



# *Local Insurance Mutual Company*

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BOARD OF DIRECTORS  
REPORT 2009

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Official Financial Statements

The company's official Financial Statements and the Consolidated Financial Statements are available for viewing at Local Insurance Mutual Company's headquarters, Lintuvaarantie 2, 02600 Espoo.

## REPORT OF THE BOARD OF DIRECTORS, 2009

This financial year marked Local Insurance Mutual Company's 92nd year in operation.

In the year under review, the Local Insurance Group comprised the Federation of the Local Insurance Group, Local Insurance Mutual Company, and Palonvara Mutual Insurance Company, as well as their 82 (84 in the previous year) member insurance associations.

Preliminary information indicates that the Group's premium income amounted to EUR 304.2 million (comparative: -285.4 million euros). Direct insurance premium income increased by 6.6 per cent (in 2008, 6.4 per cent) year on year. According to preliminary information from the Federation of Finnish Financial Services, non-life insurance companies' aggregate premium income from direct insurance increased by 2.3 (4.0) per cent. Also, preliminary information indicates that the Group's market share for direct non-life insurance was 9.1 (8.7) per cent.

### MEMBER INSURANCE ASSOCIATIONS

At the end of the year, Local Insurance provided reinsurance for 80 (82) local insurance associations. Their aggregate direct insurance premium income increased by 5.3 (6.3) per cent, coming to EUR 177.1 million (EUR 168.1 million).

Claims incurred by the insurance associations, exclusive of claims settlement expenses, came to EUR 98.8 million (EUR 94 million), or 57 (57) per cent of premiums earned before reinsurers' share. The insurance associations provided compensation for 21 (19) large claims, each exceeding EUR 170,000, the largest of these being an individual claim for EUR 1.0 million (EUR 1.5 million).

### LOCAL INSURANCE MUTUAL COMPANY

#### Direct insurance premium income

The premium income from direct insurance increased by 8.5 (7.7) per cent, amounting to EUR 123.0 million (EUR 113.4 million).

Premium income accrued, by insurance class grouping, is as follows:

	Year 2009 (in millions of euros)	Year 2008 (in millions of euros)	Change (%)
Motor vehicle liability insurance	75.8	69.4	+ 9.3
Statutory accident insurance	22.7	22.5	+ 0.9
Other accident and health policies	19.6	16.8	+ 16.5
Other	4.9	4.6	+ 5.2
	123.0	113.4	+ 8.5

Credit losses on insurance premium receivables amounted to EUR 2.6 million (EUR 2.4 million), mainly related to statutory insurance classes. Credit losses for statutory accident insurance increased by 39.8 (in 2008, decreased by 7.9) per cent and credit losses related to motor vehicle liability insurance decreased by 2.7 (28.3) per cent, year on year.

#### Reinsurance premium income

Premium income for domestic reinsurance business assumed from member insurance associations came to EUR 15.4 million (EUR 22.6 million). As a result of a long line of good years, the reinsurance premium for the 2009 financial year showed a significant decrease. Other reinsurance premium income remained at EUR 0.3 million – the same as in the previous year.

#### Direct insurance claims paid

Direct insurance claims paid by Local Mutual Insurance Company totalled EUR 72.1 million (EUR 66.9 million), an increase of 7.7 per cent year on year.

The breakdown of claims paid, by group of insurance class, was as follows:

	Year 2009 (in millions of euros)	Year 2008 (in millions of euros)	Change (%)
Motor vehicle liability insurance	43.5	39.8	+ 9.3
Statutory accident insurance	12.6	13.6	- 7.4
Other accident and health policies	12.9	10.8	+ 19.1
Other	3.1	2.7	+ 13.9
	72.1	66.9	+ 7.7

The loss ratio in direct insurance was 81 per cent, the same as for 2008.

### Reinsurance claims paid

Claims paid for reinsurance assumed from member insurance associations totalled EUR 11.9 million (EUR 10.7 million), representing a loss ratio of 104 per cent (54%), including retrocessionaires' share.

### Retrocession

Retrocession premiums paid by the company came to EUR 6.2 million (EUR 6.4 million), which is 3.3 per cent down on the 2008 figure (comparative: 3.1 per cent for 2007 to 2008). The retrocessionaires' share of claims paid by the company was EUR 2.8 million (EUR 3.0 million). The retrocession pool formed by the insurance associations accounted for EUR 4.3 million (EUR 4.5 million) of the retrocession premiums and EUR 2.2 million (EUR 2.6 million) of the claims paid.

### Loss ratio

Local Mutual Insurance Company's claims incurred on its own account came to EUR 106.7 million (EUR 97.5 million), and the loss ratio was 83 (77) per cent. The loss ratio excluding calculated interest expenses was 78 (73).

### Operating expenses

The company's operating expenses totalled EUR 23.6 million (EUR 22.7 million), showing an increase of 3.9 (7.4) per cent. The operating expenses ratio came to 18.3 (17.9) per cent.

### Combined ratio

The company's combined ratio was 101 (95) per cent, and the combined ratio excluding calculated interest expenses was 96 (90).

### Investments

With regard to investments, the 2009 financial year was very successful, unlike the previous year: Results were exceptionally good in investments in shares and debentures. Net return on employed investment capital at fair value amounted to 11.5 per cent (9.5 per cent of the negative figure).

Investment income came to EUR 46.5 million (EUR 36.4 million), a 27.6 per cent year-on-year increase (comparative: a 3.6 decrease). Of this, value readjustments accounted for EUR 20.6 million (EUR 0.1 million) and realised gains on investments for EUR 8.8 million (EUR 17.4 million). Investment charges came to EUR 11.4 million (EUR 55.9 million). Of this amount, value adjustments accounted for EUR 4.9 million (EUR 45.2 million) and realised losses on investments for EUR 2.7 million (EUR 7.1 million). Investment assets at fair value amounted to EUR 568.4 million (EUR 477.6 million).

### Operating profit

The company's turnover amounted to EUR 170.7 million (EUR 114.3 million). Resulting from the good result on investments, the company's operating profit amounted to EUR 33.5 million (comparative: an operating loss of EUR 12.9 million), accounting for 19.6 (11.3) per cent of turnover.

### Group structure

In addition to the parent company, Local Insurance Group comprises 13 housing and real-estate companies, and an additional housing company is under construction. The consolidated accounts do not include Länsi-Helsingin Liikekeskus as an associated company.

### Earnings and solvency

At the end of 2009, the profit and loss account shows a profit of EUR 31.3 million (compared with a loss of EUR 18.5 million for 2008) and an equalisation provision of EUR 75.9 million (EUR 76.9 million), representing 44 (42) per cent of its full amount. At year end, solvency capital came to EUR 215.2 million (EUR 167.7 million), and the solvency ratio was 167 (132) per cent.

### Personnel

The average number of personnel during the financial year was 125 (164) people. At the end of the year, the company employed 138 (145) people, 107 (114) of them women and, as in 2008, 31 of them men. There were 121 (125) permanent and 17 (20) fixed-term employees. Their average age was 42.5 years, compared to 43 years in 2008. The average number of employees was reduced with the transfer of some staff to the Federation of the Local Insurance Group on 1 July 2008.

## Risks and risk management

The purpose of risk management is to survey the risks influencing the company's operations and limit them to a level approved by the Board of Directors. The general risk management principles have been defined in a risk management plan approved by the Board of Directors.

In the risk management plan, risks are classified by function. This function-based classification of risks supports the assignment of responsibilities for the various sectors of risk management at organisational level and is independent of any changes in the organisation. In addition to the function-specific classification, the company has prioritised the risks in its risk management plan by assessing them on the basis of frequency of being realised, in one dimension, and the magnitude of their effects, in the other.

The company's most substantial risks are associated with the investment assets shown in the statement of financial position, which cover the underwriting reserves and capital. In order to reduce risks affecting the values of investment assets, the company has determined clear risk tolerances for different types of investments in its investment plan.

The so-called subprime crisis, which began in 2007 in the United States, broadened into a large-scale financial crisis in 2008, affecting the economy worldwide. The full repercussions of the ongoing deep recession on the global real economy will be visible in the weaker business results for 2008 and 2009. Although stock values have recovered since the beginning of 2009 and as a result the company's solvency has improved also, at the moment it is still difficult to determine how secure the foundation for the recovery of the economy is. The company performs so-called stress tests at regular intervals, in order to monitor changes in stock and financial instrument values in the market and their effects on company solvency. In the autumn of 2009, the Financial Supervisory Authority (FIN-FSA) required that insurance companies perform a stress test based on preliminary deterministic scenarios concerning the development of certain indicators of the world economy. If the future turns out as forecast in the stress test scenarios, the company's performance in the near future will not be a problem.

## Events since the end of the financial year

There have been no significant events in the company's operations since the end of the financial year.

## Outlook

The Group and the company have invested markedly in strengthening their market position, both in collaboration with their partners and on their own initiative. This market position is expected to become even stronger. The current instability of

the global economic situation, however, is slowing down growth and decreasing economic profit. With regard to investments, the 2010 financial year will be difficult.

## Board proposal on distribution of profits

On 31 December 2009, the parent company's distributable profits came to EUR 87,575,124.08.

The Board of Directors proposes that, from the profit of EUR 31,318,538.01 for 2009, annual interest of EUR 0.50 per guarantee share be paid on the guarantee capital, for a total of EUR 875,100. The remaining portion, amounting to EUR 30,443,438.01, shall be transferred to the contingency reserve.

Provided that the Annual General Meeting approves the Board's proposal, the company's capital and reserves will stand as follows:

Restricted capital and reserves		
Initial fund	500,000.00	
Guarantee capital	<u>7,359,062.72</u>	7,859,062.72
Non-restricted capital and reserves		
Contingency reserve		<u>86,700,024.08</u>
		<u>94,559,086.80</u>

## Board of Directors

In 2009, the Board of Directors consisted of the following members:

Ralf Wickström, Managing Director; Sipoo, as chairman  
 Juha Antikainen, Managing Director; Kurikka, as vice-chairman  
 Jukka Hertti, Managing Director; Nastola  
 Erkki Moisander, Managing Director; Varkaus  
 Rauno Yrjönen, Managing Director; Rantasalmi  
 Petri Heikkinen, Chief Legal Counsel, as secretary to the Board of Directors

Hannu Nikkonen served as the company's managing director until 13 January 2009, and Erkki Moisander started in this position on 14 January 2009.

## PROFIT AND LOSS ACCOUNT

	I.I. - 31.12.2009		I.I. - 31.12.2008	
<b>Technical calculation</b>				
<b>Insurance premium income</b>				
Insurance premium income	138,759,765.66		136,328,651.20	
Reinsurers' share	<u>-6,154,373.80</u>	132,605,391.86	<u>-6,365,438.20</u>	129,963,213.00
Change in provision for unearned premiums		<u>-3,678,225.00</u>		<u>-2,982,541.00</u>
		128,927,166.86		126,980,672.00
<b>Claims incurred</b>				
Claims paid	-84,458,152.76		-78,129,059.81	
Reinsurers' share	<u>2,774,336.34</u>	-81,683,816.42	<u>2,976,557.15</u>	-75,152,502.66
Total change in claims provision	24,021,960.00		-23,474,093.00	
Reinsurers' share	<u>-997,797.00</u>	<u>-25,019,757.00</u>	<u>1,087,870.00</u>	<u>-22,386,223.00</u>
		-106,703,573.42		-97,538,725.66
Change in collective guarantee item		-113,442.00		-109,079.00
Operating expenses		<u>-23,622,139.93</u>		<u>-22,728,922.42</u>
Technical margin before change in equalisation provision		-1,511,988.49		6,603,944.92
Change in equalisation provision		<u>1,015,000.00</u>		<u>-5,683,000.00</u>
Technical margin		-496,988.49		920,944.92
<b>NON-TECHNICAL CALCULATION</b>				
Investment income	46,457,996.33		36,400,862.96	
Investment expenses	<u>-11,399,462.20</u>	35,058,534.13	<u>-55,945,679.81</u>	-19,544,816.85
Other income	587,435.55		544,989.87	
Other expenses	<u>-587,435.55</u>	<u>0.00</u>	<u>-544,989.87</u>	<u>0.00</u>
Profit/loss from operations before appropriations and taxes		34,561,545.64		-18,623,871.93
Appropriations				
Change in voluntary provisions		248,083.00		0.00
Income taxes				
Taxes for the period and previous periods		<u>-3,491,090.63</u>		<u>76,939.43</u>
Profit/loss for the period		<u>31,318,538.01</u>		<u>-18,546,932.50</u>

## STATEMENT OF FINANCIAL POSITION

	31.12.2009		31.12.2008	
<b>Assets</b>				
<b>Intangible assets</b>				
Intangible rights	1,126,975.63		1,320,512.98	
Other long-term expenditure	<u>2,662,534.24</u>	3,789,509.87	<u>1,830,608.87</u>	3,151,121.85
<b>Investments</b>				
Real estate investments				
Properties and real estate shares	70,142,195.61		68,091,722.09	
Loan receivables from Group entities	<u>8,765,500.60</u>	78,907,696.21	<u>9,235,249.48</u>	77,326,971.57
Other investments				
Shares and holdings	269,429,887.16		182,919,725.52	
Financial market instruments	164,702,284.09		156,734,603.25	
Mortgage receivables	2,959,645.79		2,395,385.70	
Other loan receivables	2,312,782.02		2,650,687.41	
Deposits	<u>3,270,000.00</u>	442,674,599.06	<u>28,618,181.54</u>	373,318,583.42
Reinsurance deposit receivables		<u>9,448.59</u>	<u>10,385.55</u>	450,655,940.54
<b>Receivables</b>				
From direct insurance				
From policyholders	24,251,127.71		23,250,840.31	
From reinsurance	1,438,326.76		1,328,809.21	
Other receivables	<u>4,237,616.31</u>	29,927,070.78	<u>7,063,286.11</u>	31,642,935.63
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	1,210,851.86		1,519,633.10	
Other tangible assets	<u>1,628,797.28</u>	2,839,649.14	<u>1,633,709.92</u>	3,153,343.02
Cash in hand and at bank		<u>13,440,865.52</u>	<u>11,006,451.69</u>	14,159,794.71
<b>Accrued credits and deferred charges</b>				
Interest and rents	2,805,095.45		3,166,736.45	
Other accrued credits and deferred charges	<u>2,235,186.22</u>	5,040,281.67	<u>6,440,393.44</u>	9,607,129.89
		<u>576,629,120.84</u>		<u>509,216,922.62</u>
	<b>31.12.2009</b>		<b>31.12.2008</b>	
<b>Capital and liabilities</b>				
<b>Capital and reserves</b>				
Initial fund	500,000.00		500,000.00	
Guarantee capital	7,359,062.72		7,359,062.72	
Other reserves				
Legal reserve	0.00		16,437,387.96	
Contingency reserve	<u>56,256,586.07</u>	56,256,586.07	<u>58,366,130.61</u>	74,803,518.57
Profit/loss for the period		<u>31,318,538.01</u>	<u>-18,546,932.50</u>	64,115,648.79
<b>Accumulated appropriations</b>				
Voluntary provisions		0.00		248,083.00
<b>Technical underwriting reserves</b>				
Provision for unearned premiums		39,813,392.00		36,135,167.00
Claims provision	337,204,405.00		313,182,445.00	
Reinsurers' share	<u>-2,786,676.00</u>	334,417,729.00	<u>-3,784,473.00</u>	309,397,972.00
Equalisation provision		75,866,000.00		76,881,000.00
Collective guarantee item		<u>2,949,487.00</u>	<u>2,836,045.00</u>	425,250,184.00
<b>Liabilities</b>				
From direct insurance	1,930,037.13		1,235,098.10	
From reinsurance	11,709,620.77		6,756,003.36	
Other liabilities	<u>8,314,568.14</u>	21,954,226.04	<u>8,993,967.89</u>	16,985,069.41
<b>Accrued expenses</b>				
		<u>6,194,100.00</u>		<u>2,617,937.42</u>
		<u>576,629,120.84</u>		<u>509,216,922.62</u>

## CASH FLOW STATEMENT

	2009	2008
<b>Indirect cash flow statement</b>		
<b>Cash flow from operations</b>		
Profit/loss from operations before extraordinary items	34,561,545.64	-18,623,871.93
Adjustments		
Changes in technical underwriting reserves	27,796,424.00	31,160,843.00
Write-downs and revaluation of investments	-15,674,913.81	45,055,502.79
Planned depreciation	2,050,153.94	1,891,949.26
Other adjustments	<u>-6,182,898.33</u>	<u>-10,361,225.15</u>
Cash flow before change in working capital	42,550,311.44	49,123,197.97
Change in working capital		
Increase (-)/decrease (+) in current interest-free business receivables	6,282,713.07	-4,545,692.70
Increase (+)/decrease (-) in current interest-free liabilities	<u>8,545,319.21</u>	<u>-4,171,881.33</u>
Cash flow from operations before financial items and taxes	57,378,343.72	40,405,623.94
Direct taxes paid	<u>-3,491,090.63</u>	<u>76,939.43</u>
<b>Cash flow from operations</b>	53,887,253.09	40,482,563.37
<b>Cash flow from investments</b>		
Expenditure in investments	-55,577,128.36	-45,329,189.92
Income from disposals of investments	6,182,898.33	10,361,225.15
Investments in and income from disposals of intangible and tangible items and other assets	<u>-2,058,609.23</u>	<u>-3,228,416.39</u>
<b>Cash flow from investments</b>	-51,452,839.26	-38,196,381.16
<b>Cash flow from financing</b>		
Interest paid on guarantee capital	<u>0.00</u>	<u>-875,100.00</u>
<b>Change in liquid assets</b>	<u>2,434,413.83</u>	<u>1,411,082.21</u>
Liquid assets at beginning of period	11,006,451.69	9,595,369.48
Liquid assets at end of period	<u>13,440,865.52</u>	<u>11,006,451.69</u>
	<u>2,434,413.83</u>	<u>1,411,082.21</u>

## ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounting Act, Companies Act, and Insurance Companies Act; the Accountancy Decree; and the relevant decisions, regulations, and guidelines issued by the Ministry of Social Affairs and Health and by the Financial Supervisory Authority.

### Valuation and accrual of intangible assets

#### *Intangible rights*

IT software licence fees have been capitalised as intangible rights. They are presented in the statement of financial position at acquisition cost less depreciation according to plan.

#### *Other long-term expenditure*

Modernisation costs for flats have been capitalised as other long-term expenditure. Expenses for IT development projects lasting at least one year and generating total costs of at least EUR 90,000 have been capitalised. They are presented in the statement of financial position at acquisition cost, less planned depreciation.

### Valuation and accrual of investments

#### *Real-estate investments*

Real estate has been recognised on the statement of financial position at acquisition cost, less depreciation as applied in accounting, or at a lower probable transfer price. The book values of some real-estate shares include revaluations.

Revaluations of real-estate investments in investment use applied in previous financial statements have been recognised through profit and loss.

#### *Shares and holdings*

Shares and holdings have been recognised in the statement of financial position at acquisition cost or a lower fair value. Shares held as investments have been measured on the basis of the average price. Earlier write-downs on investments have been reversed with an impact, in the results, on the value of shares and holdings insofar as the fair value exceeds the book value.

#### *Financial market instruments*

Deposits and bonds are financial market instruments. They have been registered in the statement of financial position at acquisition cost. The difference between the face value and acquisition cost of financial market instruments has accrued as interest income or deductions of interest income over said instruments' term to maturity. An offset item has been recognised as an increase or reduction in the acquisition cost. The interest alloca-

tion of certificates of deposit has been calculated on the basis of effective yield.

### Valuation of receivables

#### *Outstanding premiums*

Outstanding premiums are presented in the statement of financial position at their probable maximum value. When the nominal value of outstanding premiums is deducted through empirical expiry, the result is their probable value. Any receivable whose payment is unlikely is recognised as a credit loss.

#### *Loan receivables and reinsurance deposit receivables*

Loan receivables and reinsurance deposit receivables have been recognised at nominal value.

#### *Items denominated in foreign currency*

Receivables and debts denominated in foreign currency have been converted to the currency used in Finland in accordance with the exchange rate published by the European Central Bank on the closing date of the accounts.

### Planned depreciation

The acquisition cost of investment assets and fixed assets subject to wear and tear has been capitalised and will be recognised as expenses through depreciation over the useful life of the assets. Depreciation is based on a predefined plan.

The depreciation periods and methods are as follows:

Intangible assets		
Intangible rights		
Licences	5 years	straight-line depreciation
Other long-term expenditure		
Modernisation of flats	5	straight-line depreciation
IT systems' planning		
expenses	5 years	straight-line depreciation
Real estate		
Buildings	50 years	straight-line depreciation
Holiday properties	40 years	straight-line depreciation
Components of buildings	10 years	straight-line depreciation
Machinery and equipment		
Office machinery and furniture		25% reducing balance depreciation

The difference between total depreciation applied in accounting and planned depreciation is presented separately in the profit and loss account as a change in depreciation difference, and the accumulated difference is presented in the statement of financial position in appropriations. Planned depreciation of

buildings and building components held by subsidiaries is primarily applied in the consolidated financial statements.

### Technical underwriting reserves

#### *Provision for unearned premiums*

The provision for unearned premiums includes the amount of the premiums written that corresponds to the period after the date of the statement of financial position. The amount of the provision for unearned premiums is calculated according to statistical methods.

#### *Claims provision*

The provision for outstanding claims includes the claim costs related to insured events that have already occurred and their claims handling costs. Provisions for large claims are made on an individual basis. Small claims and claims not yet submitted to the company are reserved by means of statistical methods. Discounting is applied only in the calculation of the provision for outstanding claims pertaining to annuities. The technical rate of interest used is 3.5 per cent. An equalisation provision is included in the provision for outstanding claims. The function of this equalisation provision is to equalise annual fluctuations in the claims provision and the maintenance of the insurance company's solvency ratio. The Financial Supervisory Authority confirms the basis for calculation of the equalisation provision company-specifically.

### Appropriations

From 1 January 2009, presentation of credit loss reserves for other receivables is no longer possible, because of changes in legislation.

### Taxes

Taxes for the accounting period have been presented in the profit and loss account on an accrual basis. No deferred tax liability has been recognised, owing to the differences in valuation, but the tax liability has been presented in the Notes to the Statement of Financial Position.

### Other liabilities

Non-technical liabilities are entered in the statement of financial position at nominal value.

### Determination of fair value

Investments have been measured in accordance with confirmations received from external parties. The fair value of shares, holdings, and financial market instruments that are quoted on an official securities exchange or that are otherwise subject to public trading is the last bid price in continuous trading on the

date of the statement of financial position or, if such a price is not available, the corresponding trading price. If the date of the statement of financial position does not fall on an exchange trading day, the corresponding price immediately prior to this date shall be used. In other cases, the fair value of securities corresponds to the acquisition cost or a lower probable transfer price.

The fair values of real estate and real-estate shares have been determined as required by the Financial Supervisory Authority, taking into account the income received from the real estate as well as the market price.

### Pension cover for personnel and accrual of pension costs

Pension cover for personnel has been arranged through a statutory insurance policy under the Employees Pensions Act (TyEL). The pension insurance premiums have been recognised as expenses on an accrual basis.

### Consolidated financial statements

The consolidated financial statements of Local Insurance Mutual Company include the parent company and all of its directly held subsidiaries. The companies belonging to the Group are presented in the notes to the financial statements.

The consolidated financial statements have been prepared as a combination of the profit and loss accounts and statements of financial position of the parent company and subsidiaries, eliminating any intra-Group income and expenses, intra-Group receivables and liabilities, and intra-Group shareholdings. Intra-Group shareholdings have been eliminated according to the purchase method.

The tax liability has been calculated from the allocated goodwill and written off in line with the depreciation on buildings.

## NOTES TO THE PROFIT AND LOSS ACCOUNT

	2009						2008
<b>Insurance premium income</b>							
Non-life insurance							
Direct insurance							
From Finland	122,984,925.40					113,351,730.80	
Reinsurance	<u>15,774,840.26</u>					<u>22,976,920.40</u>	
Total	138,759,765.66					136,328,651.20	
Insurance premium income before reinsurers' share	<u>138,759,765.66</u>					<u>136,328,651.20</u>	
<b>Non-life insurance income by insurance class group</b>							
		Insurance premium income before reins. share	Insurance premium income before reins. share	Claims incurred before reins. share	Operating expenses before reins. fees and share of prof.	Reinsurers' share	Technical margin before coll.guar. item and eq.prov.change
		1	2	3	4	5	6
<b>Direct insurance</b>							
<b>Statutory workers' compensation</b>							
	2009	22,725,220.76	22,656,616.76	17,993,746.70	3,035,258.66	87,636.50	1,539,974.90
	2008	22,529,284.91	21,647,211.91	19,650,368.44	2,690,854.49	81,653.60	-775,664.62
	2007	20,348,035.52	20,470,344.52	19,942,853.93	2,265,370.00	70,198.00	-1,808,077.41
<b>Other accident and health (1,2)</b>							
	2009	19,601,112.77	18,504,433.77	13,982,011.76	4,889,963.15	100,291.98	-467,833.12
	2008	16,826,891.08	16,201,177.08	11,435,281.70	4,121,867.74	112,500.36	531,527.28
	2007	15,211,887.65	14,607,018.65	10,664,021.80	3,420,517.97	103,030.00	419,448.88
<b>Motor third-party liability (10)</b>							
	2009	75,795,742.62	73,412,539.62	60,106,607.77	14,171,198.60	846,631.36	-1,711,898.11
	2008	69,373,444.46	68,100,000.46	54,324,571.08	12,619,382.13	182,956.65	973,090.60
	2007	65,731,580.59	68,540,922.59	55,844,580.09	12,025,592.87	907,812.56	-237,062.93
<b>Third-party liability (11,12,13)</b>							
	2009	1,187,940.30	1,180,956.30	765,939.94	236,824.35	58,898.78	119,293.23
	2008	1,294,989.49	1,311,156.49	1,109,828.47	241,681.75	-110,629.98	70,276.25
	2007	1,348,545.74	1,340,579.74	805,724.61	218,772.84	-11,263.33	327,345.62
<b>Other</b>							
	2009	3,674,908.95	3,546,887.95	2,478,406.27	947,163.37	232,135.58	-110,817.26
	2008	3,327,120.86	3,102,917.86	2,099,007.12	912,796.99	132,268.78	-41,155.03
	2007	2,633,141.39	2,500,330.39	2,024,420.60	634,205.60	112,784.39	-271,080.20
<b>Total direct insurance</b>							
	2009	122,984,925.40	119,301,434.40	95,326,712.44	23,280,408.13	1,325,594.19	-631,280.36
	2008	113,351,730.80	110,362,463.80	88,619,056.81	20,586,583.10	398,749.41	758,074.48
	2007	105,273,190.89	107,459,195.89	89,281,601.03	18,564,459.28	1,182,561.62	-1,569,426.04
<b>Reinsurance</b>							
	2009	15,774,840.26	15,780,106.26	13,153,400.32	341,731.80	3,052,240.27	-767,266.13
	2008	22,976,920.40	22,983,646.40	12,984,096.00	2,142,339.32	1,902,261.64	5,954,949.44
	2007	22,307,978.00	22,305,040.00	11,924,668.33	2,604,586.10	2,782,813.19	4,992,972.38
<b>Total</b>							
	2009	138,759,765.66	135,081,540.66	108,480,112.76	23,622,139.93	4,377,834.46	-1,398,546.49
	2008	136,328,651.20	133,346,110.20	101,603,152.81	22,728,922.42	2,301,011.05	6,713,023.92
	2007	127,581,168.89	129,764,235.89	101,206,269.36	21,169,045.38	3,965,374.81	3,423,546.34
<b>Change in collective guarantee item</b>							
	2009						-113,442.00
	2008						-109,079.00
	2007						-104,883.00
<b>Other technical expenses</b>							
	2009						0.00
	2008						0.00
	2007						-322,404.95
<b>Change in equalisation provision</b>							
	2009						1,015,000.00
	2008						-5,683,000.00
	2007						-4,177,587.93
<b>Technical margin</b>							
	2009						-496,988.49
	2008						920,944.92
	2007						-1,181,329.54

## NOTES TO THE PROFIT AND LOSS ACCOUNT

Items deducted from insurance premium income	2009	2008
Credit losses on insurance premium receivables	2,611,115.58	2,398,084.98
Repartition payments	11,103,282.83	10,890,431.77
Insurance premium tax	19,182,740.28	18,012,201.36
Fire protection fee	11,692.93	11,115.91
Road safety fee	696,539.01	656,768.43
Occupational safety fee	348,580.75	356,494.36
	<u>33,953,951.38</u>	<u>32,325,096.81</u>
<b>Itemisation of net investment income</b>	<b>2009</b>	<b>2008</b>
<b>Investment income</b>		
Income from real estate investments		
From Group entities		
Interest income	361,597.44	388,293.16
Other income	<u>6,452,427.98</u>	<u>6,161,373.36</u>
Total	6,814,025.42	6,549,666.52
Income from other investments		
Dividend income	2,664,524.41	3,695,635.91
Interest income	7,539,013.77	8,548,324.19
Other income	<u>1,261.90</u>	<u>18,209.15</u>
Total	<u>10,204,800.08</u>	<u>12,262,169.25</u>
Reversals of write-downs	20,591,659.03	147,716.48
Sales gains	<u>8,847,511.80</u>	<u>17,441,310.71</u>
Total	29,439,170.83	17,589,027.19
Total	<u>46,457,996.33</u>	<u>36,400,862.96</u>
<b>Investment expenses</b>		
Expenses from real estate investments	3,410,691.99	3,165,607.64
Expenses from other investments	16,654.36	28,001.49
Interest expenses and other borrowing expenses	<u>74,518.31</u>	<u>152,527.00</u>
Total	3,501,864.66	3,346,136.13
Write-downs and depreciation		
Write-downs	4,916,745.22	45,203,219.27
Planned depreciation on buildings	<u>316,238.85</u>	<u>316,238.85</u>
Sales losses	<u>2,664,613.47</u>	<u>7,080,085.56</u>
Total	7,897,597.54	52,599,543.68
Total	<u>11,399,462.20</u>	<u>55,945,679.81</u>
<b>Net investment income before revaluations and their adjustments</b>	<u>35,058,534.13</u>	<u>-19,544,816.85</u>
<b>Net investment income on the profit and loss account</b>	<u>35,058,534.13</u>	<u>-19,544,816.85</u>
Net investment income includes		
Other exchange rate losses/gains on investments	-2,838.98	-9,306.36

## NOTES TO THE PROFIT AND LOSS ACCOUNT

Operating expenses	2009	2008
Profit and loss account item Operating expenses		
<b>Insurance acquisition costs</b>		
Direct insurance commissions	3,237,988.28	2,796,396.49
Future reinsurance commissions	84,766.21	3,044.37
Other insurance acquisition costs	<u>4,723,843.09</u>	<u>4,844,313.87</u>
<b>Insurance management expenses</b>	11,914,219.86	11,569,048.88
<b>Administrative expenses</b>	<u>3,661,322.49</u>	<u>3,516,118.81</u>
	<u>23,622,139.93</u>	<u>22,728,922.42</u>
<b>Total operating expenses by function</b>		
Claims paid	8,786,007.49	8,492,314.05
Operating expenses	23,622,139.93	22,728,922.42
Investment management expenses		
Investment management expenses (own organisation)	854,791.14	810,896.26
Other expenses	<u>587,435.55</u>	<u>544,989.87</u>
Total	<u>33,850,374.11</u>	<u>32,577,122.60</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Changes in intangible assets and machinery and equipment

	2009		
	Intangible rights and long-term expenditure	Equipment	Total
Acquisition cost 1. January	14,570,938.78	6,522,673.28	21,093,612.06
Increases	1,968,684.42	167,739.23	2,136,423.65
Decreases	0.00	-184,622.00	-184,622.00
Acquisition cost 31. December	<u>16,539,623.20</u>	<u>6,505,790.51</u>	<u>23,045,413.71</u>
Accumulated depreciation 1 January	-11,419,816.93	-5,003,040.18	-16,422,857.11
Accumulated depreciation on decreases	0.00	111,720.22	111,720.22
Depreciation for the period	<u>-1,330,296.40</u>	<u>-403,618.69</u>	<u>-1,733,915.09</u>
Accumulated depreciation 31 December	-12,750,113.33	-5,294,938.65	-18,045,051.98
Book value 31 December	<u>3,789,509.87</u>	<u>1,210,851.86</u>	<u>5,000,361.73</u>

	2009	2008
<b>Receivables from Group entities</b>		
Loan receivables	8,765,500.60	9,235,249.48
Other receivables	1,810,221.83	56,982.55
Total	<u>10,575,722.43</u>	<u>9,292,232.03</u>
<b>Liabilities</b>		
Other liabilities	<u>25,000.00</u>	<u>40,500.00</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Fair value of investments and valuation difference

	2009			2008		
	Residual acquisition cost	Book value	Fair value	Residual acquisition cost	Book value	Fair value
<b>Real estate investments</b>						
Real estate	8,858,567.33	8,858,567.33	12,077,114.89	9,174,806.18	9,174,806.18	12,077,114.89
Real estate shares in Group entities	44,362,006.15	46,141,434.41	55,364,737.94	41,216,641.27	42,996,069.53	52,219,373.06
Real estate shares in associated entities	4,914,078.07	4,914,078.07	4,914,078.07	4,914,078.07	4,914,078.07	4,914,078.07
Other real estate shares	10,228,115.80	10,228,115.80	10,271,317.03	11,006,768.31	11,006,768.31	11,049,969.54
Loan receivables from Group entities	8,765,500.60	8,765,500.60	8,765,500.60	9,235,249.48	9,235,249.48	9,235,249.48
<b>Other investments</b>						
Shares and holdings	269,429,887.16	269,429,887.16	294,663,213.15	182,919,725.52	182,919,725.52	186,302,621.79
Financial market instruments	164,702,284.09	164,702,284.09	168,968,897.30	156,734,603.25	156,734,603.25	158,363,286.48
Mortgage receivables	2,959,645.79	2,959,645.79	2,959,645.79	2,395,385.70	2,395,385.70	2,395,385.70
Other loan receivables	2,312,782.02	2,312,782.02	2,312,782.02	2,650,687.41	2,650,687.41	2,650,687.41
Deposits	3,270,000.00	3,270,000.00	3,270,000.00	28,618,181.54	28,618,181.54	28,618,181.54
<b>Reinsurance deposit receivables</b>	<u>9,448.59</u>	<u>9,448.59</u>	<u>9,448.59</u>	<u>10,385.55</u>	<u>10,385.55</u>	<u>10,385.55</u>
	<u>519,812,315.60</u>	<u>521,591,743.86</u>	<u>563,576,735.38</u>	<u>448,876,512.28</u>	<u>450,655,940.54</u>	<u>467,836,333.51</u>
The residual acquisition cost of financial market instruments includes difference between nominal value and acquisition cost accrued as interest income (+) or deduction of interest income (-)						
		<u>-197,589.45</u>			<u>-93,028.54</u>	
The book value includes						
Revaluations recognised as income		1,779,428.26			1,779,428.26	
Other revaluations		<u>0.00</u>			<u>0.00</u>	
		<u>1,779,428.26</u>			<u>1,779,428.26</u>	
Valuation difference (between fair value and book value)		<u>41,984,991.52</u>			<u>17,180,392.97</u>	

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

## Itemisation of real estate investments

	2009	
	Properties and real estate shares	Loan receivables from Group entities
<b>Changes in real estate investments</b>		
Acquisition cost 1 January	79,108,327.33	9,235,249.48
Increases	3,202,828.07	0.00
Decreases	-836,115.70	-469,748.88
Transfers between items	0.00	0.00
Acquisition cost 31.12.	<u>81,475,039.70</u>	<u>8,765,500.60</u>
Accumulated depreciation 1 January	-5,511,673.51	
Accumulated depreciation on decreases and transfers	0.00	
Depreciation for the period	<u>-316,238.85</u>	
Accumulated depreciation 31 December	-5,827,912.36	
Write-downs 1 January	-7,284,359.99	
Write-downs for the period	0.00	
Reversals of write-downs	<u>0.00</u>	
Write-downs 31 December	-7,284,359.99	
Revaluations 1 January	1,779,428.26	
Increases	0.00	
Decreases	<u>0.00</u>	
Revaluations 31 December	1,779,428.26	
Book value 31 December	<u>70,142,195.61</u>	<u>8,765,500.60</u>

Properties and real estate shares  
in own use

	2009	2008
Residual acquisition cost	8,450,253.85	8,795,703.57
Book value	8,450,253.85	8,795,703.57
Fair value	11,557,797.35	11,597,099.50
<b>Loan receivables</b>		
Other loan receivables		
Bank guarantee	43,704.64	52,265.95
Other collateral	<u>2,269,077.38</u>	<u>2,598,421.46</u>
Residual acquisition cost	<u>2,312,782.02</u>	<u>2,650,687.41</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Investments in Group entities

2009					
	Domicile	Share of holding	Book value of shares	Capital and reserves	Profit/loss for the period
Kiinteistö Oy Lintutörmä	Espoo	100%	4,403,963.06	4,366,075.01	-5,335.57
As. Oy Kivelänkatu 3	Helsinki	100%	2,144,664.72	910,229.13	2,931.91
As. Oy Helsingin Sauvontie	Helsinki	100%	290,494.18	222,671.93	12,818.52
As. Oy Espoon Nöykkis	Espoo	100%	854,394.67	847,187.86	6,726.15
As. Oy Espoon Piispankivi	Espoo	100%	3,574,193.51	3,632,558.75	-5,492.27
As. Oy Vantaan Ohrafiha	Vantaa	100%	1,879,668.27	1,821,270.19	4,182.62
As. Oy Ajurinkuja	Espoo	100%	2,756,732.48	2,403,228.43	-22,472.77
As. Oy Espoon Lintuvaarantie 30	Espoo	100%	362,572.81	358,826.67	103.01
As. Oy Vantaan Kiulukuja	Vantaa	100%	730,798.07	729,899.34	7,172.58
Kiint. Oy Vantaan Kärkikuja	Vantaa	100%	7,027,772.51	7,003,310.16	-22,348.17
As. Oy Mannerheimintie 61	Helsinki	100%	2,032,127.36	699,325.81	7.31
As. Oy Espoon Zanseninkuja	Espoo	100%	492,789.73	471,273.31	-7,954.00
As. Oy Helsingin Ajomies	Helsinki	100%	946,681.00	946,681.00	0.00
Kiinteistö Oy Bulevardi 28	Helsinki	83.96%	16,915,647.04	3,038,517.72	-171.72
			<u>44,412,499.41</u>	<u>27,451,055.31</u>	<u>-29,832.40</u>

### Investments in associated entities

2009					
	Domicile	Share of holding	Book value of shares	Capital and reserves	Profit/loss for the period
Länsi-Helsingin Liikekeskus Oy	Helsinki	35.15 %	<u>4,914,078.07</u>	<u>24,430,552.75</u>	<u>-10,393.82</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Shareholdings in other companies on 31 December 2009

Major shareholdings	Country	Qty	Book value	Market value
<b>Listed</b>				
Nokia Corporation	Finland	469,000	4,183,480.00	4,183,480.00
Fortum Corporation	Finland	140,182	2,477,276.87	2,659,252.54
UPM-Kymmene Corporation	Finland	227,232	1,888,297.92	1,888,297.92
Sampo plc	Finland	110,100	1,401,511.52	1,867,296.00
Koninklijke KPN NV	Netherlands	106,058	1,225,966.72	1,255,726.72
Siemens Ag	Germany	18,500	1,193,615.00	1,193,615.00
Neste Oil Corporation	Finland	91,320	1,134,194.40	1,134,194.40
Stora Enso Corporation	Finland	229,800	1,121,424.00	1,121,424.00
Sanoma Group	Finland	69,000	897,768.65	1,082,610.00
Bayer Ag	Germany	19,000	933,900.84	1,066,070.00
Royal Dutch Shell Plc	Netherlands	50,060	1,056,266.00	1,056,266.00
Total S.A.	France	23,200	978,702.78	1,044,176.00
Metso Corporation	Finland	41,500	826,288.33	1,020,900.00
Philips Electronics N.V.	Netherlands	49,284	1,019,193.12	1,019,193.12
Huhtamäki Group	Finland	102,800	798,257.01	997,160.00
Sanofi-Aventis S.A.	France	17,683	948,318.05	973,625.98
Kone Corporation	Finland	29,000	651,602.95	868,550.00
Novartis Ag	Switzerland	22,720	817,816.56	864,480.99
British Petroleum Plc	Great Britain	124,000	837,743.50	837,743.50
ABB Ltd	Sweden	60,000	394,718.32	805,891.53
Elisa Communications Oyj	Finland	50,500	665,600.89	801,940.00
Telefonica S.A.	Spain	40,000	697,217.76	780,800.00
SAP Ag	Germany	23,000	760,380.00	760,380.00
Michelin	France	13,000	695,500.00	695,500.00
Adecco S.A.	Switzerland	18,000	691,561.07	691,561.07
Outokumpu Oyj	Finland	51,500	682,375.00	682,375.00
TeliaSonera Ab	Sweden	134,000	679,380.00	679,380.00
Nordea Bank Ab	Sweden	94,350	523,959.11	670,828.50
StatoilHydro ASA	Norway	38,000	662,939.76	662,939.76
Technip	France	13,000	642,070.00	642,070.00
Vodafone Group Plc	Great Britain	397,970	640,802.95	640,802.95
Beiersdorf Ag	Germany	13,500	577,761.84	622,620.00
YIT Corporation	Finland	43,000	598,837.44	620,920.00
France Telecom	France	35,000	610,050.00	610,050.00
GlaxoSmithKline Plc	Great Britain	40,000	594,077.24	594,077.24
Pohjola Bank Plc	Finland	78,568	509,311.46	592,402.72
Roche Holding Ag	Switzerland	5,000	548,218.61	592,140.74
Abengoa S.A.	Spain	25,000	565,000.00	565,000.00
Scania B	Sweden	60,000	452,256.29	540,187.28
AstraZeneca	Great Britain	16,000	523,136.95	523,136.95
Nokian Tyres plc	Finland	30,200	477,433.08	512,192.00
Pearson	Great Britain	50,000	501,632.70	501,632.70
Other shares			15,482,092.70	17,201,903.59
			53,567,937.39	58,124,794.20
<b>Unlisted</b>				
Duo Life Insurance Company Ltd		59,900	5,990,000.00	5,990,000.00
Loimi-Häme Local Insurance Association, guarantee shares		200	2,000,000.00	2,000,000.00
Lakeus Local Insurance Association, guarantee shares		10	1,000,000.00	1,000,000.00
Local Insurance Association of Central Finland, guarantee shares		7	700,000.00	700,000.00
Vellamo Local Insurance Association, guarantee shares		5	500,000.00	500,000.00
Other shares			165,229.27	165,229.27
			10,355,229.27	10,355,229.27
<b>Shares total</b>			<u>63,923,166.66</u>	<u>68,480,023.47</u>

## Shareholdings in other companies 31.12.2009

Major mutual fund investments	Qty	Book value	Market value
<b>Mutual fund units</b>			
OP-Yrityslaina A	233,840.189	30,547,051.75	32,314,375.68
Evli Eur.Inv.Grade B	103,440.476	13,545,461.87	14,985,525.20
EQ High Yield Bond 2 K	68,577.356	9,656,511.08	10,763,169.43
ICECAPITAL Euro Floating Rate B	98,106.010	10,336,449.23	10,336,449.23
EQ Eurobond 2 K	67,402.889	8,649,117.95	10,197,530.01
Evli Europ .High Yield B	62,109.802	7,875,797.96	9,795,647.42
OP-High Yield A	62,313.483	6,724,793.39	7,725,625.67
Invesco Emerg.market Bond	352,987.150	6,804,046.25	7,702,179.61
OP-Kehittyvät korkom.A	57,706.368	6,768,233.33	7,413,537.14
Bluebay Investment Grade Bond I Fund	42,460.955	5,100,000.00	5,270,253.74
FIM Korko Optimaattori	471,690.624	5,010,026.46	5,240,482.83
Evli Money Manager B	38,682.776	5,033,075.95	5,088,177.62
Aberdeen Property Fund	0.000	4,987,355.00	4,987,355.00
OP-Cash Manager A	43,799.048	4,947,689.66	4,958,928.21
OP-Reaalikorko A	42,538.846	4,383,083.07	4,800,083.33
Evli-Tavoitekorko B	196,934.094	4,482,233.14	4,741,385.30
Aktia Inflation Bond D	3,925,386.376	4,000,000.00	4,373,272.96
Nordea Korkosalkku Plus	468,596.080	4,341,641.08	4,341,641.08
Evli Corporate Bond B	24,576.807	3,000,000.00	4,110,575.45
SEB Credit Opportunity FD C	30,000.000	3,000,000.00	3,472,590.00
FIM Russia	45,586.555	1,141,312.61	3,432,667.57
Aktia Likvida D	12,659,219.577	3,000,000.00	3,115,813.71
FIM Brazil	114,123.582	2,085,562.13	3,115,573.79
UBS Glob.Alpha Strat.Class B ser.I	2,645.380	3,000,000.00	3,033,192.71
Capman Hotels RE Ky	0.000	2,910,982.00	2,910,982.00
ICECAPITAL US Stock Index B	41,764.835	2,840,100.57	2,840,100.57
Contango Hyödyke	31,783.273	2,799,719.50	2,799,719.50
SPYrityslaina B	41,386.025	2,230,334.29	2,533,818.01
Bluebay High Yield Bond Fund I	18,917.324	2,300,000.00	2,491,600.75
SEB Gyllenberg High Yield B	16,933.774	2,300,000.00	2,457,090.53
eQ Em Corporate bond 1K	22,969.351	2,253,343.97	2,450,100.72
FIM India	58,601.881	1,583,919.71	2,280,785.21
Sydivest Emerging Market	27.000	1,505,420.12	2,052,138.60
OP-Euro II A (kasvu)	18,612.716	2,018,176.76	2,018,176.76
Capman RE II Ky	0.000	1,996,584.00	1,996,584.00
Odin Europa SMB	108,887.321	1,500,000.00	1,651,700.70
Odin Sverige II	84,372.182	1,158,943.58	1,468,398.04
Capman RE I Ky	0.000	1,402,121.00	1,402,121.00
FIM Emerging Europe	80,707.205	1,057,816.80	1,166,219.12
Carnegie Global Healthcare	9,402.452	991,864.67	1,098,300.43
FIM BRIC +	89,686.099	1,000,000.00	1,079,820.63
Iccapital Commodity	11,544.678	1,000,000.00	1,058,762.42
Fourton Fokus Suomi	9,527.439	1,000,000.00	1,039,253.05
Odin Europa	97,830.807	947,502.18	947,502.18
East Capital.Turkish Fund	1,100,219.475	946,188.75	946,188.75
EQ Technology 2 K	21,753.741	871,716.30	928,876.05
Pictet Global Emerg.Market Debt	5,237.304	775,000.00	911,919.37
eQ Financial 2 K	9,910.145	889,701.62	889,701.62
eQ Industrial 2 K	5,628.654	690,160.66	842,539.09
JPM US Dynamic A	131,748.764	831,317.69	831,317.69
Evli Ruble Debt B	10,000.000	797,850.00	797,850.00
Carnegie Biotechnology	106,951.872	768,983.96	768,983.96
FIM China	60,681.501	530,618.50	695,410.00
eQ Healthcare 2 K	10,061.399	681,064.96	681,064.96
eQ Spender 2 K	7,316.792	661,377.12	661,377.12
Pictet pf Asian Equities	5,639.139	503,815.23	653,163.04
Amanda III Eastern Private	0.000	650,897.00	650,897.00
Odin Offshore	26,221.047	632,247.87	632,247.87
eQ Materials 2 K	3,682.811	426,025.84	558,442.69
Other mutual fund units		1,633,483.94	1,674,003.56
		205,506,720.50	226,183,189.68
<b>Total shares and holdings</b>		<u>269,429,887.16</u>	<u>294,663,213.15</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

## Capital and reserves

## Restricted

Initial fund 1 Jan and 31 Dec  
 Guarantee capital 1 Jan and 31 Dec

## Unrestricted

Legal reserve 1 Jan  
 Transfer from accrued profit  
 Contingency reserve 1 Jan  
 Transfer from accrued profit  
 Accrued loss 1 Jan  
 Reduced from the legal reserve  
 Reduced from the contingency reserve  
 Profit for the period

2009

	500,000.00	
	<u>7,359,062.72</u>	7,859,062.72
	16,437,387.96	
	<u>-16,437,387.96</u>	0.00
	58,366,130.61	
	<u>-2,109,544.54</u>	56,256,586.07
	-18,546,932.50	
	16,437,387.96	
	<u>-2,109,544.54</u>	0.00
	<u>31,318,538.01</u>	<u>87,575,124.08</u>
		<u>95,434,186.80</u>

## Distributable profits

Profit for the period  
 + Contingency reserve  
 Total distributable profits

31,318,538.01
<u>56,256,586.07</u>
<u>87,575,124.08</u>

## Deferred tax liability associated with investment valuation differences

## Distribution of accumulated appropriations

Proportion comparable to capital  
 Deferred tax liability

2009

2008

<u>10,916,097.80</u>	<u>4,965,263.67</u>
0.00	183,581.42
<u>0.00</u>	<u>64,501.58</u>
<u>0.00</u>	<u>248,083.00</u>

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

	2009	2008
<b>Adequacy of claims provision</b>		
Surplus/deficit of gross claims provision at beginning of year		
Statutory accident insurance	4,298,000.00	1,405,000.00
Other accident and health policies	-1,373,000.00	-919,000.00
Motor vehicle liability insurance	8,635,000.00	6,218,000.00
Third party liability	98,000.00	-497,000.00
Domestic reinsurance	-2,116,000.00	-2,156,000.00
<b>Claims in form of pensions</b>		
Tax rate used for calculation of claims provision	3.5 %	3.5 %
<b>Liabilities</b>		
<b>Other derivative contracts</b>		
Options purchased for hedging		
Fair values of derivative contracts	1,990,350.00	6,565,350.00
Values of underlying assets	1,990,350.00	6,565,350.00
<b>VAT liabilities</b>		
Associated with joint VAT registration	0.00	0.00
Revision liability in accordance with Section 120 of the VAT Act		
- 5 year revision period	10,089.13	25,487.97
- 10 year revision period	606,508.77	644,090.03
Total	<u>616,597.90</u>	<u>669,578.00</u>

## OTHER NOTES

### Notes concerning personnel and members of governing bodies

	2009	2008
<b>Personnel expenses</b>		
Wages, salaries and fees	5,704,443.16	7,017,357.84
Pension expenses	1,046,679.61	1,204,655.32
Other indirect personnel expenses	382,309.30	567,250.45
Total	<u>7,133,432.07</u>	<u>8,789,263.61</u>
<b>Management salaries and fees, pension commitments, monetary loans, their terms and conditions and collateral</b>		
<b>Wages, salaries and fees</b>		
Board of Directors, Managing Director and his deputy	<u>108,661.00</u>	<u>229,273.04</u>
<b>Average number of personnel during the period</b>		
Office personnel	109	148
Sales personnel	13	13
Real estate personnel	3	3
Total	<u>125</u>	<u>164</u>

### Information concerning the Managing Director and the members and deputy members of the Board

There are no monetary loans granted to the Managing Director or the Board of Directors.

There is no collateral or contingent liabilities associated with the Managing Director or the Board of Directors.

No retirement age has been specified for the Managing Director.

### Events concerning related parties

The related parties of Local Insurance Mutual Company comprise its Board of Directors, its Managing Director, the Federation of the Local Insurance Group and those insurance associations whose Managing Director is a member of the Board of Directors.

No unusual acts of business have been conducted with the related parties.

	2009	2008
<b>Accountants' fees</b>		
KPMG Oy Ab		
Auditing fees	44,093.85	59,118.76
Tax consultation fees	1,433.50	0.00
Other fees	893.65	30,722.77
Total	<u>46,421.00</u>	<u>89,841.53</u>
KMV-Tilitaito Oy		
Auditing fees	1,452.65	3,112.67
Satakunnan Tilintarkastus Ky		
Auditing fees	0.00	1,372.16
Tilintarkastajat Oy Peippo Rehula Paananen		
Auditing fees	1,216.34	1,214.27
Total	<u>49,089.99</u>	<u>95,540.63</u>

## OTHER NOTES

### Notes concerning solvency

Operating capital	2009	2008
Capital after deduction of proposed distribution of profits	94,559,086.80	64,115,648.79
Accumulated appropriations	0.00	248,083.00
Valuation difference between fair values and book values on statement of financial position	41,984,991.52	19,097,167.97
Additional premium that can be valued	12,391,347.81	12,391,347.81
Intangible assets	-3,789,509.87	-3,151,121.85
Chapter 11, Section 5, Item 10 of the Insurance Companies Act	<u>-5,800,000.00</u>	<u>-1,900,000.00</u>
	<u>139,345,916.26</u>	<u>92,701,125.72</u>

	2009	2008	2007	2006	2005
Minimum operating capital under Chapter 11, Section 7 of the Insurance Companies Act	24,782,696	24,782,696	24,782,696	24,281,903	21,986,362
Equalisation provision included in technical underwriting reserves for years with high amount of claims	75,866,000	76,881,000	71,198,000	66,855,000	66,982,000
Equalisation provision in proportion to full amount	44%	42%	42%	39%	42%

## CALCULATION OF FINANCIAL INDICATORS

The indicators are calculated as information provided by the parent company, in accordance with guidelines from the Insurance Supervisory Authority.

Insurance premium income =  
Insurance premium income before reinsurers' share

Turnover =  
+ Insurance premium income before reinsurers' share  
+ Net investment income on the profit and loss account  
+ Other income

Loss ratio as a percentage =  
Claims incurred  
————— x 100  
Insurance premium income

Loss ratio (excluding calculated interest expenses) as a percentage =  
Claims incurred (excluding calculated interest expenses)  
————— x 100  
Insurance premium income (excluding calculated interest expenses)

Operating expense ratio as a percentage =  
Operating expenses  
————— x 100  
Insurance premium income

Combined ratio as a percentage =  
+ Loss ratio  
+ Operating expense ratio

Combined ratio (excluding calculated interest expenses) =  
+ Loss ratio (excluding calculated interest expenses)  
+ Operating expense ratio

Operating profit or loss =  
+/- Profit or loss before change in equalisation provision,  
extraordinary items, appropriations and taxes

Total earnings =  
+ Operating profit/loss  
+/- Changes in off-balance sheet valuation differences,  
fair value reserve and revaluation reserve

Return on total capital as a percentage at fair value =  
+/- Operating profit/loss  
+ Interest expenses and other financial expenses  
+ Calculated interest expenses  
+/- Revaluation/readjustment recognised in revaluation  
reserve/fair value reserve  
+/- Change in valuation differences of investments  
————— x 100  
+ Balance sheet total  
+/- Valuation differences of investments

The divisor is calculated as the average of values according to the balance sheets for the accounting period and the previous period.

In non-life insurance, calculated interest expenses refer to the effect of the dissolution of the discounted claims provision and the provision for unearned premiums on the company's claims incurred and insurance premium income, when it discounts any capitalised pensions and/or other technical liability items. The calculated interest expenses are calculated by multiplying the discounted claims provision at the beginning of the year by the calculated interest applicable at the end of the previous year.

In this indicator, other financial expenses include items arising from liabilities other than interest expenses, such as any exchange rate gains and losses on interest-bearing liabilities recognised on the profit and loss account.

Net return on employed investment capital (at fair value)

Net return on employed investment capital at fair value is calculated by type of investment and on the total amount of investments, accounting for cash flows during the period.

The return for the period is calculated using the modified Dietz formula (time- and money-weighted formula) so that employed capital is calculated as the sum of market value at the beginning of the period and cash flows during the period weighted by the proportional share of the entire duration of the period remaining from the transaction date or the middle of the transaction month to the end of the period.

Itemisation of net income from investments =  
 + Direct net income from investments recognised in accounting  
 + Changes in value recognised in accounting  
 + Changes in valuation differences

Distribution of investments at fair value

With regard to fixed income funds, long-term funds are included in bonds and short-term funds are included in money market investments. Investments in mutual funds and comparable undertakings for collective investments that make investments in real estate and real estate corporations are included in real estate investments.

Investments do not include any sales price receivables and liabilities associated with investments.

The distribution of investments includes deposits belonging to investments on the balance sheet.

Operating capital in the currency of the financial statements =  
 + Capital after deduction of proposed distribution of profits  
 + Accumulated appropriations  
 +/- Valuation differences of investments  
 +/- Deferred tax liabilities  
 + Capital loans (by permission of the Insurance Supervisory Authority)  
 - Intangible assets  
 +/- Other items prescribed by law

Equalisation provision in the currency of the financial statements =  
 Provision calculated for years with a high number of claims

Solvency capital in the currency of the financial statements =  
 + Operating capital  
 + Equalisation provision

Solvency capital as a percentage of underwriting reserves =  

$$\frac{\text{Solvency capital}}{\text{Technical underwriting reserves - equalisation provision}} \times 100$$

Technical underwriting reserves are calculated after reinsurers' share.

Solvency ratio as a percentage =  

$$\frac{\text{Solvency capital}}{\text{Insurance premium income for 12 months}} \times 100$$

Insurance premium income is calculated for the previous twelve months after the reinsurers' share.

Average number of personnel during the period

The indicator is calculated as an average of the numbers of personnel calculated at the end of each calendar month. The number accounts for any part-time employees. Personnel are considered to include everyone paid wages or a salary during the period.

## NOTES TO THE FINANCIAL STATEMENTS

### Financial indicators

Eur 1,000	2009	2008	2007	2006	2005
Insurance premium income	138,760	136,329	127,581	133,558	129,757
Percentage of change on previous year	1.8	6.9	-4.5	2.9	11.4
Turnover	170,728	114,346	154,787	154,111	148,314
Percentage of change on previous year	49.3	-26.1	0.4	3.9	18.7
Loss ratio (percentage)	82.8	76.8	80.0	84.3	85.9
Loss ratio excluding calculated interest expenses (percentage)	78.1	72.5	76.1	81.0	83.2
Operating expense ratio (percentage)	18.3	17.9	17.2	16.8	18.7
Combined ratio (percentage)	101.1	94.7	97.2	101.1	104.6
Combined ratio excluding calculated interest expenses (percentage)	96.4	90.4	93.3	97.8	101.9
Operating loss/profit for the period	33,547	-12,941	27,620	19,385	16,112
Operating loss/profit for the period as % of turnover	19.6	-11.3	17.8	12.6	10.9
Total earnings	56,434	-43,066	22,170	42,570	29,692
Return on total capital as a percentage (at fair value)	10.9	-6.9	5.1	9.9	8.1
Net income on employed investment capital, % at fair value	11.5	-9.5	4.0	10.4	9.8
Operating capital	139,346	90,801	142,984	132,294	94,080
Equalisation provision	75,866	76,881	71,198	66,855	66,982
Solvency capital	215,212	167,682	214,182	199,149	161,062
Solvency capital as a percentage of underwriting reserves	57.1	48.1	66.3	66.9	60.7
Solvency ratio as a percentage	166.9	132.1	173.9	157.6	134.5
Average number of personnel during the period	125	164	192	188	224

### Non-life insurance earnings analysis

Insurance premium income	128,927	126,981	123,194	126,380	119,747
Claims incurred	-106,704	-97,539	-98,601	-106,520	-102,900
Operating expenses	-23,622	-22,729	-21,169	-21,221	-22,393
Other technical income and expenses	-113	-109	-427	-101	-97
<b>Technical margin before change in equalisation provision</b>	<b>-1,512</b>	<b>6,604</b>	<b>2,996</b>	<b>-1,462</b>	<b>-5,643</b>
Investment income and expenses					
revaluations and adjustments to them changes in value	35,059	-19,545	24,624	20,847	21,441
Other income and expenses	0	0	0	0	314
<b>Operating loss/profit for the period</b>	<b>33,547</b>	<b>-12,941</b>	<b>27,620</b>	<b>19,385</b>	<b>16,112</b>
Change in equalisation provision	1,015	-5,683	-4,178	127	2,090
<b>Loss or profit before extraordinary items appropriations and taxes</b>	<b>34,562</b>	<b>-18,624</b>	<b>23,442</b>	<b>19,512</b>	<b>18,202</b>
Appropriations	248	0	-16	11	20
Income taxes and other direct taxes	-3,491	77	-5,921	-4,957	-3,971
<b>Profit or loss for the period</b>	<b>31,319</b>	<b>-18,547</b>	<b>17,506</b>	<b>14,566</b>	<b>14,251</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Financial indicators

#### Net income on employed investment capital | January to 31 December 2009

Eur 1,000	Investment net income at fair value <sup>1)</sup>	Employed capital <sup>2)</sup>	Income % employed capital	Income % employed capital	Income % employed capital	Income % employed capital	Income % employed capital
	2009	2009	2009	2008	2007	2006	2005
Loan receivables	184	4,652	4.0	4.8	3.5	3.1	2.9
Bonds <sup>3)</sup>	30,871	252,485	12.2	-0.5	1.1	2.3	3.6
*of which fixed-income funds	21,422	94,736	22.6	-12.6	-0.1	4.6	7.2
Other financial market instruments and deposits <sup>3)</sup>	2,287	56,621	4.0	1.4	3.8	2.9	2.1
*of which fixed-income funds	1,378	21,898	6.3	-5.5	1.9	3.0	2.2
Shares and holdings	23,056	89,017	25.9	-35.6	6.4	19.9	28.9
Real estate investments <sup>4)</sup>	2,040	101,220	2.0	3.3	5.8	18.0	5.0
*of which mutual funds and undertakings for collective investment	-2,092	13,576	-15.4	-5.7	14.7	69.7	-107.5
Other investments							
<b>Total investments,</b>	<b>58,438</b>	<b>503,996</b>	<b>11.6</b>	<b>-9.5</b>	<b>4.1</b>	<b>10.6</b>	<b>10.0</b>
Income, expenses and operating expenses not allocated to types of investment	-492						
<b>Net income on employed investment capital at fair value</b>	<b>57,946</b>	<b>503,996</b>	<b>11.5</b>	<b>-9.5</b>	<b>4.0</b>	<b>10.4</b>	<b>9.8</b>

<sup>1)</sup> Net income from investments at fair value = Change in market values between end and beginning of reporting period - cash flows during the period. Cash flow refers to the difference between purchases/costs and sales/income.

<sup>2)</sup> Employed capital = Market value at beginning of reporting period + daily or monthly time-weighted cash flows.

<sup>3)</sup> Includes income from fixed-income funds classified under this group

<sup>4)</sup> Includes income from mutual funds and undertakings for collective investment classified as real estate investments

#### Distribution of investments (at fair value)

Eur 1,000	2009		2008		2007		2006		2005	
		%		%		%		%		%
Loan receivables <sup>1)</sup>	5,304	0.9	5,087	1.1	3,532	0.7	6,322	1.4	6,313	1.6
Bonds <sup>1), 2)</sup>	304,414	53.6	213,073	44.6	185,117	36.7	165,678	35.9	137,716	34.9
*includes fixed-income funds	146,201	25.7	72,549	15.2	65,534	13.0	44,638	9.7	20,753	5.3
Other financial market instruments and deposits <sup>1), 2), 3)</sup>	47,025	8.3	67,373	14.1	41,613	8.2	37,432	8.1	62,762	15.9
*includes fixed-income funds	30,259	5.3	17,854	3.7	30,088	6.0	21,097	4.6	21,339	5.4
Shares and holdings	108,560	19.1	89,645	18.8	178,409	35.4	163,737	35.4	125,781	31.8
Real estate investments <sup>4)</sup>	103,057	18.1	102,372	21.4	95,896	19.0	88,776	19.2	62,418	15.8
*includes mutual funds and undertakings for collective investment	11,633	2.0	12,820	2.7	7,573	1.5	5,386	1.2	372	0.1
Other investments	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total investments</b>	<b>568,359</b>	<b>100.0</b>	<b>477,551</b>	<b>100.0</b>	<b>504,566</b>	<b>100.0</b>	<b>461,943</b>	<b>100.0</b>	<b>394,991</b>	<b>100.0</b>
<b>Modified duration of bond portfolio</b>	<b>3.9</b>		<b>3.7</b>		<b>4.2</b>		<b>4.0</b>		<b>3.1</b>	

<sup>1)</sup> Includes accrued interest

<sup>2)</sup> With regard to fixed income funds, long-term funds are included in bonds and short-term funds are included in other financial market instruments.

<sup>3)</sup> Includes deposits belonging to investments on the balance sheet

<sup>4)</sup> Includes units in mutual funds and investments in comparable undertakings for collective investment that make investments in real estate and real estate corporations.

## NOTES TO THE FINANCIAL STATEMENTS

### Financial indicators

#### Itemisation of net investment income

Eur 1,000	2009	2008	2007	2006	2005
<b>Direct net income</b>					
Loan receivables	184	167	179	195	179
Bonds	6,134	5,217	4,679	5,585	3,863
Other financial market instruments and deposits	917	2,496	1,233	1,241	1,256
Shares and holdings	2,312	3,118	3,481	3,441	2,499
Real estate investments	4,149	4,376	4,746	2,736	2,893
Other investments	0	0	0	0	0
Income expenses and operating expenses not allocated to types of investment	-492	-214	-551	-541	-578
	<u>13,203</u>	<u>15,159</u>	<u>13,767</u>	<u>12,658</u>	<u>10,112</u>
<b>Changes of value in accounting 1)</b>					
Shares and holdings	14,611	-24,606	10,003	7,558	10,554
Bonds	9,205	-9,239	431	118	941
Real estate investments	-1,961	-859	422	513	-166
Other investments	0	0	0	0	0
	<u>21,855</u>	<u>-34,704</u>	<u>10,856</u>	<u>8,189</u>	<u>11,329</u>
<b>Net investment income in accounting</b>	35,059	-19,545	24,624	20,847	21,441
<b>Changes in valuation differences 2)</b>					
Shares and holdings	19,934	-35,311	-3,738	19,962	14,378
Bonds	2,638	4,870	-2,028	-3,598	-1,123
Real estate investments	316	316	316	6,828	325
Other investments	0	0	0	0	0
	<u>22,888</u>	<u>-30,125</u>	<u>-5,450</u>	<u>23,192</u>	<u>13,580</u>
<b>Net income on employed investment capital at fair value</b>	57,946	-49,670	19,173	44,039	35,021
<b>Share of derivatives in net investment income</b>	-2,735	6,598	-981	-1,375	-607

1) Sales gains and losses and other changes of value in accounting

2) Off-balance sheet changes of value



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