

KALEVA

VAKAUTTA YLI ELÄMÄN



2020

.....
KALEVA MUTUAL INSURANCE COMPANY
ANNUAL REPORT
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CEO's Review

A good start and a good end to a turbulent year

Life insurance companies study the risks that affect people's lives and health. We know that pandemics are events that have tested humankind in the past and will also do so in the future. We know the dates of past events and how they unfolded, but we cannot tell the future. We now know that the biggest factor that shaped the year 2020 for both Kaleva and our external environment was the rapid spread of coronavirus. It affected everything in the lives of Finns – livelihoods, daily routines, work and recreation. We at Kaleva focused on looking after our customers and business. The year is now behind us, and Kaleva came through alright in the end.

A good start to the year

The year started well for Kaleva. The brisk growth in life insurance sales was boosted by a successful marketing campaign. The mood in the investment market, especially with respect to equity investments, was positive.

A turbulent, hectic spring

The first news of the fast-spreading pandemic and infections caused significant concern and uncertainty. We at Kaleva promptly deployed our procedures according to the risk management plan. Monitoring and communication were stepped up between the company's management, Board of Directors and the Finnish Financial Supervisory Authority. Staff were sent to work from home, and we stopped marketing our life insurance policies due to the unusual circumstances – we did not want people to feel that we could be taking advantage of their fear and anxiety.

In hindsight, we believe these steps to have been successful. Technology made it possible for our staff to work remotely and still communicate effectively with each other, our customers and external partners alike. The public were acutely aware of the heightened level of risk, and life insurance policies were in high demand. Online sales at if.fi and kalevavakuutus.fi in particular were up. Customers who already had insurance remained calm, and there was no significant increase in the number of calls to customer service or policy cancellations. Only a few claims relating to coronavirus deaths were paid.

Growing uncertainty caused a dip in the stock market in the spring, but the market recovered in the autumn. Kaleva, being a financially solid investor, was able to take advantage of the investment opportunities that the volatility created.



Risk management plays an important role in Kaleva's business. We had the necessary procedures in place and followed them throughout the spring. Each unexpected situation is different, however, and we identified a number of ways in which our risk management procedures could still be improved. The most important additions to our existing procedures included internal indicators and reports. These enable us to better forecast the effects of changes in our external environment on Kaleva and to initiate our response at the right time.

A slightly more normal autumn

We resumed the marketing of our services towards the end of the year and managed to

reinstate a sense of normalcy in our sales and customer service. We were able to interact effectively with our customers and our extensive network of partners despite still relying on the remote communication technology deployed in the spring.

We also continued to pursue our risk management development programme, which included revising the target risk level of our investment portfolio. This allows us to ensure a sufficient rate of return on the 4.5 per cent guaranteed interest rate we apply to insurance savings and a fair distribution of our considerable terminal bonus liability with respect to customers' savings maturing at different times. The annual return on Kaleva's investment portfolio came to 4.5 (10.1) per cent.

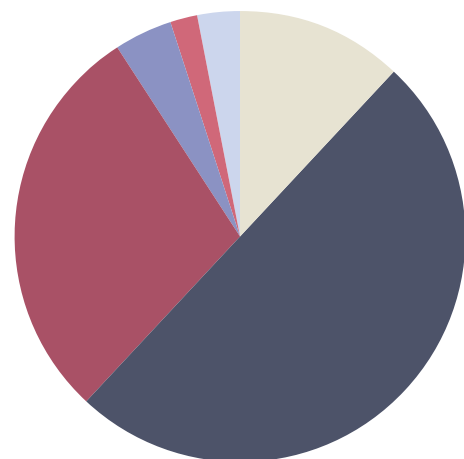
All these steps helped to make our figures for the year 2020 good in the end.

Cooperation with unions and members

We work closely with a number of Finnish unions. Our joint efforts have enabled us to develop and create new forms of cooperation. Scoring 4.3 (on a scale of 1 to 5) in our annual partner survey is a strong indicator of the success of our cooperation despite the challenging conditions during the year. Working together allowed us to come up with new ways to provide life insurance as a membership benefit in a manner that adds value for the members, the unions and Kaleva. Life insurance sales were up: 21,598 (21,193) union members and spouses took out policies that cover death. All in all, Kaleva has insured 216 (210) thousand Finns against death caused by illness or accident.

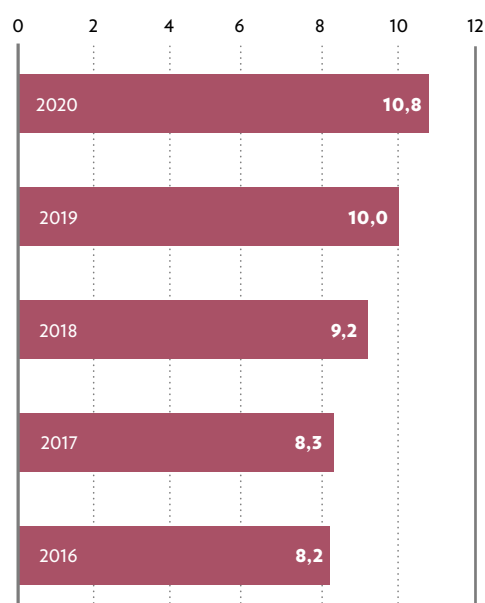
Our customers well understand the importance of comprehensive cover. Households' loan liabilities have grown year after year. The average value of new life insurance policies was

Allocation of investment portfolio 31 December 2020 EUR 1,413 million



● Money market securities and cash	12%
● Credit bonds, funds and loans	50%
● Equity	29%
● Real estate	4%
● Private equity	2%
● Venture capital funds	3%

Development of risk sums for the life insurance portfolio (EUR billion)



At the end of 2020, Kaleva had insured lives of Finns for the total amount of EUR 10.8 billion.

EUR 110 (104) thousand, and Kaleva has insured Finns' lives for the total amount of EUR 10.8 (10.0) billion.

Older risk and savings insurance policies

Kaleva carries a significant number of insurance policies that were sold before 1997. In addition to life and accident cover, many of these policies include savings.

Kaleva is a mutual company that distributes any surplus profits generated by the company back to its customers. In the case of old life and accident insurance policies, this is done by means of discounts and an increase in the amount of compensation payable in the event of death.

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The overall score that the decision-makers of our partner unions gave for cooperation with us in the annual partner survey was 4.3/5.0.

Kaleva pays an annual guaranteed interest rate of 4.5 per cent on customers' savings. Any return on investment that exceeds this is paid to customers as terminal bonuses when policies mature. Terminal bonuses were increased in March based on the previous year's investment performance and in December based on the year's returns. At the end of the year, customers' insurance savings amounted to EUR 409 (421) million and the terminal bonus liability to EUR 480 (451) million.

Focus on the essential and a network-based approach

There are two aspects to Kaleva's business – the life insurance policies of our partner unions' members and managing the covers

and savings of our old insurance portfolio. We focus on the long term: our longest-standing insurance contracts mature in 2087.

We pursue our goals working closely with an extensive network of partners. If sells new insurance policies and manages customer service and claims settlement for them. The old insurance portfolio is managed by Mandatum Life, and investments are the responsibility of Sampo's Investment Unit. Our partner unions have an important role to play in helping us to find new ways to reach their members effectively and build a meaningful dialogue with them.

Last year taught us that managing such a vast network successfully is not a foregone

conclusion. The key to performing well lies in regular communication, efficient coordination and keeping everyone motivated to do their part. The year 2020 was, albeit difficult, a big success for us in this respect.

I would like to thank all our partners, our staff and especially our customers. Our journey together has been smooth despite the turbulent environment. It is important to me that Kaleva is the best possible partner for all of you in the future as well.

Helsinki, March 2021

Timo Laitinen
CEO



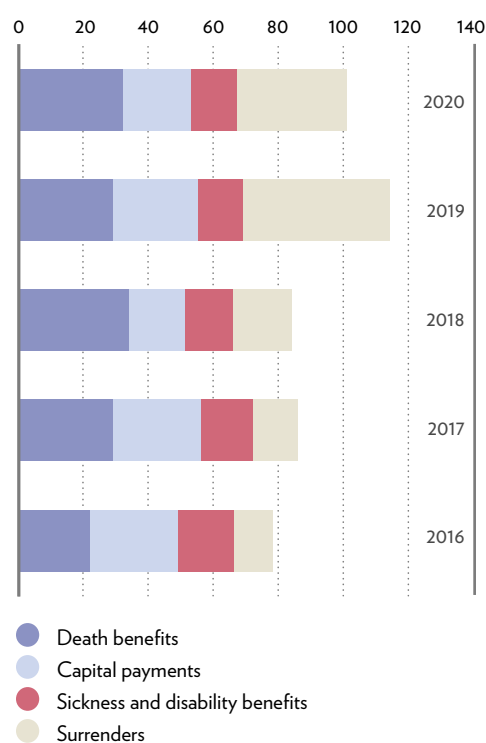
Kaleva's key figures 2020

EUR million	Kaleva	
	2020	2019
Premiums written (on own account)	59	56
Net investment income	81	76
Claims paid (on own account)	-103	-116
Change in technical provisions before bonuses and change in equalisation provision	84	34
Operating expenses	-10	-10
Balance on technical account before bonuses and change in equalisation provision	111	41
Operating profit	111	41
Bonuses	-83	-14
Profit before extraordinary items, appropriations and taxes	28	27
Expense ratio, %	72	74
Average number of personnel	10	9
Technical provisions (on own account)	1,042	1,043
Balance sheet total	1,326	1,298
Valuation differences	287	308

Return on Kaleva's investment portfolio 2004–2020 (at fair value)



Kaleva's paid claims, EUR million



Sales of life insurance policies

Year	Pcs
2020	14,157
2019	13,772
2018	13,302
2017	9,442
2016	8,677

Number of life insurance policies purchased online up by

19%

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MBA
Oy Aija Bärlund Ab

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Union of Professional Engineers in Finland

Eija Harjula

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Päivi Niemi-Laine

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Trade Union for the Public and Welfare Sectors (JHL)

Katri Ojala

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Confederation of Unions for Professional and Managerial Staff in Finland (Akava)

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Trade Union of Education in Finland (OAJ)

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Varma Mutual Pension Insurance Company

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