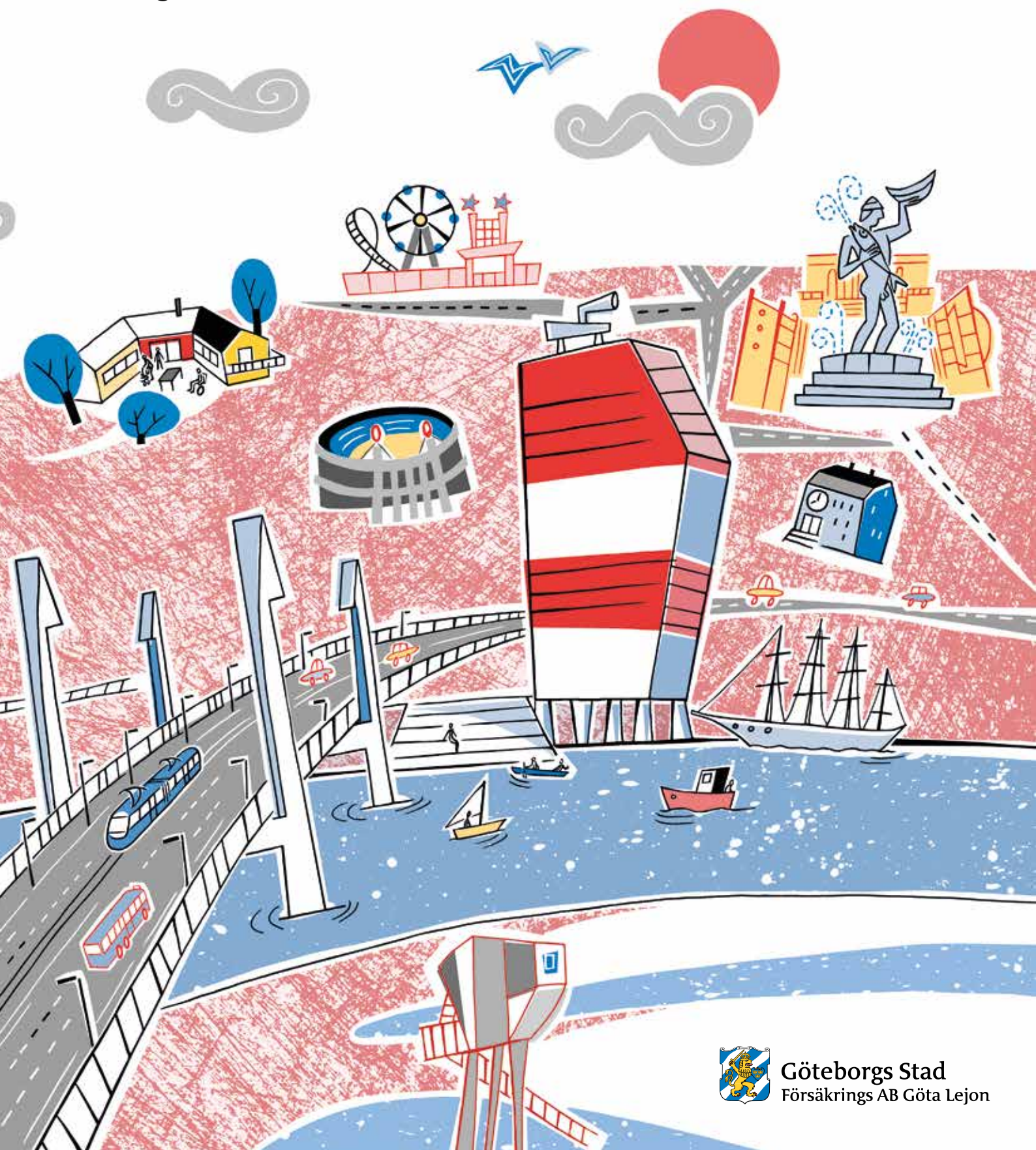


Resumé 2017

English



Göteborgs Stad
Försäkrings AB Göta Lejon

2017 in brief...

Insured property value:

SEK 263 billion

Earned premiums:

SEK 126 million

Profit for the year:

SEK 3 million

Solvency ratio:

188 per cent

Combined ratio:

96 per cent

Number of employees:

12

Number of clients:

59

Client visits:

201

Clients Satisfaction Index (CSI):

71

Risk surveys:

34

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 surveys, organised communication, trainings and 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

During 2017, Göta Lejon has maintained its focus on risk management support and insurance solutions to all of the administrations and companies belonging to the City of Gothenburg. The risk survey programme has continued, with a higher focus on follow-up of prior surveys. The company has, in collaboration with its newest clients, developed insurance solutions that are adapted to their specific risks.

In accordance with the 2017-2019 business plan, the company has also ensured that it delivers the right services and a cost-effective insurance solution to the entire city.

Earnings before tax and provisions amounted to SEK 3.3 million. The earnings trend over the last few years is consistent with Göta Lejon's mission as a nonprofit organisation. The solvency ratio was 1.88, which means that the company is 88 per cent above the legal requirement. Göta Lejon's Board has decided that the company's solvency ratio must be between 1.50 and 2.50.

Implementation of Insman, which is the city's new insurance system, required a great deal of effort during the year and we expect to have the system fully implemented during spring 2018.

Loss prevention efforts have also focused on future risks, including IT risks, the growing popularity of wooden structures and climate change. The company and its clients have, by monitoring global trends and via specific seminars and meetings, increased our understanding of these risks.

We also regard 2017 as a year belonging to a longer change process, which started in 2013. The starting point was the city's new insurance policy, which expanded Göta Lejon's mission and scope. For example, the company has developed a more refined process for engaging with both new and existing clients. We also added more account managers to the organisation.

In 2014, the company implemented a new reinsurance process, which has led to a higher level of confidence in the reinsurance market for both established and newer players. This is reflected in the fact that there has been oversubscription in the programmes tendered by the company.

Göta Lejon has also developed a new working method for its loss prevention efforts. For example, since 2015, we have been working proactively with risk surveys at the city's administrations and companies that have high insured values and/or high risk exposure. We work in specific loss prevention projects jointly with our clients and we have specific seminars and activities for selected risk areas.

Since 2013, the company's insurance portfolio has expanded significantly and the total insured value has increased from approximately SEK 70 billion to SEK 263 billion as of 31 December 2017.

New insurance legislations, Solvency II, which entered into force in 2016, has had a major impact on the company and its Board, in terms of the workload and need for additional resources. It has, however, been concluded that Göta Lejon has now fully aligned its processes and routines with the Solvency II regulations and the city's specific documents and instructions pertaining to governance and internal controls.

Over the last few years, the company has, as part of a more comprehensive change process, substantially strengthened its expertise in the areas of claims, reinsurance, legal, communication, internal controls and governance.



**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, Directors and officers liability insurance and 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 2017, the total insured value was SEK 263.2 (245.9) 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 in 2017 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 2017 was SEK 90 million.

Liability and Fidelity Insurance

Göta Lejon's insurance covers such areas as general and product liability, consultant liability, fidelity and liability for pure fidelity claims. For 2017, 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 2017 was SEK 14 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. To manage this insurance, the company collaborates with Göteborgs Stads Leasing AB (previously Gatubolaget), which owns most of the city's fleet of vehicles. In 2017, vehicle premiums amounted to SEK 14 million.



Key figures	2017	2016
Earned premiums, gross	125,819	SEK 112,470 thousand
Earnings before tax and provisions for the year	3,331	SEK 385 thousand
Total assets	328,334	SEK 311,809 thousand
Reinsurance premiums	-40,609	SEK -38,394 thousand
Claims insured ceded reinsurance	74,324	SEK 39,367 thousand
Claims ratio	54	52
Expense ratio, per cent	42	49
Combined ratio, per cent	96	101
Total sum insured (TSI)	263.2	SEK 245.9 billion
Loss prevention contribution	3,497	SEK 5,018 thousand
Client Satisfaction Index (CSI)	71	71
Employee Satisfaction Index (ESI)	61	66
Risk surveys	34	35
Client visits	201	135

Self-retention for third party insurance was SEK 5 (5) million per claim and SEK 15 (15) million per year. Reinsurance for large, vehicle damage 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 was Protector.

Personal Accident Insurance, Specific Activities

This is accident and liability 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 was 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 was If P&C Insurance Company.

Directors and officers liability insurance

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 was 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 was Trygg-Hansa.

Clients and market

Göta Lejon is a company owned by the City of Gothenburg and it strives to provide benefits to the Gothenburgians. The company offers insurance solutions that are cost effective and adapted to the needs of clients.

Göta Lejon is a wholly owned captive company of the City of Gothenburg and it only insures the owner. 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. Gathering the City's insurance needs under one umbrella, and applying a holistic approach, increases control over the City's risks, and thereby the insurance need.

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 59 clients. During the year, a total of 201 client meetings were held by the company's four account managers.

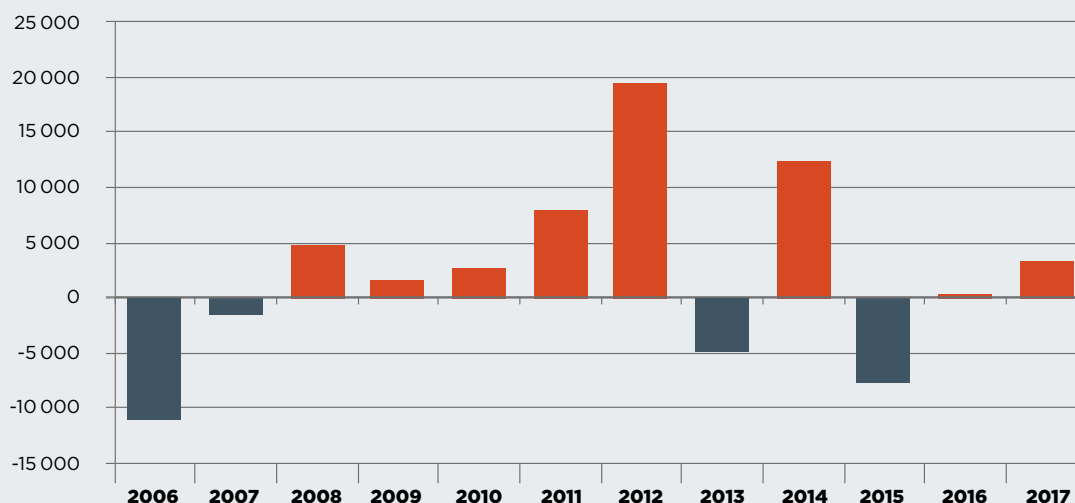
Employees

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 conducted its employee survey in December and Göta Lejon's ESI (Employee Satisfaction Index) was 61.

Earnings trend for Göta Lejon (SEK 000s)



Earnings trend 2006–2017. The earnings varies over time based on when major claims occur. Göta Lejon is a nonprofit organisation and it strives for zero earnings.

The company has 12 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 of Gothenburg's 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.

Financial results

Earnings before tax and provisions for the year were SEK 3,331 (385) thousand, see the diagram. For insurance operations, the financial result was SEK 3,331 (-953) thousand and for finance operations, the financial result was SEK 0 (1,338) thousand. After additional provisions were made, contingency reserves amounted to SEK 20,784 (17,344) thousand. The solvency margin fell from 256 per cent to 219 per cent compared to 2016, which is attributable to the increase in premium income and provision to the development fund.

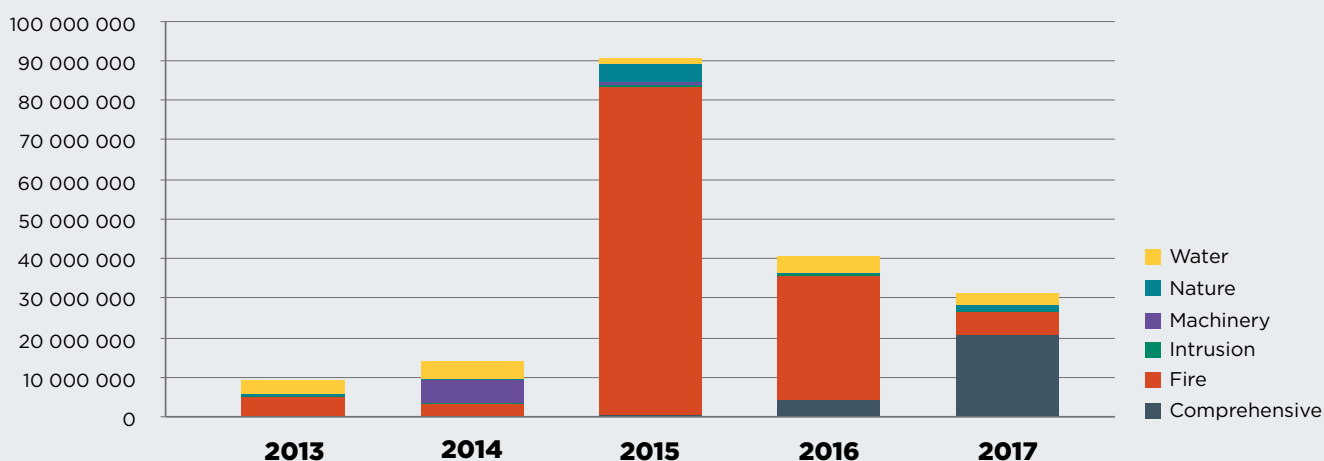
Claims outcome

Göta Lejon's total cost for property claims during the year amounted to SEK 32.2 (31.5) million after the deduction for excess. The composition of these costs were as follows: fire SEK 6.8 (24.6) million, natural catastrophe SEK 0.5 (0.3) million, water SEK 3.4 (5.4) million and other claims SEK 21.5 (1.2) million. The claim costs for arson amounted to SEK 4.8 (15.2) million. In total, there were 134 (131) claims.

The claim cost for liability claims during the year after deduction of excess was SEK 3.3 (2.5) million. The claim cost for liability for rail traffic after deduction of excess was SEK 0.8 (0.3) million. In total, 217 (331) general liability claims were reported to Göta Lejon, of which 20 (22) were above the excess. For railway traffic there were 88 (70) claims, of which 1 (0) was above the excess.

The claim cost for damage to motor vehicles after deduction of excess amounted to SEK 6.4 (10.3) million. There were 1,951 (2,195) claims on motor vehicle insurance, of which 615 (696) related to third party claims and 1,336 (1,499) related to vehicle damage. The diagram below provides an overview of the trend for the last five years.

Claim cost for property claims (SEK)



Claim costs above the excess 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 excess. There is reinsurance protection for very large claims or large accumulated claim costs in a specific year.

The fire on Decemborgsgatan in 2015 is estimated to have cost SEK 73 million above the excess, the majority of which was paid by the reinsurers.

Significant Events in 2017

59

As of 1 January 2017, the Renova Group is insured by Göta Lejon and with that, all of the City of Gothenburg's administration and companies are clients of Göta Lejon. In total, they number 59.



There were two major property claims in 2017. One was at Rya Harbour, where there was a fire at the Rya HVC incinerator plant. The other was a fire at Villa Ramsäter (historic real estate). The number of claims is the same as in prior years, but the costs are lower.



The company has been monitoring the trend of the growing popularity of wooden structures and it also organised a seminar on the insurance aspects of this for clients and politicians.

SEK 1,000 MILLION.

Four reinsurance contracts were procured during the fall, which are effective as of 1 January 2018: property insurance for the city, property insurance for the Framtiden Group, terrorism and fidelity. Three reinsurance contracts were renewed as of 1 January 2018 via extension: property insurance for energy, liability and tram rolling stock. The limits for terrorism claims and natural catastrophe have each been raised to SEK 1,000 million.



Together with Göteborgs Spårvägar, risk analyses of the tram halls at Majorna and Rantorget were carried out.



In 2017, the company worked to implement Insman, which is the new insurance system that has been put into operation as of 2018. The company expects that it will be possible to run the new system at a much lower cost than the previous one.



Since 2016, Göta Lejon has been running a project with the City Premises Administration and SDF Västra Hisingen. The aim of the project is to improve both safety and security. Risk surveys, security inspections and follow-up meetings have been carried out at the district's seven secondary schools.



In May, an annual report was submitted to FI (Sweden's financial supervisory authority) in accordance with the new Solvency II regulations.



In May, Göta Lejon arranged a conference for the company's reinsurers. The theme of the conference was: Risks in a developing city - Gothenburg is growing for a sustainable future.



Risk management and loss prevention efforts

Göta Lejon engages in loss prevention efforts aimed at limiting the damages 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. The goal is to support those measures that lower the risks the most. Sometimes, Göta Lejon makes a direct contribution to specific measures. Otherwise, the company is involved in the loss prevention measures itself. Since the start in 1991, Göta Lejon has paid approximately SEK 134 million in loss prevention contributions. In 2017, loss prevention contributions amounted to SEK 3.5 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 but also to buildings used for sports, culture and industry. The city's alarm systems have helped reduce damages from fire and the costs associated with fire.

Risk surveys

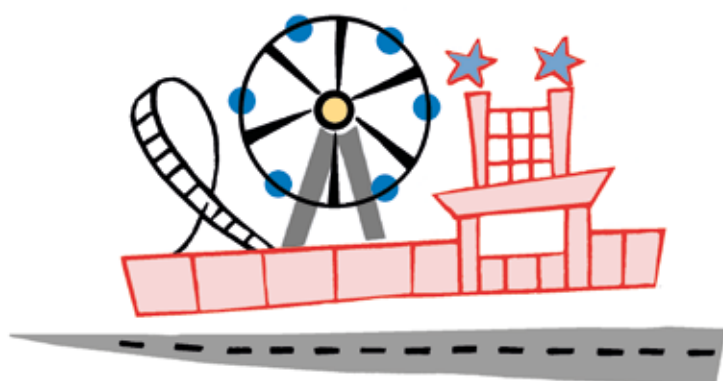
Göta Lejon's loss prevention programme includes a survey plan for all insured property valued at SEK 150 million or more. Such properties are inspected every 2-5 years and those with a higher value are inspected more frequently. The aim of these surveys is to gain an understanding of the risks faced 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 2017, there were a total of 34 surveys.

Loss prevention contributions 2017 (KSEK)

RISK/You are needed!	1,462,000
Lighting/fences	624,303
Access Control Systems/locks/grids	340,000
Cameras	230,365
Fire alarms	210,000
General prevention	160,000
Clearing	106,385
Security alarms	100,000
Water seals/water protection	96,000
Extra surveillance	88,313
Analyses	50,000
Security/risk/crime prevention	30,000

Total 3,497,366

Loss prevention contributions in 2017. 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.



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 2017, the total claim cost was approximately SEK 218 million, which is the same level as in 2016. Fire accounted for approximately SEK 67 million and water damages for approximately SEK 80 million of the total costs. 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 excess.

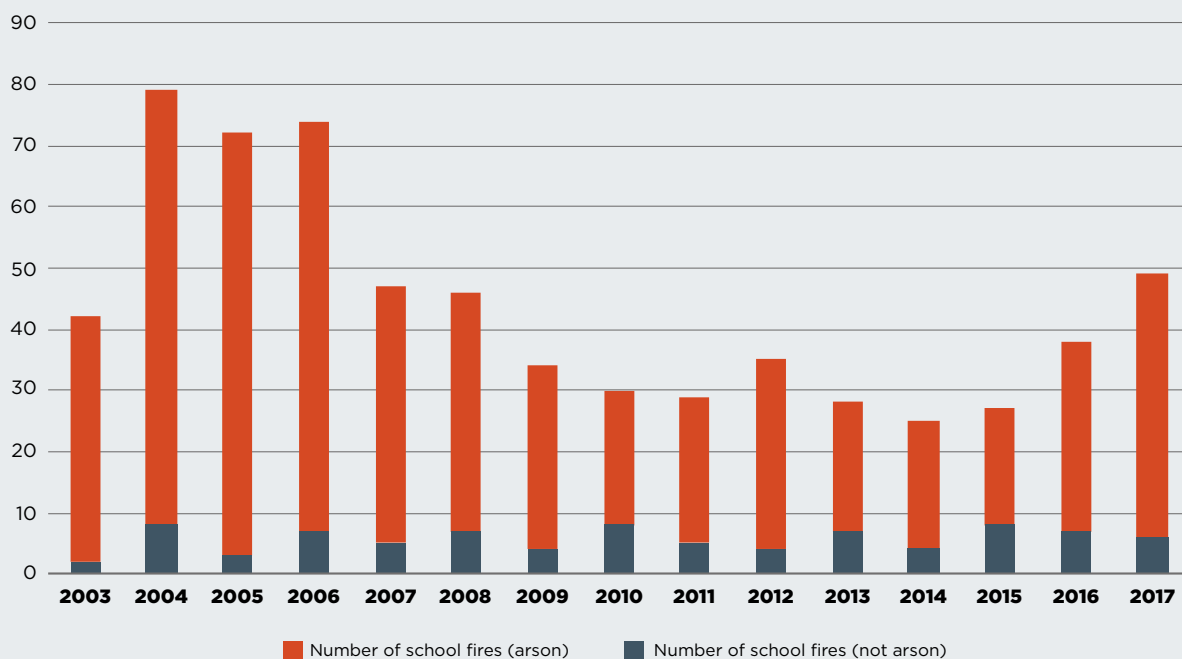
Damage, theft and intrusion also account for major costs on the whole, but these individual events typically fall below the excess.

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, Cost allocation for various types of property claims.

The number of fire incidents in 2017 increased somewhat compared to 2016, see the diagram at the side. There were 104 (96) fire incidents at clients' own property (not including residential). 49 per cent were arson, compared to 46 per cent in 2016. 75 per cent of all fires were discovered by fire detectors directly connected to the fire brigade.

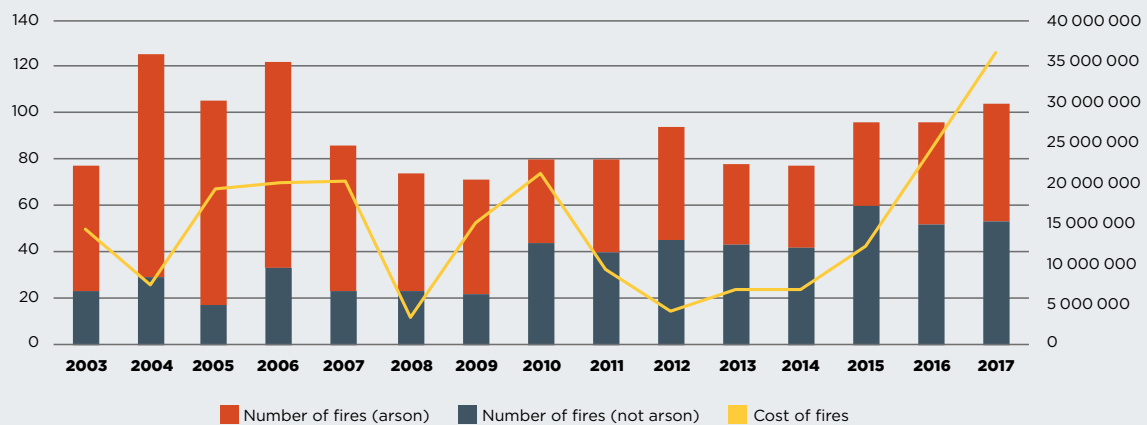
The number of fire incidents at schools increased to 49 (38) in 2017 and the number has been increasing since 2014, see below. 47 per cent of fire incidents were school fires. 88 per cent of the school fires were arson. However, the costs associated with school fires decreased in 2017.

Number of school fires, arson and non-arson, 2003-2017



Number of school fires, arson and non-arson. The number of arson school fires has increased in recent years. However, the costs associated with school fires was lower in 2017 compared to the year before.

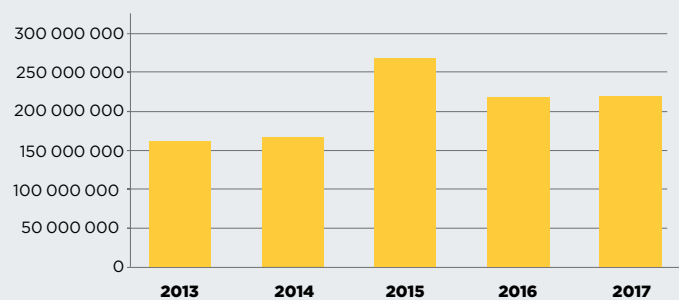
Number of fires and cost of fires 2003–2017* (not including residential)



Fire statistics 2003–2017. 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 total cost of fires in 2017 was at a relatively high level, but it is primarily due to the high cost, SEK 30 million, for one specific incident.

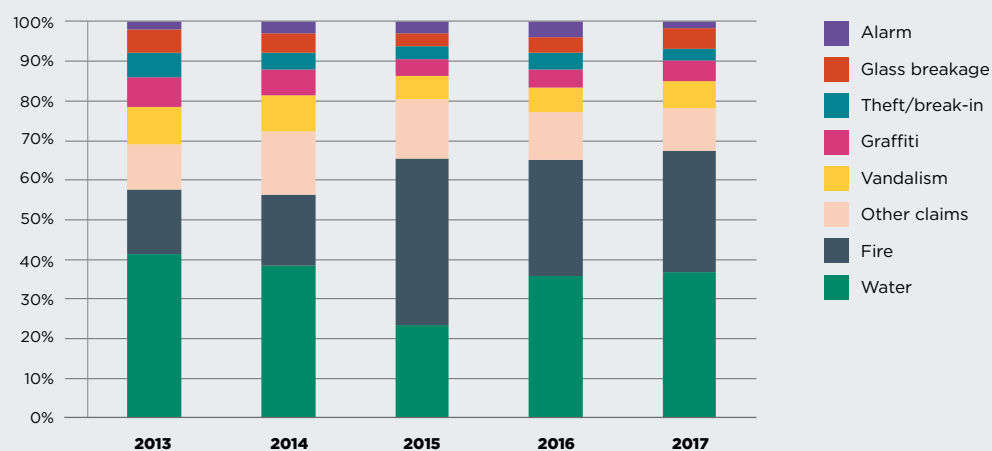
* The fire at Torslanda school in 2009 is not included. The cost is estimated at approximately SEK 108 million.

Total cost (SEK) of property damages for the City of Gothenburg, 2013–2017

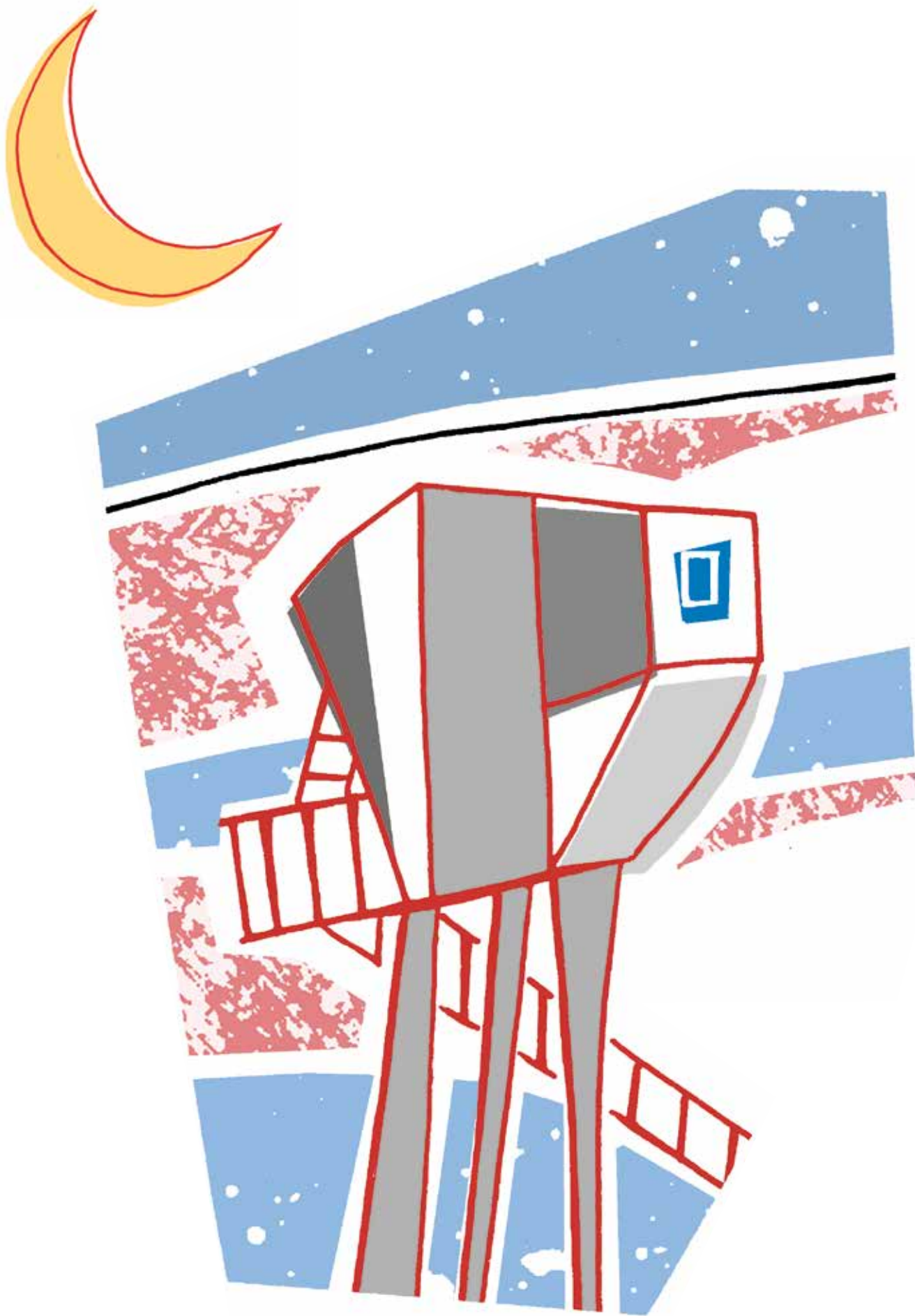


Property claims above and below the excess. The total cost of property damages for the City of Gothenburg was at the same level as in 2016. The high total cost in 2015 resulted from the serious fire at Decemborgatan.

Cost allocation for various types of property claims



Cost for various types of property claims. The diagram shows the breakdown of costs by type of property damage over the last five years. Fire and water damages have both increased as a percentage of the total costs. 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 excess.



Important issues for the future

- Göta Lejon will continue delivering cost effective insurance solutions in accordance with clients needs and ensuring that there is a good dialogue with clients.
- One overall 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.
- The company needs to devote more attention to global trends, such as the risk of terrorism and social unrest.
- The development of IT-related risks is another area that the company is focusing on, from both an insurance and risk perspective.
- Risk management and risk financing associated with infrastructure projects like the West Swedish Agreement and other major urban development projects for Gothenburg are important issues for Göta Lejon.
- Göta Lejon strives to highlight the risks that could arise as the City of Gothenburg increases its rate of residential construction. For example, the type of building materials used is important from both a risk and insurance perspective.
- The rise in water damages due to climate change and more extreme weather conditions is an increasingly important issue.
- Göta Lejon is reviewing the city's need for environmental liability insurance and it has started up a project to identify the largest exposures.
- Solvency II entered into force on 1 January 2016. These regulations and other higher requirements on internal control are a challenge, given the size of the company. How Göta Lejon is able to meet the requirements on internal control from external regulatory authorities and the city will remain fundamental to goal achievement.
- Measures focused on meeting the requirements of the General Data Protection Regulation (GDPR), which enters into force on 1 may 2018, are a high priority.
- In order for Göta Lejon to fulfil its mission, employees must have a high level of commitment and expertise. The company must also be able to retain its employees. Additionally, the requirements are becoming more stringent, since certain services require a test of suitability by FI (Sweden's financial supervisory authority).



Profit/loss & balance sheet

INCOME STATEMENTS (SEK 000s)	2017	2016
Earned premiums	125,819	112,470
Reinsurance	-40,609	-38,394
Claims	-45,747	-38,738
Operating costs	-36,132	-36,291
Investment return	-	1,071
Other income	-	267
Profit before appropriations and tax	3,331	385
Change in contingency reserve	-3,440	603
Tax	-	-
PROFIT (LOSS) FOR THE YEAR	-109	988

BALANCE SHEET ASSETS (SEK 000s)	2017-12-31	2016-12-31
Intangible assets	6,830	4,314
Investment assets	291,032	286,369
Unearned premiums, reinsurers' share	-	-
Claims outstanding, reinsurers' share	26,906	10,227
<i>Total reinsurers' share of technical insurance provisions</i>	26,906	10,227
Receivables in respect of direct insurance	2,286	3,239
Receivables in respect of reinsurance	-	-
Other receivables	32	-
<i>Total receivables</i>	2,318	3,239
Tangible assets	184	393
Prepaid expenses and accrued income	1,064	7,267
TOTAL ASSETS	328,334	311,809

BALANCE SHEET EQUITY, PROVISIONS AND LIABILITIES (SEK 000s)	2017-12-31	2016-12-31
Share capital	145,000	145,000
Fund for development expenses	6,705	1,558
Accumulated profit or loss	-	-
Claims equalisation reserve	20,926	25,085
Profit (loss) for the year	-109	988
<i>Total equity</i>	<i>172,522</i>	<i>172,631</i>
Contingency reserve	20,784	17,344
Unearned premiums and remaining risks	-	9
Claims outstanding	127,393	104,231
<i>Total technical insurance provisions</i>	<i>127,393</i>	<i>104,240</i>
Liabilities in respect of direct insurance	1,441	4,717
Liabilities in respect of reinsurance	-	-
Other liabilities	3,315	8,859
<i>Total liabilities</i>	<i>4,756</i>	<i>13,576</i>
Accrued expenses and prepaid income	2,879	4,018
Total equity, provisions and liabilities	328,334	311,809

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.



Göteborgs Stad
Försäkrings AB Göta Lejon

Försäkrings AB Göta Lejon
Stora Badhusgatan 6
411 21 Göteborg

Phone +46 (0)31-368 55 00
gotalcjon@gotalcjon.goteborg.se
www.goteborg.se/gotalcjon

Illustration: Kerstin Holmstedt, 2018

