

PROTECTION

PENSIONS

INVESTMENTS

HEALTHCARE

eBANKING

SOLUTIONS

skandia :

interim report
january–june 2010

significant events

Organisation

Restructuring within the group

Skandia has been conducting a restructuring project since 2006 in the aim of refining the former Skandia group's legal structure and adapting it to Old Mutual's operative organisation. As noted in the 2009 Annual Report, a number of activities are in progress involving the transfer of Skandia's holdings in the Spanish subsidiary Skandia Link S.A. de Seguros y Reaseguros, the Polish subsidiary Skandia Zycie Towarzystwo Ubezpieczen Spolka Akcyjna, and in the Chinese associated company Skandia Guodian Insurance Company Ltd (formerly Skandia-BSAM Life Insurance Company Ltd), to companies in the Old Mutual Group.

In July 2010 an agreement was concluded on the sale of the Spanish subsidiary to another company in the Old Mutual Group. The deal will be completed as soon as permission has been obtained from the respective regulatory authorities in the respective countries, which is expected to take place in 2010. See also under the section "Events after the balance sheet date".

With respect to the Polish holding, a transfer is currently in progress to another company in the Old Mutual Group. The transfer will be completed after the necessary permits have been received, which is also expected to take place in 2010.

The Chinese holding will also be transferred to another company in the Old Mutual Group. However, there is some uncertainty about whether the Chinese transaction will be completed in 2010; it may be delayed until 2011 due to the regulatory process.

Preliminary analyses conducted in connection with the ongoing work surrounding the coming Solvency II regulations show that Skandia will be securely solvent also according to the new solvency rules after transactions described above.

Foreign branches

Skandia's UK branch, Skandia Insurance Company Ltd, was deregistered during the second quarter of 2010. In addition, as also described in the 2009 Annual Report, the intention is to sell the Norwegian branch, Försäkringsaktiebolaget Skandia Norsk Avdelning av Utenlandsk Foretak (nuf), during the second half of 2010.

Merger with subsidiary

In June, Skandia's and the subsidiary Dial Försäkringsaktiebolag's boards decided to proceed with a merger in which Dial Försäkringsaktiebolag is

absorbed by Skandia. This absorption is planned to be completed during autumn 2010.

Concluded reinsurance business

As per 31 March, Skandia and Skandia's subsidiary Dial Försäkringsaktiebolag concluded their reinsurance business with Prudential Financial. The financial effects of the settlement are entirely within the scope of the technical provisions for this business. For further information, see the section "Events after the balance sheet date" in the 2009 Annual Report.

Effective 23 June, the agreement for 100% reinsurance of the Swedish property & casualty insurance business has been cancelled. For further information on the financial effects, see the section "Financial review".

Disputes

Skandia's 2009 Annual Report contains a detailed account of the disputes that Skandia and its subsidiaries are party to (see page 3, "Disputes", and page 8, "Events after the balance sheet date"). No material changes regarding these disputes have taken place since publication of the Annual Report.

Advance ruling on taxation

Skandia has applied for an advance ruling from the Council on Advance Tax Rulings (Skatterättsnämnden) on how discounts from fund companies are to be taxed. On 28 May 2010 the Council on Advance Tax Rulings issued an advance ruling stating that discounts are taxable under the Income Tax Act. This ruling has been appealed to the Supreme Administrative Court. In Skandia's opinion, it is likely that the Supreme Administrative Court will change its ruling, since it is not compatible with applicable law. A ruling from the Supreme Administrative Court can be expected in 2011. Due to the uncertainty surrounding this issue, Skandia has now chosen to change the model it uses to capitalise deferred taxes on deficits. For further information, see the section "Financial review" and note 1 of the Accounting Principles.

financial review

Following is a brief commentary on the income statement, balance sheet, cash flow statement and solvency. The comments are written primarily in deviation form.

Result for the period

The result for the period was SEK 699 million (1,788).

Technical result

The technical result for property & casualty insurance after ceded reinsurance was SEK 15 million (0). The technical result for the period pertains to the result for six months for Norway and Denmark and the result for part of June pertaining to Swedish business. For further information, see the section "Concluded reinsurance business". Through 30 June 2009, all property & casualty business was reinsured, which is why the technical result was SEK 0 through this date.

The technical result for life assurance business was SEK 931 million (632). Premiums written amounted to SEK 83 million (83). Income from investment contracts amounted to SEK 398 million (312). The increase is attributable to the positive trend in the financial markets, which also explains the increase in Other technical income, which amounted to SEK 1,045 million (829). Other technical income also includes a positive result of SEK 16 million as a net effect of the conclusion of the reinsurance business with Dial Försäkringsaktiebolag pertaining to Prudential Financial.

Non-technical result

Total investment income amounted to SEK 452 million (1,583). The return consists of the dividend of SEK 200 million received from Skandiabanken and a dividend of SEK 261 million received from Skandia Investment I AB. For further information, see the section "Events after the balance sheet date" in the 2009 Annual Report. In addition, investment income includes an unrealised result of SEK -109 million (-103) from investments and asset management charges of SEK 52 million (60). The positive sum of asset management charges is attributable to crediting during the period of unutilised provisions of SEK 141 million, of which SEK 103 million is attributable to the settlement with Prudential Financial.

Tax for the period, totalling SEK -699 million (-427), consists primarily of the policyholder tax, totalling SEK -532 million (-461), and a one-time effect of SEK -198 million pertaining to a new model for capitalising deferred tax assets. See also the section "Significant events" and note 1.

Comprehensive income for the period

Comprehensive income for the period, which consists of the result for the period plus translation differences for the year, amounted to SEK 707 million (1,788).

Balance sheet

Total assets amounted to SEK 124,872 million (122,985).

Investments amounted to SEK 13,901 million (15,299). The change is mainly attributable to Skandia and Skandia's subsidiary Dial Försäkringsaktiebolag's conclusion of reinsurance business with Prudential Financial. After conclusion of the reinsurance business, deposits with ceding undertakings amount to SEK - (1,248).

Investments for the benefit of life assurance policyholders who bear the investment risk amounted to SEK 103,261 million (99,682). The increase is mainly attributable to a positive net flow of customer premiums, which also affects technical provisions where the investment risk is borne by the policyholders, which totalled SEK 103,318 million (101,022). See also note 2.

The reinsurers' share of technical provisions amounted to SEK 30 million (1,002). The decrease is attributable to the conclusion of reinsurance for the Swedish property & casualty insurance business.

Other assets, totalling SEK 2,395 million (1,639), consist mainly of cash and bank balances, totalling SEK 2,303 million (1,596). The positive change in cash and bank balances is partly attributable to a dividend received of SEK 461 million. Other assets also include SEK 802 million for ongoing fund trading for the benefit of the policyholders.

Technical provisions amounted to SEK 1,784 million (1,674). The change is mainly attributable to an increase in the Provision for unearned premiums and unexpired risks, by SEK 121 million, of which SEK 76 million is related to the higher volume of property & casualty business.

Other provisions amounted to SEK 732 million (883). The decrease is mainly attributable to a dissolution of SEK 128 million related to the settlement with Prudential Financial. For further information, see above under the section "Concluded reinsurance business". The change is also attributable to a dissolution of SEK 52 million in reserves that was made as a step in the wind-up of a portfolio of occupational pension business. In addition, tax-related provisions, where most is attributable to net investment income, increased by SEK 78 million. The remaining change, totalling SEK 49 million, is attributable to reserve strengthening and dissolutions of several different provisions.

Deposits from reinsurers, totalling SEK 15 million (980), decreased as an effect of the

concluded reinsurance of property & casualty business.

Cash flow

Following are comments on the development of cash flow during the first half of the year.

Cash flow from operating activities amounted to SEK 641 million (-874), which essentially corresponds to the result for the period, which was SEK 699 million.

Cash flow from investing activities amounted to SEK 18 million (2,567). Cash flow was positively affected by a dividend SEK 200 million received from Skandiabanken. In addition, a shareholder contribution of SEK 151 million was made. Investments in tangible assets increased by SEK 55 million.

Cash flow from financing activities amounted to SEK 50 million (-814), which mainly pertained to a net cash settlement of SEK 55 million for group contribution in 2009.

Solvency

Since Skandia mainly provides products with low insurance risk, the solvency margin is low. The solvency margin for Skandia amounted to SEK 1,163 million as per June 2010. Solvency capital at the same point in time was SEK 12,811 million, whereby the surplus amounted to SEK 11,648 million. The solvency margin for the group excluding Skandia Liv was SEK 1 592 million as per June 2010. Solvency capital at the same time was SEK 11 698 million, whereby the surplus for the group excluding Skandia Liv was SEK 10 106 million.

risks in the business activities

In the 2009 Annual Report, note 2 (Risk analysis), a description is provided of significant risks in Skandia's business. This risk description continues to apply without change. No new risk areas arose during the first half of 2010.

During the first half of 2010, risk management and reporting was conducted in accordance with the risk and compliance framework that was introduced in 2009. Internal risk assessments are conducted on a regular basis in all departments of all of Skandia's risks. These assessments are updated quarterly in connection with the framework's requirement that risk and compliance reporting be conducted. The assessments form the basis for reporting to Skandia's board (via the Audit Committee).

Work on implementing the parent company Old Mutual's methodology for assessing and following up a company's risk appetite has been conducted in the aim of making the concept of risk appetite a natural part of day-to-day decision-making at Skandia. The

results of these assessments and the continued implementation process have been presented to Skandia's management and board.

related party disclosures

Note 47 of the 2009 Annual Report, Related party disclosures, provides a definition of Skandia's related parties and a description of significant relations between Skandia and related companies. No material changes have taken place regarding the definition of related parties, pricing methods, applied processes or types of transactions.

events after the balance sheet date

Restructuring within the group

In July 2010 an agreement was concluded on the sale of the Spanish subsidiary Skandia Link S.A. de Seguros y Reaseguros to another company in the Old Mutual Group. The deal will be completed as soon as permission has been obtained from the respective regulatory authorities in the respective countries, which is expected to take place in 2010.

Departing CEO

In August 2010 Bertil Hult informed Skandia's board and Old Mutual that he wishes to leave his position as CEO of Skandia Insurance Company Ltd and as head of Skandia's Nordic division. In accordance with the Board's request, Bertil Hult will stay on as CEO until a successor has been recruited.

income statement and statement of comprehensive income

	2010	2009
SEK million	6 mos	6 mos
TECHNICAL ACCOUNT, PROPERTY & CASUALTY INSURANCE BUSINESS		
Premiums earned, net of reinsurance	181	0
Allocated investment return transferred from the non-technical account	2	0
Claims incurred, net of reinsurance	- 127	0
Operating expenses	- 41	0
Technical result, property & casualty insurance business	15	0
TECHNICAL ACCOUNT, LIFE ASSURANCE BUSINESS		
Premiums written, net of reinsurance	83	83
Investment income	- 2	0
Income from investment contracts	398	312
Other technical income, net of reinsurance	1 045	829
Claims incurred, net of reinsurance	- 53	- 33
Change in other technical provisions, net of reinsurance	0	2
Operating expenses	- 540	- 561
Technical result, life assurance business	931	632
NON-TECHNICAL ACCOUNT		
Investment income, including unrealised changes in value	452	1 583
Tax	- 699	- 427
Result for the period	699	1 788
STATEMENT OF COMPREHENSIVE INCOME		
SEK million		
Profit for the period	699	1 788
Translation differences	8	0
Comprehensive income for the period	707	1 788

balance sheet

SEK million	Note	2010 30 June	2009 31 Dec.
ASSETS			
Investments		13 901	15 299
Investments for the benefit of life assurance policyholders who bear the investment risk		103 261	99 682
Reinsurers' share of technical provisions		30	1 002
Debtors		1 941	1 901
Other assets		2 395	1 639
Prepaid expenses and accrued income		3 344	3 462
TOTAL ASSETS		124 872	122 985
EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity		14 323	13 614
Untaxed reserves		2 091	2 091
Technical provisions, gross		1 784	1 674
Provisions for life assurance policies where the investment risk is borne by the policyholders, gross	2	103 318	101 022
Other provisions		732	883
Deposits received from reinsurers		15	980
Creditors		2 208	2 289
Accruals and deferred income		401	432
TOTAL EQUITY, PROVISIONS AND LIABILITIES		124 872	122 985

statement of changes in equity

	Restricted equity		Unrestricted equity	Total equity
	Share capital	Share premium reserve	Profit/loss brought forward	
SEK million				
Equity at the beginning of 2009	1 031	139	8 917	10 087
Comprehensive income for the period			1 788	1 788
Group contributions after deducted tax			-	0
Share-based payments			6	6
Equity at the end of June 2009	1 031	139	10 711	11 881
Equity at the beginning of 2010	1 031	139	12 444	13 614
Comprehensive income for the period			707	707
Share-based payments			2	2
Equity at the end of June 2010	1 031	139	13 153	14 323

cash flow statement

	2010	2009
SEK million	6 mos	6 mos
Cash flow from operating activities before changes in assets and liabilities	1 011	362
Cash flow from operating activities	641	- 874
Cash flow from investing activities	18	2 567
Cash flow from financing activities	50	- 814
NET CASH FLOW FOR THE PERIOD	709	879
Cash and cash equivalents at start of period	1 596	203
Exchange rate differences in cash and cash equivalents	- 2	- 17
Cash and cash equivalents at end of the period	2 303	1 065

performance analysis

PROPERTY & CASUALTY INSURANCE (PER LINE OF INSURANCE)			
SEK million	TOTAL	Disability and accident	Direct foreign
Technical result, property & casualty insurance business			
Premiums earned, net of reinsurance	181	60	121
Allocated investment return transferred from the non-technical account	2	0	2
Claims incurred, net of reinsurance	-127	-54	-73
Operating expenses	-41	6	-47
Technical result, property & casualty insurance business	15	12	3
Run-off result	21	10	11
Technical provisions, gross			
Unearned premiums and unexpired risks	374	253	121
Claims outstanding	913	813	100
Total technical provisions, gross	1 287	1 066	221
Reinsurers' share of technical provisions			
Unearned premiums and unexpired risks	0	0	0
Claims outstanding	-1	-1	0
Total reinsurers' share of technical provisions	-1	-1	0

LIFE ASSURANCE (PER LINE OF INSURANCE)										
SEK million	TOTAL	Occupational pension insurance ¹				Other life assurance				Life reinsurance accepted
		Life assurance	Unit linked assurance	Waiver of premium insurance	Total	Life assurance	Unit linked assurance	Waiver of premium insurance	Total	
Technical result, life assurance business										
Premiums written, net of reinsurance	83	0	17	56	73	0	5	3	8	2
Investment income	0	-	-	-	-	-	-	-	-	0
Income from investment contracts	398	0	233	0	233	40	125	0	165	-
Increase in value of investment assets where the investment risk is borne by the policyholders	-	-	-	-	-	-	-	-	-	-
Other technical income, net of reinsurance	1 045	1	642	-	643	110	276	-	386	16
Claims incurred, net of reinsurance	-53	0	-23	-19	-42	-2	-8	-1	-11	0
Change in other technical provisions, net of reinsurance	0	-	-	0	0	-	-	0	0	-
Operating expenses	-540	0	-306	6	-300	-65	-170	0	-235	-5
Investment charges	-2	-	0	-2	-2	-	0	0	0	-
Technical result, life assurance business	931	1	563	41	605	83	228	2	313	13
Run-off result	35	-	-	32	32	-	-	3	3	-
Technical provisions, gross										
Unearned premiums and unexpired risks	41	-	-	21	21	-	-	20	20	-
Life assurance provision	-	-	-	-	-	-	-	-	-	-
Claims outstanding	456	-	0	402	402	-	0	54	54	-
Technical provisions, gross	497	-	0	423	423	-	0	74	74	-
Technical provisions for life assurance policies where the risk is borne by the policyholders, gross										
Conditional bonuses	8 543	52	-	-	52	8 491	-	-	8 491	-
Unit linked obligations	94 775	-	68 625	-	68 625	-	26 150	-	26 150	-
Technical provision for life assurance policies where the risk is borne by the policyholders, gross	103 318	52	68 625	-	68 677	8 491	26 150	-	34 641	-
Reinsurers' share of technical provisions										
Claims outstanding	-29	-	-	-28	-28	-	-	-1	-1	-

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

key ratios

SEK million	2010	2009
Solvency	30 June	30 June
Net asset value 1)	25 401	21 703
Solvency capital, parent company	12 811	10 504
Solvency capital, group	11 698	9 857
Solvency margin, parent company	1 163	976
Solvency margin, group	1 592	1 354
	2010	2009
Property & casualty insurance	6 mos	6 mos
Claims ratio, gross, % 2)	68	83
Expense ratio, gross, % 3)	28	28
Combined ratio, gross, % 4)	96	111
Net asset value ratio, % 5)	14 570	na 8)
Life assurance		
Management expense ratio, % 6)	0,9	1,2
Asset management		
Direct yield, % 7)	3,1	8,4
Total return, % 7)	2,5	8,1
1) According to Swedish Financial Supervisory Authority definition.		
2) Claims incurred in relation to net premiums earned.		
3) Operating expenses of the insurance operations in relation to net premiums earned, excluding other technical income and charges.		
4) Claims incurred plus operating expenses of the insurance operations, in relation to net premiums earned.		
5) Risk-bearing capital in relation to risk-bearing capital		
6) Operating expenses and claims handling costs in relation to investments and cash and bank balances.		
7) The direct yield and total return are calculated in accordance with the definition issued by Swedish Financial Supervisory Authority in FFFS 2008:26 In calculating the direct yield and total return, the assets for which the policyholders bear the investment risk are not included, since the purpose of the key ratios is to report the result of the company's own asset management.		
8) Not applicable, as there are no risk premiums, since property and casualty insurance business is fully reinsured.		

notes (SEK million)

Note 1 Accounting policies

The interim report for Skandia Insurance Company Ltd (publ) pertains to the period 1 January–30 June 2010. Skandia is domiciled in Stockholm, Sweden, with registered number 502017-3083.

This interim report has been prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies, the Swedish Financial Supervisory Authority's rules and regulations (FFFS 2009:12), and Swedish Financial Accounting Board (RFR) recommendation RFR 2.3 "Reporting for legal entities". The interim report also complies with IAS 34 Interim Financial Reporting. In accordance with these rules and regulation, Skandia applies so-called legally limited IFRS. By legally limited IFRS is meant application of IFRS and accompanying interpretations that have been adopted by the European Commission, along with the deviations prescribed by FFFS 2009:12 and RFR 2.3. This entails that all EU-approved IFRSs and interpretations are applied as far as possible within the framework of Swedish legislation and taking into account the connection between accounting and taxation.

The accounting policies and methods of calculation used in the preparation of this interim report are the same as those described in Skandia's 2009 Annual Report, pp. 19–25, with the exception that a new model has been applied for calculating capitalisation of deferred tax on taxed deficits. The new model is based on crediting of the deferred tax asset in the balance sheet, corresponding to the deferred tax liability in untaxed reserves, plus deferred tax liabilities pertaining to assets in the consolidated accounts, which in the future will give rise to taxable income for Skandia. In addition, the form of presentation prescribed by updated IAS 1 is used for the first time.

Pursuant to Ch. 7 of the Swedish Annual Accounts Act for Insurance Companies, no consolidated accounts are prepared for Skandia. Skandia is a subsidiary of Old Mutual plc and is included in the consolidated interim report published by Old Mutual. That interim report is available at www.oldmutual.com and can also be ordered by writing to Old Mutual, 2 Lambeth Hill, London EC4V 4GG, UK.

This interim report is presented in Swedish kronor (SEK), rounded off to the nearest million, unless otherwise specified.

Note 2 Provisions for life assurance policies where the investment risk is borne by the policyholders, gross

	2010	2009
	30 June	31 Dec.
Opening balance	101 022	71 846
Portfolio withdrawals	-1 343	-
Deposits	6 326	12 799
Decrease due to surrenders	-1 353	-2 040
Decrease due to maturity	-1 353	-1 745
Decrease due to mortality	- 128	- 160
Changes in fund values		
Unrealised change in value	-1 000	20 468
Realised gain	2 930	5 214
Realised loss	- 769	-3 393
Charges	-1 056	-1 840
Exchange rate difference	42	- 127
Closing balance	103 318	101 022

Stockholm, 30 August 2010

Bertil Hult
Chief Executive

The interim report has not been audited by the company's auditors.

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