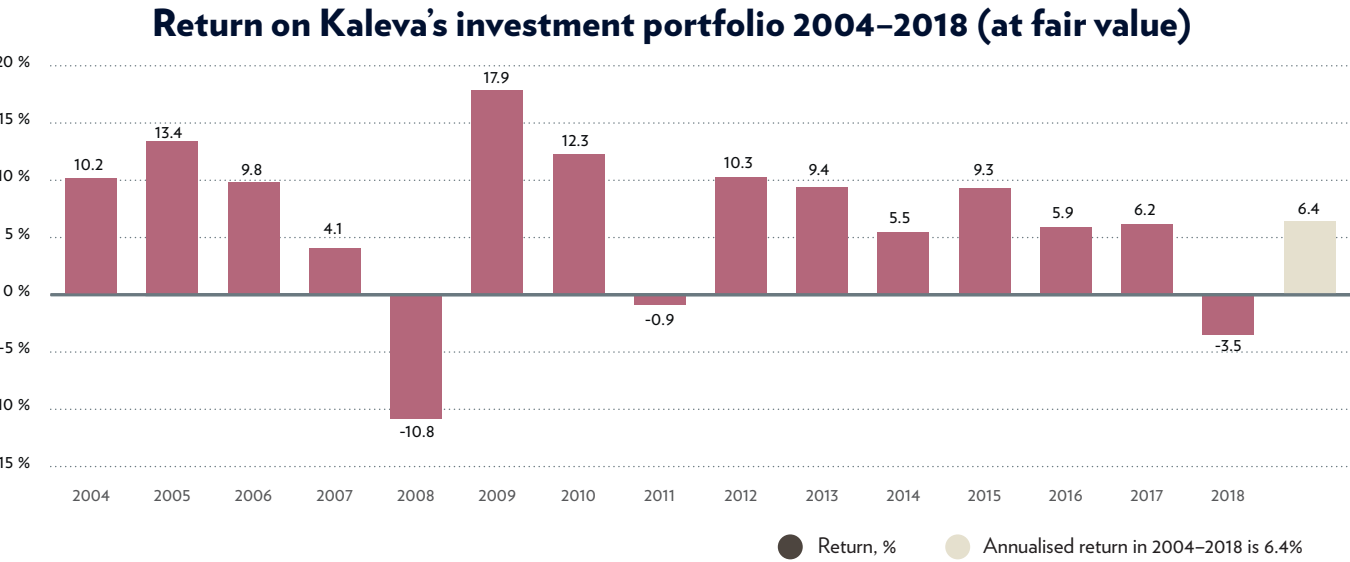


Kaleva key figures 2018

MEUR	Kaleva	
	2018	2017
Premiums written (on own account)	54	60
Net investment income	29	112
Claims paid (on own account)	-85	-87
Change in technical provisions before bonuses and change in equalisation provision	65	44
Operating expenses	-11	-8
Balance on technical account before bonuses and change in equalisation provision	51	120
Other income and expenses	0	0
Operating profit	51	120
Change in equalisation provision	0	0
Bonuses	-103	-112
Profit before extraordinary items, appropriations and taxes	-52	8
Expense ratio, %	78	61
Average number of personnel	9	9
Technical provisions (on own account)	1 064	1 026
Balance sheet total	1 302	1 321
Valuation differences	234	306



Solvency ratio = Solvency II’s own funds divided by Solvency II’s solvency requirement

Date	Solvency ratio
1/1/2016	387%
31/12/2016	403%
31/12/2017	436%
31/12/2018 estimate	443%

New sales of insurances

Year	Pcs
2016	22,753
2017	21,926
2018	29,110

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Chairman  
The Finnish Confederation of Professionals (STTK)

Deputy Chairman

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Director  
Akava

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CEO  
Realia Group Oy

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Union of Professional Engineers in Finland

**Hannu-Matti Järvinen**  
President of the Council  
Academic Engineers and Architects in Finland (TEK)

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Investment manager  
Industrial Union

**Teemu Lehtinen**  
CEO  
Taxpayers Association of Finland

**Jukka Mattila**  
CFO  
Service Union United (PAM)

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Finnish Medical Association

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Trade Union of Education (OAJ)

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Kiilto Oy

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Union of Finnish Lawyers

**Petri Vanhala**  
President  
The Finnish Paper Workers’ Union

Board of directors

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**Petri Niemisvirta, 49**  
managing director of Mandatum Life Insurance Company Limited

Vice Chairman of the board

**Pekka Pajamo, 56**  
vice president, Varma Mutual Pension insurance company

Board members

**Timo Harju, 43**  
Head of Sales and Service, If P & C Insurance plc, Finnish branch

**Jari Sokka, 58**  
Master of Arts

**Ilkka Tomperi, 43**  
investment director, real estate, Varma Mutual Pension insurance company

**Timo Vuokila, 53**  
Secretary of the Board

KALEVA





# CEO'S REVIEW



Kaleva continues to look after the Finnish people. The care started no less than 145 years ago and still continues today. Each working day, approximately 100 new Kaleva insurance policies are purchased, and the company processes more than 300 claims and pays about EUR 400 000 in claims. With its technical rate of interest, Kaleva increases its customers' savings on average by EUR 100 000 every day. Kaleva provides its customers with stability throughout life.

In 2018, Kaleva's

- sales and base of life insurances increased
- solvency was strong
- the result of investment operations was affected by low interest rates and the decline in the equity market at the end of the year

- the most important themes of developing customer service were communications, digitalisation, and the General Data Protection Regulation

**'Physical and economic prosperity as our goal'**

Kaleva is continuously researching how Finns are preparing themselves for surprising events the households may encounter. What is notable is that Finns believe that life will support them, and that the safety networks of society also help them in situations where a serious illness, accident or death suddenly changes a family's everyday life. This is not always the case – not to the expected extent, anyway. Each year, almost 10 000 working age Finns die, and every fifth Finn of active age falls seriously ill at some stage. It is surprisingly rarely that people

have prepared themselves for such events. Only every third household of two adults has evaluated how to prepare for the other party's death.



The most common reason for not preparing for death in any way is due to a simple reason - the matter has not come to mind. However, preparations need to be made in time, and it is our job to make the matter clear. At Kaleva, communications concerning preparations for death is continuous, and we are using both old and new methods.

One method found to be effective is to be where the customers are. In the summer, many Finns follow track and field sports at the Kaleva Games either on site or in the media. Kaleva has been involved with the sporting event for 110 years. Even then, the company personnel wanted to highlight the need to prepare oneself: physical well-being is taken care of by sports activities and economic well-being by Kaleva's insurance policies. The co-operation between the Kaleva Games and Kaleva Trophy continues: a long-term extension was agreed on with the Finnish Athletics Federation during the 2018 games in Jyväskylä.

Methods of communications are evolving, more methods are available. In December, a service by Kaleva and Mandatum Life, Tuleva (tuleva.fi), was announced. The service deals with life and its delicate issues in a bold manner - and with thought. The readers have

information, support, and feeling available to them.

New methods and new content have been introduced in the communications and services of existing customers. The Primus insurances offered by Kaleva's organisation partners can be found in If's electronic My Pages service, and the insurance, savings and terminal bonus information for Kaleva's other policies in the mandatumlife.fi online service.

The messages concerning the making of preparations in time reached the customers. More than 29 000 new insurance policies were sold to the members of Kaleva's co-operation organisations, which is 33% more than the previous year. Kaleva's insurances protect 225 000 Finns, in total, our policies cover pure life insurance risk with over 9 billion euros.

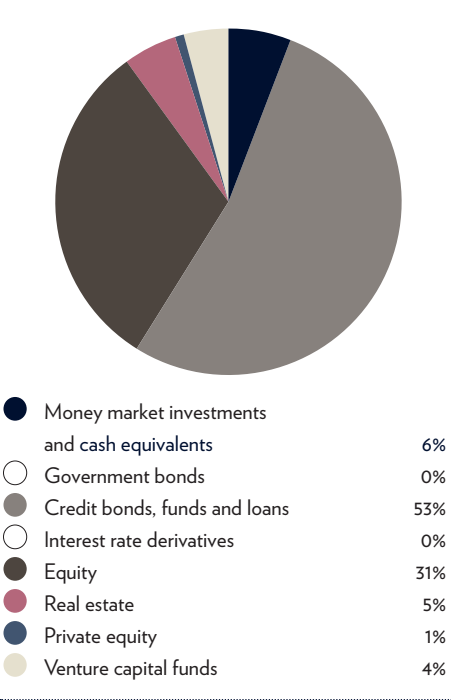
**Lifetime partner for customers**

Kaleva's oldest insurance policy that is still effective was taken out in 1938. The insurance policies that are valid the longest will expire in 2087. The life cycle of the insurance agreements managed by the company spans almost 150 years.

More than 10 000 insurance policies also have insurance savings for the total of approximately EUR 450 million in addition to insurance coverage. The savings are accumulated by an annual 4.5% technical rate of interest and by an additional benefit determined on the basis of the result of investment operations, that is, the so-called terminal bonus. The terminal bonus is paid to the customers in connection with the termination of their agreements, and the customer-specific amount will depend on the insurance, premiums, surrenders and their timing. EUR 31 million was paid in terminal bonuses for savings insurance policies that expired in 2018.

Benefits granted to the customers' insurance policies are guided through a so-called bonus policy, which ensures that any surplus assets are fairly refunded among the customers, between the insurance premiums and the insurance savings that have contributed to the assets. This is long-term activity which ensures the distribution of bonuses to the existing insurances and those valid in the future. In 2018, the bonuses were implemented as reductions in insurance premiums, increases in

## Allocation of investment portfolio 31 Dec 2018 EUR 1 411 million



compensation amounts, and terminal bonuses paid out.

## Solvency, investment operations and financial result

Kaleva is one of the most financially sound life insurance companies in Finland. The company's solvency is roughly four times the required minimum. The company has good ability to withstand fluctuations in the economy and investment market.

In 2018, the interest level remained low, and towards the end of the year the decrease in equity prices affected the investment market. The changes in the emphasis of Kaleva's investment portfolio into different instrument categories (allocation) were minor during the financial year. Outstanding interest investments were renewed, sales of equities were kept minor, and the emphasis of purchases was the end of the year: that is, sales profits were realised to a minor extent. The return on investment operations was -3.5. At the end of 2018, the investment portfolio amounted to around EUR 1.5 billion.

The increase in the terminal bonus liability in accordance with the bonus policy was EUR 61 million in 2018. In spring, the terminal

bonuses were increased on the basis of the results of the previous year and closure of the old insurance portfolio. In December, the terminal bonuses were reduced as a result of investment activities.

Kaleva's book profit was EUR -52 million. The most important factors affecting the result were the increase in the terminal bonus liability and the result of investment activities.

The result of the actual insurance operations was good, the ratio of actual claims expenditure to collected risk premium income being 73%.

## Co-operation

Kaleva's operations model is based on close co-operation in sales, customer service, management, and investment activities.

New insurance policies are sold to the members of the employee organisations acting as co-operation partners. The General Data Protection Regulation that came into

force in May, 2018, and the new potential of digitalising services were among the most important topics in developing co-operation. The insurance policies are sold and managed by If P & C Insurance plc, Finnish branch. In addition, they may be bought in the henkivakuutuskuntoon.fi service. This streamlined collaboration model enables us to offer organisation members the most affordable life insurance policies in Finland (FINE – the Finnish Financial Ombudsman Bureau: Basic information about life insurance, 2016). The discounts are significant, more than 70% at best.

Kaleva's other customer and administrative services are realised in co-operation with Mandatum Life Insurance Company, and investment services by Sampo plc's investment unit.

## Varied year

Kaleva's mission is to offer insurance to the members of its co-operation partners, and to manage existing insurance policies

and savings during their entire life cycle. In addition to the company's own actions, the implementation is affected by the operating environment. Kaleva actively influences the environment by providing information on the need to prepare oneself in time. On the other hand, the changes in the environment, especially regulation and the investment market, need to be reacted to.

All these subject matters were discussed in 2018. The implementation was carried out in close co-operation with the partners. My big thank you to all those who took part in the work and to Kaleva's personnel for a successful year. Special thanks to the customers who have chosen Kaleva as their life insurance company. Let us hope our co-operation will continue for a long time to come.

Helsinki, March 2019

**Timo Laitinen**  
CEO



From left to right: Director Minna Mikkonen, Managing Director Timo Laitinen, Customer Manager Hannu Stark, Product and Customer Experience Manager Sini Rakkola, Customer Manager Marja-Liisa Sillanpää, Product and Customer Experience Manager Essi Rosokivi, Chief Actuary Teemu Jokela, Marketing Manager Jussi Lehtonen. 110 years ago, Kaleva's personnel donated the silver Kaleva Trophy shown in the photo as an eternally circulating challenge trophy to the track and field Finnish championship series.