

Försäkrings AB Göta Lejon Resumé 2019

English



2019 in brief ...

Insured property value:

SEK 308 billion

Earned premiums:

SEK 135 million

Profit (loss) for the year:

SEK -25 million

Solvency ratio (according to Solvency II):

159 per cent

Combined ratio:

129

Number of employees:

13

Number of clients:

56

Client visits:

136

Client Satisfaction Index (CSI):

81

Risk surveys:

39

About Göta Lejon

Försäkrings AB Göta Lejon is a company owned by the City of Gothenburg. Its mission is to generate commercial benefits to society by being responsible for all types of insurance coverage for the City of Gothenburg, except pensions and insurances connected with collective agreements. The company is also the City's expert body for insurance and risk management issues, and it develops these areas by providing active support to the various City operations. Göta Lejon is a nonprofit organisation.

Göta Lejon's clients comprise all of the administrations and companies belonging to the City of Gothenburg. The company's account managers meet with and maintain regular contact with clients. Göta Lejon identifies, structures, insures and reinsures the City's risks. The company works proactively with risk management issues in its key role as a catalyst for the entire City. This happens, for example, via risk surveys, follow-up on recommendations, communication initiatives, risk seminars, trainings on both insurance and claims and also customised support to clients regarding both insurance and risk management.

For the risks that it insures, Göta Lejon obtains reinsurance on the reinsurance market. Claims handling is outsourced to independent loss adjusting companies.

Preface

Göta Lejon's mission is to insure the City of Gothenburg's assets and operations. In order to carry out the mission as successfully as possible, Göta Lejon works with continual improvement in its daily operations, always with a focus on the following:

- understanding risk
- preventing risk
- insuring risk

In our role as insurer, we need to understand the risks involved with running the operations of the City of Gothenburg's various companies and administrations. All of those companies and administrations, however, bear full responsibility for managing their risks and implementing appropriate measures to mitigate those risks. We must also have a clear understanding of how world trends and events impact all of the City's possible risk scenarios.

With fewer losses and claims, the claims cost decreases and so does the premium. Accordingly, it is a very simple correlation between claims/claims cost and the premiums that each insured party pays for their insurance. Besides higher costs, an incident resulting in a claim almost always disrupts the organisation affected in one way or another, most frequently in the form of a higher workload required for remedying the problem.

The city's loss prevention efforts are thus very important because they help in both preventing incidents and lowering the scope and consequences when losses are incurred. There is also an important sustainability aspect associated with the City's loss prevention efforts. With every water or fire incident resulting in destruction of a building or equipment, resources need to be consumed in order to make repairs, restoration or purchase a replacement. Doing so, repeatedly, puts an unnecessary load on the climate.

Göta Lejon is well acquainted with all of the City's operations and risks. That understanding provides us with an important tool for being able to offer customised, cost-efficient insurance solutions to the City's administrations and companies. Göta Lejon also takes a leading role in the City's efforts to prevent and reduce damages.

The City of Gothenburg's financial situation, along with the loss that Göta Lejon incurred in 2019, emphasises the importance of intensifying loss prevention efforts even further, so that costs can be limited. By increasing awareness of the prevailing risks, along with continuing to draw attention to both existing and new risks, Göta Lejon can make a positive contribution to the City and offer insurance solutions that are appropriately adapted to the needs of the City's companies and administrations.



Annika Forsgren, Managing Director



Insurance Operations

Göta Lejon provides insurance cover for property, liability, trams and vehicles owned and operated by the City of Gothenburg's administrations and companies, which are Göta Lejon's clients. The company externally purchases insurance for personal accidents, business travel insurance, liability insurance for the Managing Directors and members of the Board of Directors, and also insurance for boats. As needed, Göta Lejon also provides both project and special insurance.

Property Insurance

Property insurance consists of insurance on property, including compensation for extra expense, rental losses and business interruptions. At year-end 2019, the total sum insured was SEK 308 (268) billion.

During the year, there were four different reinsurance programmes in place for property insurance: Property - City, Property - Energy, Property - Framtiden Group (residential) and Property - Terrorism. In the main programme for the City, self-retention (excess) in 2019 amounted to a maximum of SEK 17.5 (17.5) million per claim and a total of SEK 35 (35) million per year. The property premium for 2019 was SEK 95 million.

Liability and Fidelity Insurance

The insurance covers such areas as general and product liability, consultant liability, fidelity and liability for pure fidelity claims. For 2019, the insurance amount was a maximum of SEK 300 (300) million. Self-retention was SEK 5 (5) million per claim and SEK 15 (15) million per year. The liability premium for 2019 was SEK 16 million.

Tram Insurance

The company's tram insurance covers railway liability insurance, rolling stock insurance and garage insurance. The insurance amount is a maximum of SEK 300 million for railway liability insurance. Göta Lejon's self-retention is SEK 5 million per claim for the railway liability insurance, SEK 3 million per claim for rolling stock insurance and SEK 17.5 million per claim for garage insurance. The annual premium for tram insurance was SEK 8 million.

Vehicle Insurance

Göta Lejon insures the City-owned vehicles. The insurance cover is vehicle damage and third-party liability. In 2019, vehicle premiums amounted to SEK 16 million. Self-retention for third party insurance was SEK 5 (5) million per claim and SEK 15 (15) million per year. Reinsurance for large, vehicle claims is a component of the reinsurance programme for property.

Personal Accident Insurance

This insurance covers all children and pupils in the City of Gothenburg's population register. It provides cover until the year that a child turns 17, or as long as the child is attending upper secondary school. The insurance is valid 24/7, 365 days a year. The insurer is Protector.

Personal Accident Insurance, Specific Activities

This is accident insurance for individuals engaged in specific activities. It is for groups that are receiving certain municipal services, such as young people enrolled in labour market programmes, individuals living in a foster family, individuals participating in daily activities and for volunteers. The insurer is Protector.

Business Travel Insurance

This insurance covers all employees, elected representatives and trainees in the City of Gothenburg during travel or duties outside the normal workplace which are ordered and paid for by the employer. It covers accident, illness and lost luggage. The insurance is valid throughout the world, for all types of travel. The insurer is Europeiska ERV.

Liability Insurance, Directors and Senior Executives

This is liability insurance for the City of Gothenburg's companies. It provides protection for all of the Managing Directors, Board members and other senior executives for their personal liability on claims relating to actions they have personally taken, or failed to take, on behalf of the company. The insurer is Zurich.



Insurance of Boats

Insurance on all of the boats owned by the City of Gothenburg's various organisations is gradually being gathered under a single insurance solution. The insurer is Trygg-Hansa.

Clients and Market

Göta Lejon is a wholly owned captive company of the City of Gothenburg and it only insures the City's administrations and companies. The company offers insurance solutions that are cost effective and adapted to the needs of clients. Gathering the City's insurance needs under one umbrella, and applying a holistic approach, increases control over the City's risks and the insurance need. This means, for example, that the company is able to distribute approximately SEK 5 million per year in loss prevention contributions to the City of Gothenburg's administrations and companies.

Because Göta Lejon is owned by the City of Gothenburg, it knows very much about the various businesses and activities. It also has access to many different types of important networks, within and outside the city. In addition, Göta Lejon plays a central role in developing the insurance function within the City by, for example, providing trainings, venues and information at client meetings.

Furthermore, Göta Lejon has direct access to the reinsurance market, where there are many solid reinsurance companies that only reinsure other insurance companies or captive companies. Accordingly,

Göta Lejon is able to finance the portion of risk that the company is unable to absorb itself. Reinsurance is procured on the global reinsurance market.

Since 2017, all of the city's companies and administrations are insured through Göta Lejon. In total, there are 56 clients. During the year, a total of 136 client meetings were held by the company's account managers.

Employees

Göta Lejon uses a tool called BAS for evaluation purposes and it has been determined that there is no unfair pay gap between men and women working at the company. Each employee has an individual professional development plan that is updated and monitored at performance reviews and follow-up discussions during the year.

The City of Gothenburg most recently conducted its employee survey in December 2019 and Göta Lejon's SEE (Sustainable Employee Engagement) was 70. Last year, the company had 13 employees. The management team consists of individuals responsible for the company's main processes.

No variable remuneration is paid to any of the company's employees. The Managing Director's salary is set by the City Director. There are no variable components of salary. The company has two senior executives: the Managing Director and Deputy Managing Director. Göta Lejon has prepared and published a remuneration policy (in Swedish) in accordance with FFFS 2016:21. It is available at goteborg.se/gotalejon.

| Key figures | 2019 | 2018 |
|---------------------------------------|---------|-------------------|
| Earned premiums, gross | 134,827 | KSEK 126,882 |
| Earnings before tax and provisions | -25,078 | KSEK -6,343 |
| Total assets | 359,348 | KSEK 317,506 |
| Reinsurance premiums | -41,073 | KSEK -40,401 |
| Claims gross | -87,938 | KSEK -59,249 |
| Claims ratio, per cent | 94 | 67 |
| Expense ratio, per cent | 36 | 40 |
| Combined ratio, per cent | 129 | 107 |
| Total sum insured (TSI) | 308.0 | SEK 268.0 billion |
| Loss prevention contribution | 3,600 | KSEK 4,080 |
| Client Satisfaction Index (CSI) | 81 | 81 |
| Sustainable Employee Engagement (SEE) | 70 | - |
| Risk surveys | 39 | 39 |
| Client visits | 136 | 255 |



Financial results

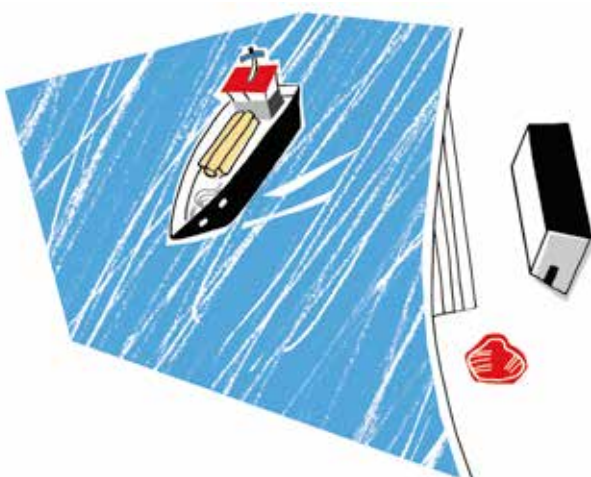
Earnings before tax and provisions for the year were a loss of SEK 25,078 thousand (loss of SEK 6,343 thousand in 2018), see the diagram. The loss is attributable to higher claim costs than anticipated. For insurance operations, the financial result was a loss of SEK 27,209 thousand (loss of SEK 6,343 thousand in 2018) and for finance operations, the financial result was SEK 2,131 (0) thousand. After additional provisions were made, contingency reserves amounted to SEK 0 (14,510) thousand. The solvency ratio fell from 216 per cent to 175 per cent compared to 2018, which is attributable to the loss for the year.

Claims outcome

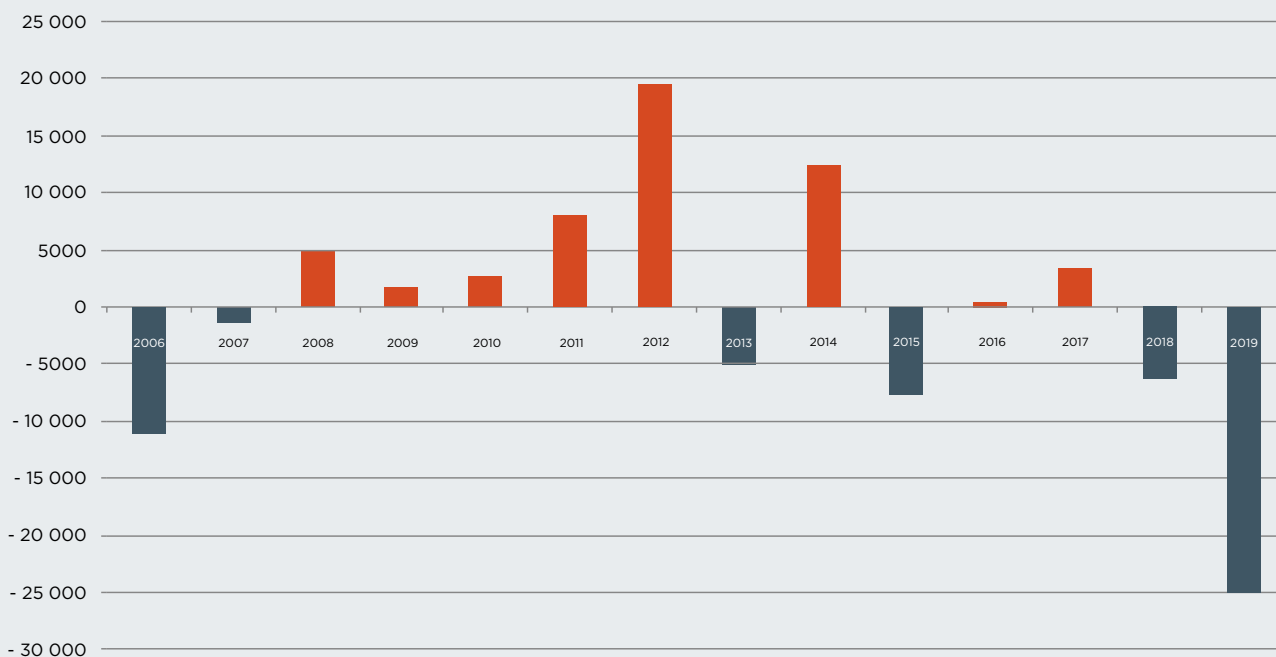
Göta Lejon's total cost for property claims during the year amounted to SEK 64.6 (50.2) million after local deductibles. The adjacent diagram provides an overview of the trend for the last five years. The composition of these costs were as follows: fire SEK 40.1 (22.8) million, natural catastrophe SEK 0.0 (0.3) million, water SEK 15.8 (22.3) million and other claims SEK 8.7 (4.8) million. The claim costs for arson amounted to SEK 4.9 (7.3) million. In total, there were 181 (181) claims.

The claim cost for liability claims, during the year, after local deductibles was SEK 3.9 (6.9) million. The claim cost for liability for rail traffic after local deductibles was SEK 0.0 (0.2) million. In total, 202 (232) general liability claims were reported to Göta Lejon, of which 43 (55) were above the local deductibles. For railway traffic there were 21 (87) claims, of which 0 (0) was above the local deductibles.

The claim cost for motor vehicles after local deductibles amounted to SEK 8.5 (10.6) million. There were 1540 (2,007) claims on motor vehicle insurance, of which 421 (660) related to third party claims and 1119 (1347) related to vehicle damage.

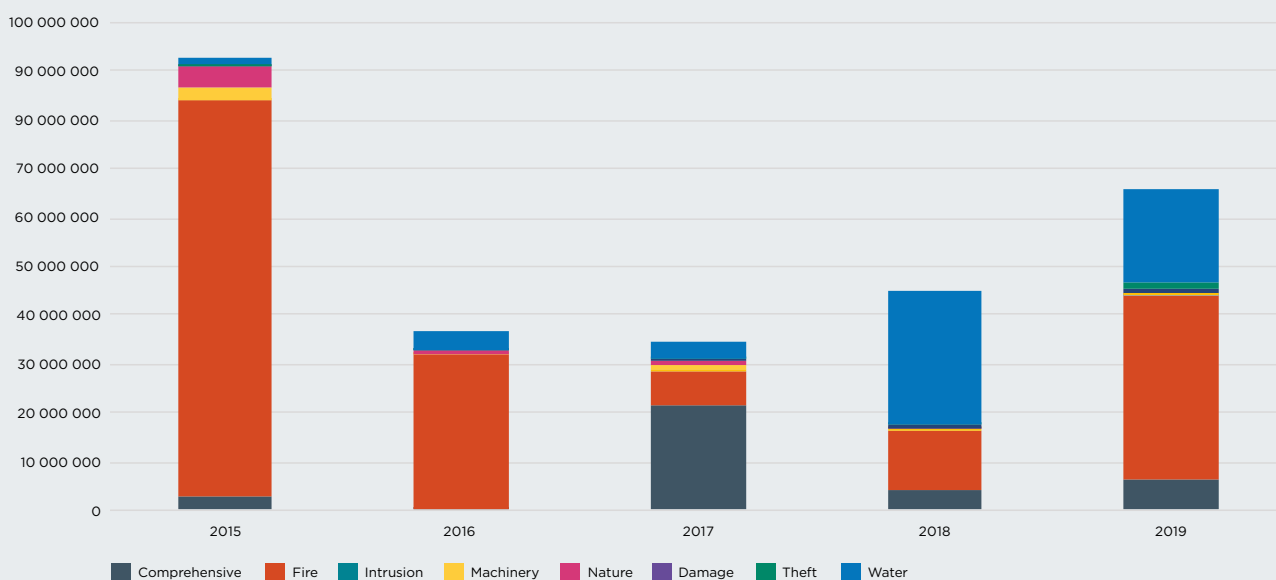


Earnings trend for Göta Lejon (SEK 000s)



Earnings trend 2006–2019. The earnings vary over time based on the level of claim costs. Göta Lejon is a non-profit organisation and it strives for zero earnings.

Claim cost for property claims (SEK 000s)



Claim costs above local deductibles and before ceded reinsurance. Claim costs above the local deductibles and before ceded reinsurance over the last five years, costs for insurance that Göta Lejon handles. In addition to this, each administration/company in the city has paid for its own claims below the deductibles. There is reinsurance protection for very large claims or large accumulated claim costs in a specific year. The fire on Decemborgatan in 2015 is estimated to have cost SEK 73 million above local deductibles, the majority of which was paid by the reinsurers. Over the last three years, reinsurers paid SEK 10-16 million per year of the total claim cost.

Significant Events in 2019

-25,1

For 2019, earnings before tax and provisions were a loss of SEK 25.1 million. The negative earnings resulted from high claim costs, totalling SEK 88 million.



One major claim occurred in September, when Slottsskoghallen was completely destroyed by a fire. The damage is estimated at SEK 30 million. Equipment and vehicles were also damaged by the fire.



Two risk seminars were held, where all of our customers' insurance and security managers, along with other city employees were invited. The seminars focused on solar cells, electric cars, hot work (involving the presence of flammable material in the workplace) and cultural buildings.



Göta Lejon won a dispute with Moderna Försäkringar associated with two tram accidents in 2011. The Supreme Court overturned the ruling of Court of Appeal, ordering Moderna Försäkringar to pay their share of the claim costs, along with Göta Lejon's court costs.



Göta Lejon signed an environmental insurance policy for the City of Gothenburg that is effective as of 1 January 2020. The policy provides protection for gradually occurring environmental liability damage and environmental damage on own land.



Göta Lejon arranged training on various aspects of insurance in collaboration with the Stockholm School of Economics, which is a leader in insurance education in Sweden. More than 40 of the City's insurance and security managers participated.



In total, 136 customer-specific meetings were held. They included meetings with customers, project meetings, risk surveys and trainings.



Göta Lejon organised a conference on fire protection for customers and, for the second year in a row, it awarded the "Lejon Award". For 2019, this award, for excellence in loss prevention measures, went to Carina Johansson at the City Premises Administration.



In collaboration with the Preschool Administration, Göta Lejon carried out risk surveys at various preschools in the City aimed at lowering the risk of loss and increasing the level of safety.

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Four reinsurance procurements were completed during autumn. They were for the following programmes: Property (City), Property (Framtiden Group), Property (Terrorism) and Fidelity & Liability.

Risk management and loss prevention measures

Göta Lejon engages in loss prevention efforts aimed at limiting losses for the City of Gothenburg. Critical success factors for these efforts include analyses, follow-up, early detection and correct measures.

Important governance documents are Göta Lejon's Owner Directive and the City of Gothenburg's insurance policy and security policy. Göta Lejon is actively involved, and takes a leading role, in the municipality's joint security efforts. In order to succeed with loss prevention efforts, it is essential that, for example, each administration and company has a Head of Security or equivalent. Göta Lejon monitors the extent to which each administration and company is in compliance with the insurance policy and insurance terms. It does this via regular, documented meetings with clients' Heads of Security and Insurance Managers. During meetings with clients, their insurance solutions and needs are also discussed. Each year, Göta Lejon distributes around SEK 5 million in loss prevention contributions to its customers. The goal is to support those measures that lower the risks the most. Since the start in 1991, Göta Lejon has paid approximately SEK 142 million in loss prevention contributions. In 2019, loss prevention contributions amounted to SEK 3.6 million, see the table.

Physical protection

The most common types of loss prevention measures are various types of physical protection. A large part of loss prevention work is the installation and maintenance of various alarm systems for early detection of fire, intrusion, water damage, etc.

Göta Lejon provides support to clients for installation of fire and security alarms. Such support is primarily given to schools and preschools, along with buildings used for sports and culture. The City's alarm systems have helped reduce fire losses and the costs associated with fire.

Risk surveys

Göta Lejon's loss prevention programme includes a survey plan for all insured property valued at SEK 150 million or more. Such properties are inspected every 2-5 years and those with a higher value are inspected more frequently. The aim of these surveys is to gain an understanding of the risks faced by the business, along with other issues that are of interest from an insurance perspective. Another aim is to identify appropriate measures that could minimise the risks. With each client, Göta Lejon

follows up on the results of surveys and the specific loss prevention measures that have been recommended. In 2019, there were a total of 39 surveys.

Statistics, analysis and follow-up

Loss prevention efforts require adequate knowledge of what has happened, the root causes and costs. Göta Lejon works proactively with analysis and follow-up of claims and incidents in all insurance areas.

Total property claims for the City of Gothenburg is defined as all property claims reported to Göta Lejon. Included here are claims both above and below the excess. Even though there are unrecorded cases, the report gives an important overview of the trend in total claim costs.

In 2019, the total claim cost was approximately SEK 297 million, which is SEK 28 million higher than the preceding year. Fire accounted for approximately SEK 66 million and water damages increased by around SEK 32 million and accounted for approximately SEK 160 million of the total claim cost. Fire is the primary reason behind major individual claim costs, but water damage accounts for the largest percentage of the total claim cost for claims above and below the deductible. Damage, theft and intrusion also account for major costs on the whole, but these individual events typically fall below the deductible.

Loss prevention contributions 2019 (KSEK)

| | |
|------------------------------------|------------------|
| RISK/You are needed! | 1,491,000 |
| Lighting/fences | 921,919 |
| General prevention | 505,000 |
| Access Control Systems/locks/grids | 460,000 |
| Other fire protection | 91,971 |
| Cameras | 75,081 |
| Extra surveillance | 50,000 |
| Training | 5,000 |
| Total | 3,599,971 |

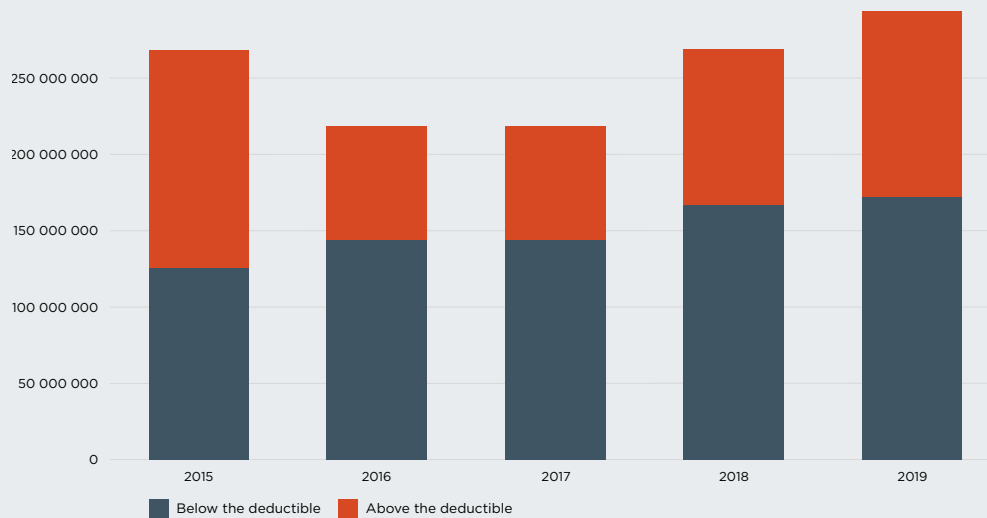
Loss prevention contributions in 2019. Contributions were primarily to support various types of physical protection and to support fire loss prevention targeting pupils at the City of Gothenburg's schools (RISK).

Fire and water claims account for the majority of costs in the category of property claims. The trend over the last five years is shown in the diagram below: Cost allocation for various types of property claims. In 2019, the number of fire incidents was at approximately the same level as in 2018. There were 116 (119) fire incidents at clients' own property (not including residential). A total of 87 fire incidents were the result of human action and 46 of those

were with intention. 67 (66) per cent of all fires were discovered by fire detectors directly connected to a public-safety answering point (PSAP).

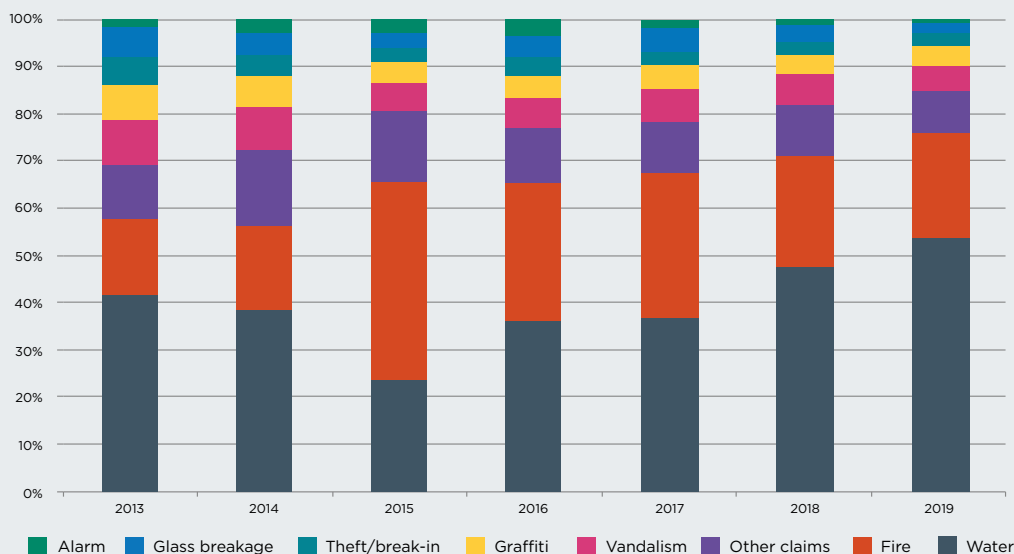
In 2019, there were 44 fires at schools and the number of school fires has been around 40 each of the last four years. For school fires, 80 per cent were human action with intention. As in 2017 and 2018, the costs associated with school fires were low. See the diagram on the next page.

Total cost (SEK) of property losses for the City of Gothenburg, 2015-2019



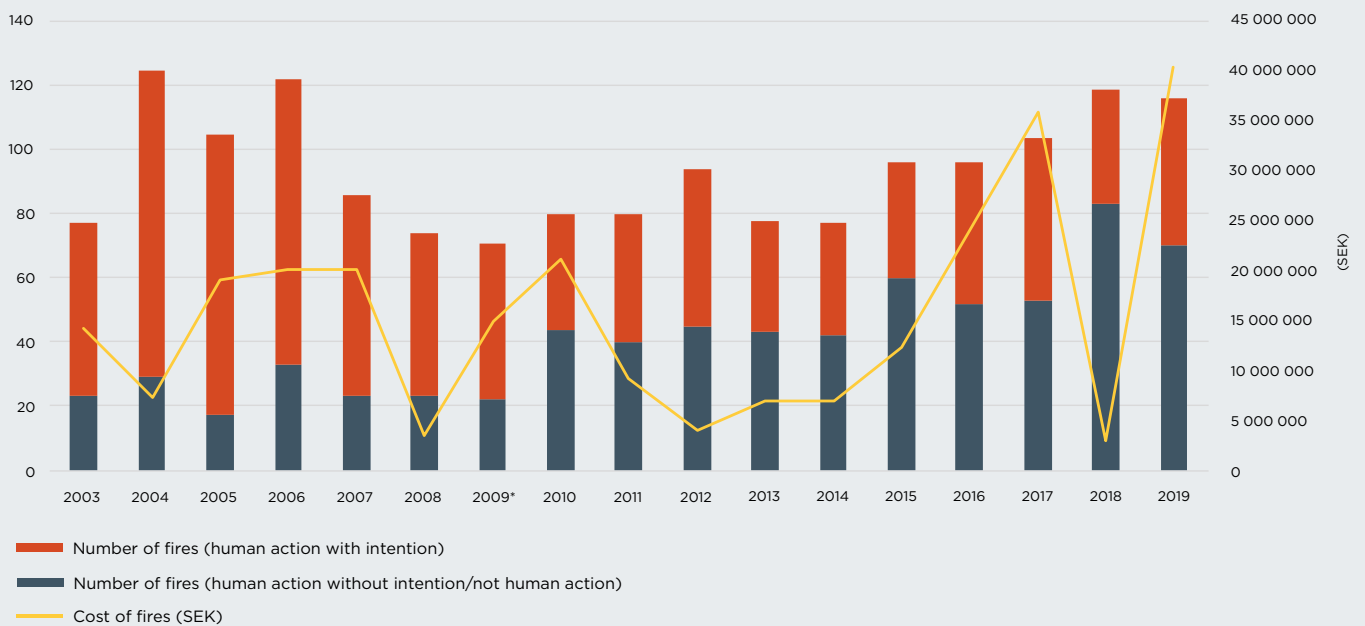
Property claims above and below the deductible. The total cost for property claims for the City of Gothenburg increased in 2019, attributable in part to an increase in the costs for water damages. The high total cost in 2015 resulted from the serious fire at Decemborgatan.

Cost allocation for various types of property claims



Cost for property claims. The diagram shows the breakdown of costs by type of property damage over the last seven years. In 2019, water losses were accountable for a significantly larger share than in the past. The breakdown is based on the cost of all damages for the City of Gothenburg that were reported to Göta Lejon. It covers costs both above and below the deductible.

Number of fires at properties insured by Göta Lejon (not including residential) and costs for the years 2003-2019*



Fire statistics 2003-2019. The diagram shows the number of fires at properties (not including residential) that are insured by Göta Lejon, along with the total cost of fires. The fire at Slottsskogshallen accounted for three-fourths of the total cost of fires in 2019.

*The fire at Torslanda school in 2009 is not included. The cost is estimated at approximately SEK 108 million.

Number of school fires, arson and non-arson, 2003-2019, and cost*



Number of school fires, arson and non-arson. The number of school fires that were arson has been increasing for several years, but there was a break in the trend in 2018. In 2019, the number of school fires increased. However, it accounted for a smaller share of the total number of fires compared to 2018. The cost of fires has been relatively low over the last three years.

* Since 2016, the term "arson" has been replaced by "human action with intention". It means that the number reported prior to and after the change are not entirely comparable. The fire at Torslanda school in 2009 is not included. The cost is estimated at approximately SEK 108 million.



Important issues for the future

- In the highly competitive insurance market, Göta Lejon must continue delivering cost-effective insurance solutions, while maintaining a good collaboration and dialogue with its clients.
- One important issue for the future has to do with how Göta Lejon can contribute to developing and strengthening the city's risk management and loss prevention efforts. Effective risk management for the City of Gothenburg not only lowers the cost of claims but also provides the foundation for a cost-effective reinsurance programme.
- Worldwide trends, such as increasing water damages associated with more extreme weather, a higher risk of terrorism and social unrest are important to take into consideration when planning the company's future operations.
- Any changes that occur in Göteborgs Stadshus AB regarding to sell companies would impact Göta Lejon's premium volume.
- IT-related risks and cyber risks are areas that Göta Lejon is monitoring from both an insurance perspective and regarding ways of managing such risks.
- Risk management and risk financing associated with the City's major infrastructure projects and other major urban development projects for Gothenburg are important issues for Göta Lejon.
- In order for Göta Lejon to fulfil its mission, employees must have a high level of commitment and expertise. Göta Lejon must also be able to retain its employees. There is an increased risk of a situation that leads to major differences between the City's and the insurance market's wage structures and benefits packages, whereby Göta Lejon would not be perceived as an attractive employer.
- There are two new regulations that impact Göta Lejon. One is the FI regulation on insurance distribution (FFFS 2018:10), which entered into force on 1 October 2018. The other is IFRS 17 Insurance Contracts, which is effective as of 1 January 2023.





Profit/loss & balance sheet

| INCOME STATEMENTS (SEK 000s) | 2019 | 2018 |
|---------------------------------------------|----------------|---------------|
| Earned premiums | 134,827 | 126,882 |
| Reinsurance | -41,073 | -40,401 |
| Claims | -87,938 | -58,144 |
| Operating costs | -33,306 | -34,680 |
| Investment return | 1,052 | - |
| Other income | 1,360 | - |
| Profit before appropriations and tax | -25,078 | -6,343 |
| Change in contingency reserve | 14,510 | 6,273 |
| Tax | 2,246 | - |
| PROFIT (LOSS) FOR THE YEAR | -8,322 | -70 |

| BALANCE SHEET ASSETS (SEK 000s) | 2019-12-31 | 2018-12-31 |
|------------------------------------------------------------------|----------------|----------------|
| Intangible assets | 4,023 | 5,427 |
| Investment assets | 317,115 | 287,971 |
| Unearned premiums, reinsurers' share | - | - |
| Claims outstanding, reinsurers' share | 28,557 | 17,837 |
| <i>Total reinsurers' share of technical insurance provisions</i> | <i>28,557</i> | <i>17,837</i> |
| Receivables in respect of direct insurance | 940 | 1,674 |
| Receivables in respect of reinsurance | - | - |
| Other receivables | 2,486 | - |
| <i>Total receivables</i> | <i>3,426</i> | <i>1,674</i> |
| Tangible assets | 5,215 | 165 |
| Prepaid expenses and accrued income | 1,012 | 4,432 |
| TOTAL ASSETS | 359,348 | 317,506 |

| BALANCE SHEET EQUITY, PROVISIONS AND LIABILITIES (SEK 000s) | 2019-12-31 | 2018-12-31 |
|------------------------------------------------------------------------|-------------------|-------------------|
| Share capital | 145,000 | 145,000 |
| Fund for development expenses | 4,023 | 5,364 |
| Accumulated profit or loss | - | - |
| Equalisation reserve | 23,429 | 22,158 |
| Profit (loss) for the year | -8,322 | -70 |
| <i>Total equity</i> | <i>164,130</i> | <i>172,452</i> |
| Contingency reserve | - | 14,510 |
| Unearned premiums and remaining risks | - | - |
| Claims outstanding | 183,335 | 121,119 |
| <i>Total technical insurance provisions</i> | <i>183,335</i> | <i>121,119</i> |
| Liabilities in respect of direct insurance | - | 465 |
| Liabilities in respect of reinsurance | - | 3,383 |
| Long-term liability to credit institutions | 4,066 | - |
| Short-term liability to credit institutions | 882 | - |
| Other liabilities | 4,471 | 2,548 |
| <i>Total liabilities</i> | <i>9,419</i> | <i>6,396</i> |
| Accrued expenses and prepaid income | 2,464 | 3,029 |
| Total equity, provisions and liabilities | 359,348 | 317,506 |

Försäkrings AB Göta Lejon is a company wholly owned by the City of Gothenburg. Göta Lejon insures all of the administrations and companies belonging to the City of Gothenburg. The company is also tasked with engaging in loss prevention efforts that effectively lower the City's risk costs. It is also responsible for, in other ways, helping to strengthen the loss prevention efforts of the City's administrations and companies.



**City of
Gothenburg**

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