates to the return on investment assets and includes dividends on shares and participating interests, interest income, exchange-rate gains, reversed impairment and capital gains.

Investment charges

Investment charges are expenses associated with investment assets. The item includes asset management expenses, interest expense, exchange-rate losses, depreciation, amortisation, impairment and capital losses.

Realised and unrealised fair value changes

Capital gains on investment assets measured at fair value represent the positive difference between the selling price and cost. For interest-bearing securities, cost corresponds to amortised cost, while for other investment assets it corresponds to historical cost. On disposal of an investment asset, previously unrealised fair value changes are recognised as an adjustment item under Unrealised gains on investment assets and Unrealised losses on investment assets. Capital gains on assets other than investment assets are recognised under Other income.

Unrealised gains and losses are recognised on a net basis by asset class. Fair value changes arising from exchange-rate differences are recognised as exchange-rate gains or exchange-rate losses under the item investment return.

Recognition of assets and liabilities

Assets are defined as resources controlled by the company as a result of past events and which are likely to generate future economic benefits. These are capitalised when it is probable that future economic benefits associated with the asset will flow to the company and when the value/cost of the resource can be measured reliably.

Liabilities are current obligations arising from past events, the settlement of which is expected to result in an outflow of resources from the company. A liability is capitalised when it is probable that an outflow of resources from the company will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Intangible assets

The value of goodwill is assessed regularly and amortised over its estimated useful life at any given time. Other intangible assets are amortised systematically over their estimated useful lives.

The estimated useful lives are:

- | | |
|---------------------------|-----------|
| - Goodwill | 7 years |
| - Other intangible assets | 5-7 years |

Goodwill

Goodwill is the difference between the cost of acquisition and the fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities. Goodwill is carried at cost less accumulated amortisation. Goodwill is allocated to cash-generating units and is tested for impairment at least annually. See also Note 18.

The recognised goodwill relates entirely to an organisational restructuring in 2010 when the operations of the former subsidiary Nord Assurance & Services AB were taken over by the company. The net value of the acquired business amounted to SEK 18.7 million, and relates acquired goodwill, which is reported as a gross amount under Intangible assets.

All intangible assets are amortised. Goodwill is amortised over seven years, which is considered to represent the period during which the company expects to obtain economic benefits from the investment.

IT development

IT development is capitalised as an intangible asset when the project meets all the criteria for capitalisation. These criteria include adequate assurance that each activity will generate economic benefits that exceed the costs. Completed development projects are recognised at the costs incurred, less accumulated amortisation and impairment losses. Amortisation is recognised through profit or loss and is applied on a straight-line basis over the project's expected useful life, which is 5-7 years.

Impairment testing

The company conducts annual goodwill impairment testing, in accordance with the accounting policy described above. The recoverable amounts for cash-generating units have been determined by calculating the value in use. This calculation requires certain estimates to be made.

For other intangible assets, if the carrying amount is higher than the recoverable amount, the carrying amount is written down to the recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use.

Financial instruments

Financial instruments recognised under assets in the balance sheet include shares and participating interests, bonds and other interest-bearing securities, derivatives, loan receivables, receivables attributable to direct insurance, reinsurance and cash and bank balances. Liabilities from direct insurance, reinsurance and derivatives are recognised under liabilities and equity.

Financial instruments - Recognition and derecognition from the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party under the instrument's contractual terms.

A financial asset is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation is discharged or extinguished in some other way. The same applies to part of a financial liability. A financial asset and a financial liability may be offset and the net amount recognised in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and the intention is either to settle on a net basis, or to simultaneously realise the asset and settle the liability. Purchases and sales of financial assets are recognised on the trade date (the date on which the Company commits itself to purchase or sell the asset).

Loan receivables are recognised in the balance sheet when the loan amount is paid to the borrower.

Financial instruments - Classification and measurement

Financial instruments are measured at their fair value. Derivatives and instruments classified as financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. A financial instrument is classified on initial recognition according to the purpose for which it was acquired, but also according to the options specified in IAS 39.

Classification determines how a financial instrument is measured subsequent to initial recognition, as described below.

Financial instruments - Financial assets at fair value through profit or loss

Financial instruments in this category are regularly measured at fair value, with changes in fair value recognised through profit or loss. This category includes derivatives. For financial instruments valued at fair value through profit or loss, both realised and unrealised changes in value are recognised under the income statement item "Non-technical account." For the 2018 financial year, the company has held bonds, other interest-bearing securities, shares and derivatives measured at fair value through profit or loss.

Financial instruments - Financial liabilities at fair value through profit or loss

Financial instruments in this category are regularly measured at fair value, with changes in fair value recognised through profit or loss. This category includes derivatives with a negative fair value. The company does not have any other liabilities valued at fair value through profit or loss.

Financial instruments – assets value to amortised cost

The value category amortised cost mainly consist of fixed or fixable payments and that are not listed on an active market. These are represented in the balance sheet by the items loan receivables, receivables from direct insurance and cash and bank balances. These assets are measured at amortised cost. Amortised cost is calculated based on the effective interest rate used at initial recognition. Accounts receivable and loan receivables are recognised at the amounts expected to be received, meaning after deductions for doubtful receivables.

Financial instruments – liabilities value to amortised cost

These are represented in the balance sheet by the balance sheet items liabilities for direct insurance and reinsurance, measured at amortised cost, and interest expense is accrued continuously using the effective interest method.

Methods of determining fair value

Financial instruments listed on an active market

The fair value of financial instruments listed on an active market is determined on the basis of the asset's listed bid price on the closing date without additions for transaction costs (for example, brokerage) at the time of acquisition. A financial instrument is deemed to be listed on an active market if listed prices are readily available from a stock exchange, dealer, broker, trade association, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on commercial terms. Any future transaction costs on disposal are not taken into consideration. The fair value of financial liabilities is based on the listed selling price.

Instruments that are listed on an active market are recognised under the items shares and participating interests, bonds and other interest-bearing securities.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the fair value is determined by applying various measurement techniques. The measurement techniques used are based on market data as much as possible.

The fair value of derivative instruments is calculated by discounting the difference between the contracted forward rate and the forward rate that can be utilised on the closing date for the remaining contract period. Discounting is conducted using the current market rate for each term.

Financial instruments measured at fair value for disclosure purposes

The fair value of loan receivables at variable rates is measured at amortised cost, and the carrying amount is considered a reflection of the fair value. The fair value of loans at fixed interest rates is calculated based on current market rates, with the initial credit spread of the loan receivable kept constant unless there is clear evidence that a change in the company's credit rating has led to a measurable change in the company's credit spread.

For bank deposits at variable interest rates, the carrying amount reflects the fair value.

For other financial assets and liabilities with a remaining life of less than six months, the carrying amount is considered a reflection of the fair value.

Impairment of financial assets

Assets recognised at amortised cost

The company recognise a loss reserve on assets reported to amortised cost, which corresponds the expected credit loss for the remaining term according to the simplified method. The expected credit loss are valued at it probability-weighted amount based on information on past events, current condition and future forecasts.

Impairment is reversed when there is verifying information that the impairment requirement no longer

exists.

Property, plant & equipment

Items of property, plant & equipment are recognised at cost less accumulated depreciation. Cost includes expenses directly attributable to the acquisition of an asset. Subsequent expenditure is added to the asset's carrying amount or recognised as a separate asset (whichever is more suitable) only when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced component is derecognised from the balance sheet. All other types of repair and maintenance are recognised as an expense through profit and loss in the period in which they arise.

Depreciation of property, plant & equipment for the company's own use is applied on a straight-line basis in order to allocate cost or revalued amount down to residual value over the estimated useful life. Assets are depreciated over their estimated useful life of five years from the date of acquisition.

The carrying amount of property, plant and equipment is derecognised from the balance sheet on disposal, divestment or when no future economic benefits are expected from its use or disposal/divestment. Gains or losses arising from the disposal/divestment of property, plant and equipment comprise the difference between the sales price and the asset's carrying amount less direct selling expenses. Using a materiality rationale, the Company reports immaterial gains or losses on disposal under operating expenses.

Impairment testing

The carrying amounts of the company's assets are assessed at each closing date to determine whether there is any indication of impairment. If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36.

If it is not possible to determine significantly independent cash flows to a specific asset, assets are grouped to the lowest level at which it is possible to identify significantly independent cash flows, known as cash-generating units, when testing for impairment. Impairment is recognised when the recoverable amount of an asset or a cash-generating unit (group of units) is less than its carrying amount. Impairment losses are recognised through profit or loss. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. In measuring value in use, cash flows are discounted using a discount rate that reflects the risk-free rate of interest and the risks specific to the asset.

Reversal of impairment

Impairment of assets is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions used in the calculation of recoverable amount. Impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment been recognised.

Costs for insurance contracts

Direct acquisition costs that have a clear connection with the signing of insurance contracts are recognised as an asset (gross). Direct costs mainly refer to fee & commission expense and are subsequently allocated over the term of the insurance contract.

Technical provisions

Technical provisions consist of the Provision for unearned premiums and unexpired risks and the Provision for claims outstanding.

Provision for unearned premiums and unexpired risks

In the balance sheet, this item comprises provisions corresponding to the company's commitments for insurance cases, administration costs and other expenses for the remainder of the contract period for ongoing insurance contracts. Provision for unearned premiums are calculated individually for each insurance contract. Premiums are earned using experience-based factors calculated based on when claim and operating expenses arise in an insurance period. Consequently, premium earning is not pro rata for all products. In the case of one-year contracts, earning is pro rata. Due to the settlement of old

contracts and foreign contracts, some of the contracts still have a term of more than one year. Compared with strictly straight-line recognition of earnings, costs during the first year of the insurance contract are assumed to be lower than for the remainder of the contract period, based on a one-year guarantee period for the products encompassed by the insurance policies.

A provision is made for unexpired risks if the premium level is deemed to be insufficient to cover expected claim costs and operating expenses. The change for the period in the provision for unearned premiums and unexpired risks is recognised through profit or loss. Changes attributable to the translation of the provision items to the exchange rate on the closing date are recognised as exchange-rate gains or exchange-rate losses under Investment income and Investment charges.

Provision for claims outstanding

The provision for claims outstanding is the estimated cost of future settlement of all claims incurred, including claims incurred but not reported (IBNR). The required provision is estimated using statistical methods for most claims. Individual assessments are made for larger claims and claims with complicated liability issues. Changes in claims outstanding for the period are recognised through profit or loss. Changes attributable to the translation of the provision items to the exchange rate on the closing date are recognised as exchange-rate gains or exchange-rate losses under Investment income and Investment charges.

Taxes

Income tax consists of current tax and deferred tax. Income taxes are recognised through profit or loss except in cases where the underlying transaction is recognised directly in other comprehensive income or equity.

The company's foreign branches in Norway, Finland and Switzerland are taxed on the earnings in each country. In Sweden, the company is liable to pay tax on all its income, including earnings from its foreign branch offices. To the extent that the company pays tax in Sweden on its foreign income, a deduction is normally allowed for the foreign tax paid, in order to avoid double taxation.

Current tax is the amount of income tax payable or recoverable for the current year, calculated using tax rates enacted or substantively enacted on the closing date, and includes any adjustments relating to prior periods.

Deferred tax is based on temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases. Deferred tax assets on deductible temporary differences and tax loss carry forwards are only recognised to the extent it is probable they will be utilised. The company did not have any deferred tax or temporary differences in 2018.

Contingency reserve

The contingency reserve is recognised as an untaxed reserve. Changes are recognised through profit or loss. Calculation of the reserve is based on a regulation from the Swedish Financial Supervisory Authority on the calculation of contingency reserves, FFFS 2013:8 and FFFS 2015:23. The regulation specifies the maximum amount that may be allocated to the contingency reserve, based on premium income and the provision for claims outstanding in certain lines of insurance. The company calculates the provision ceiling on a regular basis. At the end of the year, the company had not reached the maximum provision permitted.

Note 3 Related parties

Parent Company and ownership

Solid Försäkrings AB has since 12 November 2012 been a wholly owned subsidiary of Resurs Holding AB, Corp. ID. No. 556898-2291, which on 31 December 2018 is owned by Waldakt AB (28.9 per cent) and Cidron Semper Ltd (17.4 per cent). Of the remaining owners, no single owner holds 20 per cent or more.

Related parties - Other Group companies

Other Group companies are Resurs Holding AB's subsidiaries Resurs Bank AB (with the subsidiaries Resurs Norden AB and RCL1 Ltd) and Resurs Förvaltning Norden AB.

Related parties - Other companies with controlling or significant influence

Nordic Capital Fund VII owns 17.4 per cent of Resurs Holding AB directly and indirectly via Cidron Semper Ltd, and therefore has a significant influence over the company. There were no transactions with the company Cidron Semper Ltd in 2018. There were also no transactions between the company and Ellos Group AB, which Cidron Semper Ltd controls. Waldir AB owns 28.9 per cent of Resurs Holding AB directly and indirectly via Waldakt AB and therefore has a significant influence over the company. The Waldir Group includes NetOnNet AB. Waldir AB is owned by the Bengtsson family, which also controls AB Remvassen.

Transactions with these companies are listed below under the heading *Other companies with significant influence*. All items for related companies are interest bearing.

Related parties - key personnel of Solid Försäkrings AB and its Parent Company Resurs Holding AB

Marcus Tillberg	CEO and Board member of Solid Försäkrings AB
Fredrik Carlsson	Board Chairman of Solid Försäkrings AB and Board member Resurs Holding AB
Lars Nordstrand	Deputy Board member of Solid Försäkrings AB and Board member Resurs Holding AB
Christopher Ekdahl	Board member Solid Försäkrings AB
Kenneth Nilsson	CEO of Resurs Holding AB
Jan Samuelsson	Board Chairman of Resurs Holding AB
Christian Frick	Board member of Resurs Holding AB
Martin Bengtsson	Board member of Resurs Holding AB
Anders Dahlvig	Board member of Resurs Holding AB
Marina Burenstam Linder	Board member of Resurs Holding AB
Marita Odélius Engström	Board member of Resurs Holding AB
Mikael Wintzell	Board member of Resurs Holding AB

Information about transactions between and remuneration of related-party senior executives can be found in Note 11 Personnel.

Summary of related-party transactions

	<u>2018</u>	<u>2017</u>
Other transactions		
<u>Parent Company</u>		
Operating expenses	-1,350	-1,790
Group contributions	-65,000	-56,000
Dividends	-129,999	0
<u>Other Group companies</u>		
Premium income	2,524	2,104
Commission and profit-sharing	-226,972	-172,808
Operating expenses	-12,386	-6,917
Investment return, interest income	6,661	5,881
<u>Other companies with significant influence</u>		
Commission and profit-sharing	-45,921	-46,024
Balances		
<u>Parent Company</u>		
Liabilities	-65,141	-56,245
<u>Other Group companies</u>		
Receivables	36,982	22,980
Cash and bank balances	194,719	113,060
Other loans	200,000	200,000
Liabilities	-27,673	-18,631
<u>Other companies with significant influence</u>		
Receivables	7,197	2,951
Liabilities	-16,736	-22,080

Note 4 Risk disclosures

Risk disclosures

Solid Försäkring's operations involve assuming risk from policyholders. This Note describes the company's own risk and risk management.

It is of great importance for Solid Försäkring's risk-taking to be conducted under controlled conditions, and its risk management framework is an integral part of its operations. The risk management framework includes the company's functions, risk owner, strategies, written policies, processes, risk propensity, tolerances, limits and reporting, which are necessary for identify, measure, monitor, manage and report risk. The company has standardised the process for identifying, assess and report risk and it has been implanted in the organisation as a lead to create risk awareness, encourage risk culture and efficient risk process. The Board has established internal policies for the operations to support risk management. All policies are updated as necessary and revised at least annually.

The Board and CEO of Solid Försäkring are ultimately responsible for the company's risk management. This responsibility includes ensuring that independent functions are in place to manage the company's risks and the company's regulatory compliance and to report to the Board and management on how the company is operated in respect of this.

The company uses three lines of defence to manage its risks. The first line of defence is the company's operational personnel, meaning the employees in the operations closest to the risks who identify and proactively work on risk awareness in the day-to-day business. Risk owners are primarily found in the first line. The second line of defence comprises the Risk Control, Compliance and Actuary functions that independently manage risks, audit and control the company's operations and that provide support for the operational activities. These control functions regularly report to the CEO, Board and the Parent Company's Board Committees. The third line of defence comprises the independent control function Internal Audit, whose task is to audit the activities of the first and second lines of defence to ensure internal control. The Internal Audit function reports continuously to the Board.

The ongoing work on risk identification is conducted partly in connection with the Own Risk and Solvency Assessment (ORSA) process, mapping of the company's key processes, risk and incident reporting and the control functions' audits.

All identified risks are evaluated by the Risk Control function and the company's Risk Committee via a risk register, which is a key tool in risk management, with an assessment of probability and consequences and the effect of the control environment. The risks are quantified and all risks are assigned a risk owner. This work is an important part of creating risk awareness and effective risk management.

The company's operations have the risk modules of insurance risk, market risk, counterparty risk, operational risk and other identified risk.

Insurance risk

Insurance risk is the risk of a change in value due to deviations between actual and expected insurance costs. This means the risk that actual outcome deviates from the expected outcome due to, for example, a higher claims frequency, larger average claims costs, one or more major claims. Insurance risk primarily comprises premium and reserve level risk and disaster risk. The company defines insurance risk as the single largest risk group.

Premium risk

Premium risk is the risk of losses due to, for example, incorrect pricing, risk concentration and taking out wrong or insufficient reinsurance. The company's insurance operations contain a well-balanced risk portfolio. The company's business mainly comprises a large number of insurance policies with low, individual risks. Concentration risk in the non-life insurance business is considered low in the company's overall portfolio since the company's insurance portfolio is highly diversified in terms of both products and geography.

Solid Försäkring manages and limits premium risk based on underwriting and reinsurance risk policies issued by the Board. These policies enable premium risk to be mitigated by decisions on the maximum retention for different types of insurance risks, the markets and new products that can be considered as a framework for premium rates and monitoring profitability. The company regularly conducts a detailed review of the premium rate and the profitability of the underwriting arrangements. Changes in tariffs and premium levels are continuously monitored where necessary. To further limit premium risk, the company has taken out reinsurance in the risk portfolios with a higher risk exposure. Reinsurers are selected based on factors including expertise and financial position and comply with the policies established by the company's Board. Solid Försäkring continuously reviews the entire reinsurance programme to ensure that adequate cover is in place.

Reserve level risk

Reserve level risk refers to the risk of variations in the time and amount of claims payments. Provisions for unearned premiums is intended to cover the expected claim costs and operating expenses for the remaining term of valid insurance contracts. As compensation is only paid after a loss has occurred, it is also necessary to make provisions for claims outstanding. Technical provisions are the total of unearned premiums and unexpired risks, and claims outstanding. Technical provisions always include a certain element of uncertainty since provisions include an estimate of the size and frequency of future claim payments. The uncertainty of technical provisions is usually higher for new portfolios for which complete settlement statistics are not yet available and for portfolios in which final adjustment of claims takes place following a long period of time.

Solid Försäkring manages and minimises reserve level risk by means of the Board's policies on reserve level risk and technical provision risks and provisioning instructions that govern the calculation of technical provisions. Actuarial assumptions for determining the provisions for claims outstanding are based on historical claims and exposures known on the closing date. The models used are clearly recognised actuarial models such as chain ladder or other loss development factor models. The outcome corresponds to a provision that covers the expected future payments for all claims incurred, even claims that have not yet been reported.

Provision for unearned premiums are calculated individually for each insurance contract. The

computation uses experience-based factors, the starting point being how the claim costs are incurred over the period of insurance. A straight-line (pro rata) earnings model is used for insurance risks with a term of 12 months or less. A provision for unexpired risks is made if the provision for unearned premiums is deemed to be insufficient to cover the company's liabilities for the remaining terms of valid insurance contracts.

There is always some uncertainty associated with estimates of technical provisions. The estimates are based on facts relating to historical claims and assessments of future trends. Because the majority of the company's claims are short-term in nature (for most portfolios, claims are concluded within 2 to 12 months from the claim date), the risk of negative developments due to factors such as future claims inflation is reduced.

The company's Actuary function reports to the Board annually or more frequently during preparation of the annual accounts.

Disaster risk

A scenario in which the same event would generate claims on a large number of policies is considered unlikely as the insurance portfolio is well diversified. The company's largest proportion of insurance is individual product insurance policies for consumer goods, which do not have any exposure to natural disasters, such as hurricanes, flooding, hail, earthquakes or subsidence.

Actual claims compared with previous estimates

Solid Försäkring's traditional business in product, roadside assistance and payment protection insurance historically show small run-off result. In 2018, the positive run-off result including reinsurance totalled SEK 1.6 million. From the Swedish business a positive run-off result of SEK 0.9 million is reported while the foreign business reported a positive result of SEK 0.7 million. The Swedish run-off result is mainly attributable from the development in the business line product, in which the company can see a positive run-off from claims after consideration the reinsurance. The run-off result for the foreign business is primarily attributable from positive run-off by claims after consideration of reinsurance in the closed British travel business.

Market risk

Market risk is the risk of loss or an adverse change in the financial position caused directly or indirectly by the level and volatility of the market prices of assets, liabilities and financial instruments. Losses in the investment portfolio may arise as a result of unfavourable changes in the level or volatility of interest rates, equity prices or currencies. The financial management, and the company's investment strategy, must be characterised by risk-taking that is commensurate with the company's risk appetite and tolerance, with compliance and efficiency ensured through regular monitoring.

Currency risk

Currency risk refers to the sensitivity of the value of assets, liabilities and financial instruments to changes in the level of exchange rates or their volatility

Solid Försäkring underwrites insurance primarily in the Scandinavian currencies, the euro (EUR), and the Swiss franc (CHF). Currency risk is reduced by matching the technical provisions with investment assets in the corresponding currencies. Currency risk in the insurance operations is hedged by matching assets and liabilities. Currency exposure of investment assets is hedged in terms of both the nominal value and the interest return on individual investments. The company is also exposed to translation risk. Translation risk refers to the currency risk arising on consolidation of the balance sheets of foreign operations that have a different functional currency from that of the Parent Company.

The company's exposure to currency risk before any hedging with derivatives is shown in the following table, which includes all assets and liabilities.

	CHF thousand	DKK thousand	EUR thousand	GBP thousand	NOK thousand	Other thousand	Total
Currency exposure 2018							
Assets	44,377	8,564	51,790	6,971	246,227	166	358,095
Liabilities	-36,752	-6,680	-51,766	-6,684	-246,694	-120	-348,696
Net exposure before financial hedging with derivatives	7,625	1,884	24	287	-467	46	9,399
Derivatives, nominal value							
Difference between assets and liabilities incl. nominal amount of derivatives	7,625	1,884	24	287	-467	46	9,399
<u>Sensitivity to exchange-rate differences</u>							
Change in exchange rate +/- 20%	+/-1,525	+/-377	+/-5	+/-57	+/-93	+/-9	+/-2,067
Currency exposure 2017							
Assets	42,759	8,605	55,406	9,409	193,141	171	309,491
Liabilities	-36,308	-8,546	-48,076	-8,348	-182,889	-105	-284,272
Net exposure before financial hedging with derivatives	6,451	59	7,330	1,061	10,252	66	25,219
Derivatives, nominal value			-1,901				
Difference between assets and liabilities incl. nominal amount of derivatives	6,451	59	5,429	1,061	10,252	66	23,318
<u>Sensitivity to exchange-rate differences</u>							
Change in exchange rate +/- 20%	+/-1,290	+/-12	+/-1,466	+/-212	+/-2,050	+/-13	+/-5,043

Interest rate risk

Interest rate risk refers to uncertainty in the value of assets and liabilities and interest income and expense because of changes in market interest rates. A large proportion of the company's investments are in interest-bearing securities, which means that the company is exposed to the risk of changes in market interest rates. The company's technical provisions are recognised as non-discounted and as such are not affected by changes in discount rates. However, future claims payments are affected by normal inflation. Since only a small proportion of the company's net portfolio can be considered to have longer payment patterns, this effect is expected to be small. Solid Försäkring's investments in bonds and fixed-income securities are affected by changes in market interest rates and the associated risk is managed and minimised by the Board's instructions on investments and by monitoring the modified duration of these investments.

Equity price risk

Equity price risk refers to the sensitivity of the value of assets, liabilities and financial instruments to changes in the level of market prices of equities or their volatility. Solid Försäkring's equity investments are regulated in the investment policy, which specifies that they may not exceed SEK 100 million.

The equity portfolio consists of Nordic equities and is managed in accordance with the mandate described in the company's investment policy.

Spread risk

Spread risk is the risk of loss resulting from changes in credit spreads for fixed-income securities issued by banks or companies and fixed-income securities issued by governments. The company invests predominantly in Swedish government, municipal and corporate bonds.

Concentration risk

The Company's investment policy restricts permitted limits to individual counterparties for managing the concentration risk of the company's investments.

Liquidity risk

Liquidity risk is the risk of the company being unable to realise investments and other assets in order to discharge its financial obligations when they fall due, and liquidity risk is therefore considered minimal. The company manages and minimises liquidity risk by having the majority of its investments in liquid listed securities, which are traded in liquid markets.

The table below shows the maturity structure of cash flows for financial assets and liabilities and technical provisions, net of reinsurance, as at 31 December 2018.

Maturity analysis (SEK thousand)	Carrying amount	Contractual due date	Payable on demand				
				< 3 months	3-12 months	1-5 years	More than 5 years
2018							
Financial assets incl. expected interest payments	1,048,189	1,074,969	326,015	190,983	41,715	496,513	19,743
Derivatives	0	0	0	0	0	0	0
Financial liabilities incl. expected interest payments	-175,133	-173,427	0	-115,495	-32,139	-25,793	0
Derivatives	-631	-631	0	0	-158	-473	0
Technical provisions net of reinsurance	-527,848	-527,848	0	-80,967	-242,900	-203,981	0

Counterparty risk

Counterparty risk is the category of risk that is inherent in every type of contractual relationship and financial stability is mainly taken into consideration. The company is exposed to counterparty risk in the receivables included in loans to Group companies, deposits in commercial banks, reinsurance and accounts receivable. Counterparty risk is managed and minimised by issued policies that set out the framework for assessing the counterparty's ability to discharge its obligations. Counterparty risk to reinsurers is limited by, for example, only signing agreements with reinsurers that have a credit rating of BBB for short contractual periods or A or higher for long contractual periods.

The table below shows Solid Försäkring's overall exposure to counterparty risks.

	Gross exposure	Value of collateral	Net exposure
2018			
Lending to corporates			
Subordinated loans, intra-Group	200,000		200,000
Subordinated loans, other	27,317		27,317
Bonds			
AA+/Aa1	80,451		80,451
A+/A1	6,062		6,062
A/A2	20,510		20,510
A-/A3	22,071		22,071
BBB+/Baa1	13,829		13,829
BBB/Baa2	23,154		23,154
BBB-/Baa3	20,730		20,730
BB-/Ba3	10,382		10,382
B+/B1	18,914		18,914
Municipal and government bonds	50,012		50,012
(unrated)	157,217		157,217
Other unrated*			
Cash and bank balances			
AA-/Aa3	4,163		4,163
A+/A1	4		4
A/A2	20,374		20,374
A-/A3	2,374		2,374
unrated**	<u>194,719</u>		<u>194,719</u>
Total	872,283	0	872,283
2017			
Lending to corporates			
Subordinated loans, intra-Group	200,000		200,000
Subordinated loans, other	35,902		35,902
Bonds			
AA+/Aaa	35,153		35,153
AA+/-	45,166		45,166
AA-/Aa3	12,120		12,120
AA-/Aa2	18,132		18,132
A+/A1	20,048		20,048
A/-	6,089		6,089
A/-	7,056		7,056
BBB/-	19,243		19,243
-/Ba1	12,246		12,246
Municipal and government bonds			
(unrated)	50,189		50,189
Other unrated*	183,378		183,378
Cash and bank balances			
AA-/Aa3	2,000		2,000
A/A2	166,437		166,437
unrated**	<u>113,060</u>		<u>113,060</u>
Total	<u>926,219</u>	<u>0</u>	<u>926,219</u>

* Unrated securities comprise Swiss investment funds, Swedish corporate and municipal bonds.

** Deposits in Resurs Bank

Operational risks

Operational risks refer to the risk of loss due to incorrect or non-appropriate internal processes and procedures, human errors, incorrect systems or external events, including legal risks and compliance risks. Operational risks are mainly countered by effective internal control. The establishment of effective internal control is an ongoing process in the company, and this includes:

- the requirement for appropriate policies, guidelines and procedures
- a clearly defined division of responsibilities and roles for employees
- IT support with built-in automated checks and controls
- access control systems
- internal information and reporting systems, for example, to meet management's demands for information on areas such as risk exposure
- compliance with laws, regulations and provisions
- information security and physical safety to protect the company's assets and personnel

Operational risks are divided into personnel risk, process risk, IT and systemic risk and external risk, which includes legal risk and compliance risk.

Other risks

Strategic risks

Strategic risks arise from situations of major changes, internal or external. Strategic risks can often only be managed through efficient analysis and good planning prior to decisions. The company has a tradition of working in a changing environment where conditions constantly change over time. The adaptability that the company possesses is a strength. The company is increasingly moving towards selling insurance with a maturity of one year. This means that changes in conditions provide a quicker impact, which reduces strategic risk. Political decisions that affect for example consumer- and tax regulation or others importance regulations to the company can constitute a risk.

One of the company's pillars involves continuously taking account of changes in external factors, through frequent external analyses, that affect the markets in which it operates in order to minimise strategic risks. Insurance cycle, customer behaviour changes and competition situation is taking in consideration.

Reputational risk

The company is stable and has a god reputation. Rumours spread about the company can result in reduced sales and impaired opportunities to cooperation with partners. The company has a well function organisation to manage all media correspondence and reporting routine to processing complaints.

Sensitivity analysis, risk quantification

A significant factor affecting a general insurance company's profitability and risk is the ability to estimate future claims and administrative costs as precisely as possible, thereby achieving correct pricing of insurance premiums.

The table below shows a sensitivity analysis for premium risk, claims and the combined ratio. Equity price risk and interest rate risk are also shown in the table.

Parameters	Level 2018	Change	Effect on profit before tax 2018	Effect on profit before tax 2017
Premiums	828,678	+/- 1 %	+/- 8,287	+/- 8,004
Claims level	-226,211	+/- 1 %	+/- 2,262	+/- 2,487
Combined ratio	90.2 %	+/- 1 percentage point	+/- 83	+/- 80
Equity price risk	67,554	-10 %	-6,755	-7,539
Interest rate risk	423,331	-1 %	-4,233	-4,088

Note 5 Premium income, geographical allocation

	<u>2018</u>	<u>2017</u>
Direct insurance, Sweden	533,052	506,682
Direct insurance, other EES*	356,045	306,862
Direct insurance, other countries**	26,234	31,396
Premiums for assumed reinsurance	0	-11
Outward reinsurance premiums	<u>-25,075</u>	<u>-25,124</u>
Total	<u>890,256</u>	<u>819,805</u>

* EES Includes Norway

** Only Switzerland

Note 6 Allocated investment return transferred from non-technical account

The allocated investment return is transferred from the non-technical account to the technical account and is calculated based on average technical provisions, net of reinsurance. The transferred investment return is calculated as the average interest rate on the company's holdings of government, municipal and corporate bonds on the closing date. The interest rate for 2018 was 1.55 per cent.

Note 7 Claims incurred

	2018			2017		
	Gross	Outward reinsurance	Net	Gross	Outward reinsurance	Net
Claims paid	-205,003	7,829	-197,174	-256,375	9,184	-247,191
Change in provision for claims incurred and reported	-11,342	-225	-11,567	15,399	1,209	16,608
Change in provision for claims incurred but not reported (IBNR)	1,634	0	1,634	988	-	988
Operating expenses for claims adjustment	<u>-19,484</u>	<u>380</u>	<u>-19,104</u>	<u>-19,659</u>	<u>516</u>	<u>-19,143</u>
Total	<u>-234,195</u>	<u>7,984</u>	<u>-226,211</u>	<u>-259,647</u>	<u>10,909</u>	<u>-248,738</u>

Note 8 Auditors' fees and other remuneration

	<u>2018</u>	<u>2017</u>
<u>Mazars SA</u>		
Audit assignment, Swiss branch	334	545
<u>Ernst and Young AB</u>		
Audit assignment	1,816	894
Other services	707	4,020
Tax advisory services	<u>499</u>	<u>60</u>
Total	<u>3,356</u>	<u>5,519</u>

Audit assignment comprises examination of the annual financial statements, accounting records and administration of the Board and CEO, other procedures required to be carried out by the company's auditors and advice or other assistance arising from observations made during the performance of such services.

Note 9 Operating expenses

	<u>2018</u>	<u>2017</u>
Specification of income statement item operating expenses		
Acquisition costs	-458,857	-406,214
Change in item Deferred acquisition costs	29,081	6,982
Administrative expenses	-93,250	-88,380
Operating expenses and profit-sharing in outward reinsurance	<u>1,440</u>	<u>1,486</u>
Total	<u>-521,586</u>	<u>-486,126</u>
<i><u>Other operating expenses</u></i>		
Claims adjustment costs included in Claims paid	-19,104	-19,142
Financial management costs included in Investment charges	<u>-1,354</u>	<u>-1,266</u>
Total other operating expenses	<u>-20,458</u>	<u>-20,408</u>
Total operating expenses	<u>-542,044</u>	<u>-506,534</u>
Total operating expenses by type of cost		
Direct and indirect personnel expenses	-49,621	-49,320
Premises costs	-3,791	-3,450
Depreciation/amortisation	-4,488	-5,014
Direct acquisition costs	-458,857	-406,214
Change in Deferred acquisition costs	29,081	6,982
Commissions and profit-sharing in outward reinsurance	1,440	1,486
Other costs	<u>-55,808</u>	<u>-51,004</u>
Total	<u>-542,044</u>	<u>-506,534</u>

Note 10 Leases

	2018	2017
Non-cancellable lease payments		
Within one year	2,087	2,326
Between one and five years	<u>8,001</u>	<u>6,590</u>
Total	<u>10,088</u>	<u>8,916</u>
Expenses lease payments		
Leased premises	-2,555	-2,361
Cars	-1,472	-1,467
Machinery and equipment	<u>-142</u>	<u>-172</u>
Total	<u>-4,169</u>	<u>-4,000</u>

Note 11 Personnel

Average number of FTEs

	2018	2017
Women	37	43
Men	<u>30</u>	<u>32</u>
Total	<u>67</u>	<u>75</u>

Salaries, remuneration, social security contributions and pension costs

Salaries and remuneration, Board, CEO and other senior executives	-5,480	-5,562
Salaries and benefits, other employees	<u>-27,145</u>	<u>-26,300</u>
	-32,625	-31,862
Contractual and statutory social security contributions	-11,507	-11,698
Pension costs, Board, CEO and other senior executives	-1,403	-1,307
Pension costs, other employees	<u>-2,399</u>	<u>-2,579</u>
Total	<u>-47,867</u>	<u>-47,446</u>

Board members and senior executives

Number of Board members on closing date

Women	0	0
Men	<u>3</u>	<u>3</u>
Total	3	3

CEO and other senior executives, number

Women	2	2
Men	<u>3</u>	<u>3</u>
Total	<u>5</u>	<u>5</u>

Salaries and fees

Board fees are decided by the General Meeting of Shareholders. Board fees are not paid to individuals employed by the company. Remuneration of the CEO and senior executives consists of a basic salary, other benefits and pension.

Termination benefits

In the event of early termination of employment of the CEO by the company, the CEO is entitled to 12 months' salary during the period of notice. In the event of early termination of employment of other senior executives by the company, the senior executive is entitled to two to six months' salary during the period of notice.

Preparatory and decision-making processes

The remuneration of the CEO is determined by the Board. Remuneration of other senior executives is determined by the CEO, in some cases after consultation with the Chairman.

SEK thousand	Basic salary/ Board fees	Variable remuneration	Other benefits **	Pensions	Total
Remuneration and other benefits 2018					
Fredrik Carlsson, Chairman*	141	0	0	0	141
Lars Nordstrand*	71	0	0	0	71
Christopher Ekdahl	75	0	0	0	75
Marcus Tillberg, CEO	1,445	0	138	536	2,119
Other senior executives (4 individuals)	3,239	0	371	867	4,477
Other employees who can affect the company's risk level (3 individuals)	2,084	0	102	358	2,544
Total	7,055	0	611	1,761	9,427

Remuneration and other benefits 2017

Fredrik Carlsson, Chairman*	246	0	0	0	246
Lars Nordstrand*	123	0	0	0	123
Christopher Ekdahl	75	0	0	0	75
Marcus Tillberg, CEO	1,428	0	128	534	2,090
Other senior executives (4 individuals)	3,214	0	347	773	4,334
Other employees who can affect the company's risk level (3 individuals)	2,067	0	165	370	2,602
Total	7,153	0	640	1,677	9,470

* The Board member invoices the company from his own company.
The amount includes social security contributions and value added tax.

** Refers to company car benefit

The Board of Solid Försäkring has adopted remuneration instructions, which are designed to create an overall regulatory framework regarding remuneration of all the company's employees. The company has established a control function that when appropriate and at least annually is to independently review how the company's remuneration corresponds to the instruction. The company has adopted an instruction consistent with FFFS 2015:12 General guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money.

The Chairman and members of the Board are paid the fees resolved by the Annual General Meeting. They are not paid for committee work. The Board decides on the remuneration of the CEO, but has delegated the decision on the remuneration of other employees to the CEO. Remuneration comprises a basic salary, variable remuneration, other benefits and pension. Information about the company's remuneration of employees can be found at www.solidab.se.

Variable remuneration earned in 2018 is linked to both qualitative and quantitative goals. The company has ensured that all goals related to variable remuneration for 2018 can be reliably measured. In the company's assessment, the level of risk applied must be well in proportion to the company's earnings capacity.

The CEO, other senior employees and employees who can affect the company's risk level received SEK 0 (0) in variable remuneration in 2018. Employees who are not other senior executives or other employees who can affect the company's risk level received variable remuneration of SEK 392 thousand (302) and fixed remuneration of SEK 26,753 thousand (25,998) in 2018. Variable remuneration for 2018 represented 1.5 per cent (1.2) of fixed remuneration.

The fixed/variable remuneration ratio must be commensurate with the individual's responsibility and authority. The company believes that there is an appropriate balance and has set a limit on variable remuneration in relation to fixed remuneration. All agreements that regulate variable remuneration have been capped to allow such a limit to be applied. Variable remuneration was paid to a total of eight (nine) employees. All variable remuneration earned during 2018 has been or will be paid in cash

in 2018 and 2019. There was no guaranteed variable remuneration in 2018 and it is the company's intention to continue to limit this type of remuneration.

Note 12 Investment income

	<u>2018</u>	<u>2017</u>
Dividends on shares and participating interests	3,425	1,737
<i>Interest income</i>		
Bonds and other interest-bearing securities	5,907	7,508
Other interest income *	6,721	5,986
Exchange gains (net)	939	0
Capital gains (net)	1,115	7,413
Other	1	14
Total	<u>18,108</u>	<u>22,658</u>

* All Other interest income consists of interest income on assets measured at fair value. Information on intra-Group interest is provided in Note 3

Note 13 Unrealised gains on investment assets (net gain per asset class)

	<u>2018</u>	<u>2017</u>
<i>Assets at fair value through profit or loss</i>		
Swedish shares and participating interests	-	-
Bonds and other interest-bearing securities	<u>0</u>	<u>855</u>
Total	<u>0</u>	<u>855</u>

Note 14 Investment charges

	<u>2018</u>	<u>2017</u>
Asset management expenses	-496	-568
Financial management costs	-1,354	-1,266
Other interest expense	-43	-119
Exchange losses (net)	<u>0</u>	<u>-844</u>
Total	<u>-1,893</u>	<u>-2,797</u>

Note 15 Unrealised losses on investment assets (net loss per asset class)

	<u>2018</u>	<u>2017</u>
<i>Assets at fair value through profit or loss</i>		
-Bonds and other interest-bearing securities	-4,308	-
-Swedish shares and participating interests	<u>-8,915</u>	<u>-798</u>
Total	<u>-13,223</u>	<u>-798</u>

Note 16 Appropriations

	<u>2018</u>	<u>2017</u>
Group contributions paid	<u>-65,000</u>	<u>-56,000</u>
Total	<u>-65,000</u>	<u>-56,000</u>

Note 17 Taxes

	<u>2018</u>	<u>2017</u>
Current tax expense		
Tax expense for the period	-4,538	-6,969
Adjustment of tax attributable to prior years	<u>0</u>	<u>236</u>
Total recognised tax expense	<u>-4,538</u>	<u>-6,733</u>

Reconciliation of effective tax	%	2018	%	2017
Profit before tax		<u>18,873</u>		<u>29,497</u>
Tax at prevailing tax rate	22.0	-4,152	22.0	-6,479
Non-deductible expenses	0.9	-164	0.8	-245
Tax attributable to differing tax rates for foreign branch offices	1.1	-222	0.8	-245
Tax attributable to prior years	=	=	<u>-0.8</u>	<u>236</u>
Recognised effective tax	<u>24.0</u>	<u>-4,538</u>	<u>22.8</u>	<u>-6,733</u>

Note 18 Intangible assets

	31 Dec 2018		31 Dec 2017	
	Goodwill	Other intangible assets	Goodwill	Other intangible assets
Accumulated cost				
Opening balance	26,677	35,985	26,677	37,396
Investments for the year	0	0	0	0
Divestments/disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1,411</u>
Closing balance	<u>26,677</u>	<u>35,985</u>	<u>26,677</u>	<u>35,985</u>
Accumulated amortisation				
Opening balance	-26,677	-17,388	-26,202	-14,424
Accumulated amortisation on divestments/disposals	0	0	0	1,411
Amortisation for the year	<u>0</u>	<u>-4,376</u>	<u>-475</u>	<u>-4,375</u>
Closing balance	<u>-26,677</u>	<u>-21,764</u>	<u>-26,677</u>	<u>-17,388</u>
Net recognised	<u>0</u>	<u>14,221</u>	<u>0</u>	<u>18,597</u>
Amortisation for the year is recognised in the lines below in the income statement				
Operating expenses	<u>0</u>	<u>-4,376</u>	<u>-475</u>	<u>-4,375</u>
Total	<u>0</u>	<u>-4,376</u>	<u>-475</u>	<u>-4,375</u>

Goodwill impairment testing was conducted for the smallest identified cash-generating unit when preparing the annual accounts. The recoverable amount was determined by calculating the value in use for each asset. Management has compiled a forecast of annual future cash flows for the smallest cash-generating unit, based on historical experience and the company's own plans and estimates for the future.

The calculation is based on the budget for 2019 and a detailed forecast for the years 2020-2021. Cash flows have been discounted to the present value by applying inflation, the risk-free interest rate and the risk premium, which is estimated at 10 per cent. The recoverable amount for the cash-generating unit has been compared with the intangible assets. The impairment testing did not reveal any impairment.

Note 19 Subordinated loans

	31 Dec 2018	31 Dec 2017
Amortised cost	200,000	200,000
Nominal value	200,000	200,000

Note 20 Categories of financial assets and liabilities at fair value

Methods of fair value measurement and classification of financial instruments based on fair value hierarchy

The table shows financial instruments measured at fair value, based on their classification in the fair value hierarchy. The different levels are defined as follows:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs that are observable for the asset or liability other than listed prices included in Level 1, either directly (i.e., as price quotations) or indirectly (i.e., derived from price quotations) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (Level 3).

	31 Dec 2018 Level 1	Level 2	Level 3	31 Dec 2017 Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	450,649	0	0	444,721	0	0
Listed shares	67,554	0	0	75,389	0	0
Total	518,203	0	0	520,110	0	0
Financial liabilities at fair value through profit or loss						
Derivatives	0	-631	0	0	-1,901	0
Total	0	-631	0	0	-1,901	0

	Assets at amortised cost	Assets at fair value through profit or loss	Non-financial assets	Fair value
31 Dec 2018				
Assets				
Intangible assets	0	0	14,221	14,221
Shares and participating interests	0	67,554	0	67,554
Other interest-bearing securities	0	450,649	0	450,649
Subordinated loans	200,000	0	0	200,000
Reinsurers' share of technical provisions	0	0	4,267	4,267
Receivables, direct insurance and reinsurance	107,385	0	0	107,385
Property, plant & equipment	0	0	4,902	4,902
Cash and bank balances	223,325	0	0	223,325
Other assets	0	0	25,410	25,410
Prepaid expenses and accrued income	0	968	173,593	174,561
Total assets	530,710	519,171	222,393	1,272,274

	Assets at amortised cost	Liabilities at fair value held for trading	Non-financial liabilities	Fair value
31 Dec 2018				
Liabilities				
Technical provisions, net of outward reinsurance	0	0	532,115	532,115
Liabilities, direct insurance and reinsurance	173,427	0	1,707	175,133
Derivatives	0	631	0	631
Other liabilities	0	0	0	0
Accrued expenses and deferred income	6,622	0	5,734	12,356
Total liabilities	<u>180.049</u>	<u>631</u>	<u>539.556</u>	<u>720.235</u>
31 Dec 2017				
Assets				
	Loan receivables and accounts receivable	Assets at fair value through profit or loss	Non-financial assets	Fair value
Intangible assets	0	0	18,597	18,597
Shares and participating interests	0	75,389	0	75,389
Other interest-bearing securities	0	444,721	0	444,721
Subordinated loans	200,000	0	0	200,000
Reinsurers' share of technical provisions	0	0	5,688	5,688
Receivables, direct insurance and reinsurance	80,328	0	0	80,328
Property, plant & equipment	0	0	272	272
Cash and bank balances	281,498	0	0	281,498
Other assets	0	0	40,946	40,946
Prepaid expenses and accrued income	0	<u>1,614</u>	<u>140,111</u>	<u>141,725</u>
Total assets	<u>561.826</u>	<u>521.724</u>	<u>205.614</u>	<u>1,289.164</u>
31 Dec 2017				
Liabilities				
	Other financial liabilities	Liabilities at fair value held for trading	Non-financial liabilities	Fair value
Technical provisions, net of outward reinsurance	0	0	455,124	455,124
Liabilities, direct insurance and reinsurance	95,811	0	0	95,811
Derivatives	0	1,901	0	1,901
Other liabilities	0	0	59,202	59,202
Accrued expenses and deferred income	0	0	9,334	9,334
Total liabilities	<u>95.811</u>	<u>1.901</u>	<u>523.660</u>	<u>621.372</u>

Note 21 Shares and participating interests

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Cost	74,878	73,808
Fair value	67,554	75,389

Further information about financial instruments is provided in Note 22.

Note 22 Bonds and other interest-bearing securities

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Swedish government bonds and municipal securities	130,463	130,507
Corporate bonds	225,462	213,019
Other foreign issuers	42,206	67,513
Other Swedish issuers	<u>52,518</u>	<u>33,682</u>
Total	<u>450,649</u>	<u>444,721</u>
Fair value	450,649	444,721
Amortised cost	450,545	439,759
Nominal value	451,400	438,807

All securities are listed.

Note 23 Pledged assets for own liabilities

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
<u>Policyholders' priority rights*</u>		
Assets encompassed by policyholders' priority rights	940,173	1,001,321
Technical provisions, net	<u>527,848</u>	<u>449,435</u>
Surplus from registered assets	412,325	551,886

Note 24 Unearned premiums and unexpired risks

	31 Dec 2018			31 Dec 2017		
	<u>Gross</u>	Reinsured <u>share</u>	<u>Net</u>	<u>Gross</u>	Reinsured <u>share</u>	<u>Net</u>
Opening balance	423,574	3,552	420,022	414,585	6,783	407,802
Insurance policies written during the period	915,331	24,963	890,369	844,929	21,898	823,031
Premiums earned during the period	-853,865	-25,075	-828,790	-828,792	-25,124	-803,668
Currency effects	5,242	13	5,229	7,148	-5	-7,143
Closing balance	490,282	3,453	486,830	423,574	3,552	420,022

Note 25 Provision for claims outstanding

	31 Dec 2018		31 Dec 2017			
	<u>Gross</u>	Reinsured <u>share</u>	<u>Net</u>	<u>Gross</u>	Reinsured <u>share</u>	<u>Net</u>
OB Reported claims	25,814	2,136	23,678	41,885	951	40,934
OB Incurred but not reported claims (IBNR)	4,727	0	4,727	5,855	0	5,855
OB Provision for claims adjustment costs	1,008	0	1,008	529	0	529
Opening balance	31,549	2,136	29,413	48,269	951	47,318
Settled claims from previous financial years	-20,933	-1,652	-19,281	-41,465	-1,819	-39,646
Changes in the expected cost of claims incurred in previous	-1,800	-243	-1,557	-484	1,799	-2,283
Currency effects	-573	1,097	-1,670	333	23	310
Provisions for the year	33,590	-524	34,114	24,896	1,182	23,714
Closing balance	41,833	814	41,019	31,549	2,136	29,413
CB Reported claims	38,731	814	41,019	25,814	2,136	23,678
CB Incurred but not reported claims (IBNR)	1,631	0	1,631	4,727	0	4,727
CB Provision for claims adjustment costs	1,471	0	1,471	1,008	0	1,008

Note 26 Significant estimates and judgements

Preparation of financial statements requires the Board and company management to make judgements, accounting estimates and assumptions, which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expense. Judgements and assumptions are based on such factors as historical experience and knowledge of the insurance industry. The actual outcome may differ from these estimates.

The company has made the following judgements in applying significant accounting policies:

- a) classification of financial instruments
- b) size of technical provisions

Classification of financial instruments

The accounting policies in Note 2 define how assets and liabilities are to be classified in the different categories.

Technical provisions

Technical provisions are based on estimates made and assumptions regarding future claim costs, which entails that there is always an element of uncertainty associated with estimates. Estimates are based on historic statistics regarding previous claim outcomes that are available when the annual accounts are prepared. The uncertainty associated with estimates is generally greater when estimating new insurance portfolios. Estimates of technical provisions include the following: amount of unpaid claims, claims trends, changes in legislation, judgements and the general economic climate.

The accounting estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period of the change if the change affects only that period. Changes are recognised in the period of the change and future periods if the change affects both.

Note 27 Receivables, direct insurance

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Receivables from insurance brokers, agents and private individuals	<u>107,322</u>	<u>80,328</u>
	107,322	80,328

Note 28 Other receivables

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Tax assets	<u>25,061</u>	<u>19,089</u>
	25,061	19,089

Note 29 Property, plant & equipment

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Equipment		
Opening balance	1,619	1,852
Investments for the year	4,985	324
Divestments/disposals for the year	<u>-1,619</u>	<u>-557</u>
Closing balance	4,985	1,619
Depreciation		
Opening balance	-1,347	-1,472
Depreciation for the year	-112	-164
Divestments/disposals	<u>1,376</u>	<u>289</u>
Closing balance	-83	-1,347
Net	4,902	272

Note 30 Other assets

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Other assets	349	37
Tax account	<u>0</u>	<u>21,820</u>
Total	<u>349</u>	<u>21,857</u>

Note 31 Deferred acquisition costs

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Opening balance	136,586	131,803
Net change for the year	<u>30,533</u>	<u>4,783</u>
Closing balance	<u>167,119</u>	<u>136,586</u>

Note 32 Proposed allocation of profits

	<u>2018</u>	<u>2017</u>
The following profit is at the disposal of the Annual General Meeting:		
Fair value reserve	-462	-371
Retained earnings	20,047	127,282
Net profit for the year	<u>14,335</u>	<u>22,764</u>
	33,920	149,675
The Board proposes that the available profits		
be carried forward	<u>33,920</u>	<u>149,675</u>

Note 33 Change in equity

Shares

The number of shares is 30,000 (30,000), with a quotient value of SEK 1,000 (1,000). The quotient value is defined as share capital divided by the number of shares.

Retained earnings

Retained earnings refers to profit or loss brought forward from previous years less dividends.

Fair value reserve

This reserve includes translation differences on consolidation of the company's foreign branches.

Changes in equity

A specification of changes in equity during the period is provided in the statement of changes in equity.

Change in Fair value reserve

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Translation reserve		
Opening translation reserve	371	261
Translation differences, branches	<u>91</u>	<u>110</u>
Closing fair value reserve	<u>462</u>	<u>371</u>

Note 34 Untaxed reserves

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Contingency reserve	488,118	488,118
Total	<u>488,118</u>	<u>488,118</u>

Note 35 Liabilities, direct insurance

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Liabilities to insurance brokers and agents	105,140	95,533
Total	<u>105,140</u>	<u>95,533</u>

Note 36 Other liabilities

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Premium tax	1,215	1,114
Other liabilities	<u>67,145</u>	<u>58,088</u>
Total	<u>68,360</u>	<u>59,202</u>

Note 37 Accrued expenses and deferred income

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>
Accrued personnel expenses	6,622	6,499
Other accrued expenses	<u>5,734</u>	<u>2,835</u>
Total	<u>12,356</u>	<u>9,334</u>

Note 38 Significant events after the end of the financial year

No significant events took place after the closing date.

Signatures

The income statement and balance sheet will be presented for adoption at the Annual General Meeting on 9 April 2019.

Helsingborg, 18 March 2019

Marcus Tillberg
CEO

Fredrik Carlsson
Chairman of the Board

Christopher Ekdahl
Member of the Board

Our Audit Report was submitted on 18 March 2019.

Ernst & Young AB

Daniel Eriksson
Authorised Public Accountant