

# 2022

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KALEVA MUTUAL INSURANCE COMPANY  
ANNUAL REPORT  
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KALEVA

# CEO's Review

## Being prepared has always been and will continue to be an important part of managing Kaleva's long liabilities

**'There is no script for life. Always expect the unexpected.'** This is the message that Kaleva uses to remind people of the importance of being prepared and having life insurance. The same is also true for Kaleva: it is not possible to plan everything in advance, and our operating environment will also change unexpectedly. There were a number of such changes in 2022, and there will be more. We need to be prepared for a future that we cannot fully predict. Being prepared has always been and will continue to be an important part of managing Kaleva's long liabilities.

Kaleva has two insurance portfolios: the term life insurance policies that we offer to our partner unions' members and a closed-book portfolio, which includes both life insurance policies and savings. Our longest-standing policies still have several decades to go until they mature in the 2080s. Kaleva is liable to manage these long-term portfolios as agreed regardless of what happens in its operating environment.

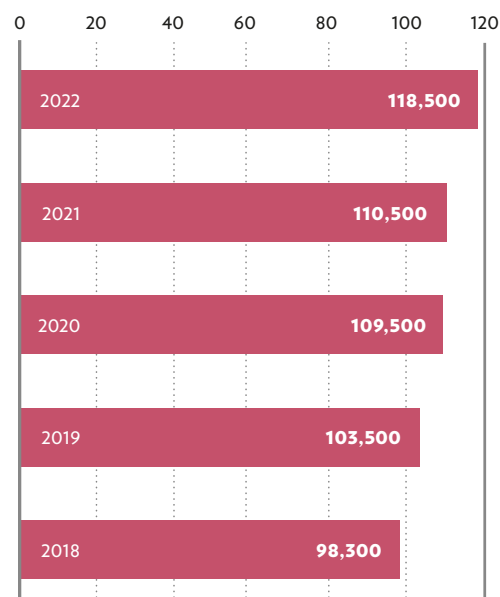
There have been plenty of changes in recent years, which have affected several different variables simultaneously. We know from Kaleva's long history that our operating environment is constantly changing, and not always as expected. During its nearly 150 years as the first Finnish life insurance company, Kaleva has seen Finland becoming an independent country, surviving through wars and pandemics, and having its economy fall and rise and its laws and regulations rewritten. As much as we would

hope for a more stable and predictable future, we cannot build our business on that hope. We must be prepared for sudden and unpredictable changes in our operating environment also in the future. And that is why building preparedness is one of Kaleva's highest priorities.

As well as safeguarding its own performance, Kaleva wants to ensure the continued financial security of its policyholders.

The death of a provider can make such a big dent in a household's finances, that it forces the family to completely change their lifestyle. Only approximately eight per cent of households have term life insurance. Without the protection afforded by life insurance, the average financial loss in the event of death is between EUR 65,000 and EUR 70,000 (report by ETLA Economic Research: The Life Insurance Gap in

**Average risk sum of new life insurance policies sold (EUR)**





## Kaleva's solvency was approximately 5.4 times the required level.

Finland – order-of-magnitude estimate based on individual-level register data, 10 May 2022).

Many of the members of Kaleva's partner unions, however, are covered: they have taken advantage of the affordable life insurance offered as a member benefit and taken out policies not just for themselves but also often for their spouse. With the number of policyholders rising to 220,000, Kaleva's total risk sum for risk life policies rose to EUR 12.1 billion.

Kaleva's closed-book portfolio has a long life, with the oldest policy having been sold in 1947 and the latest in 1997. Most of the policies provide risk covers – such as cover for expenses in the event of illness or injury – as well as a death benefit. Kaleva also carries a number of policies that include savings on which the company pays a guaranteed interest rate

of 4.5 per cent per annum. The total portfolio consists of approximately 43,000 policies, of which approximately 9,000 include savings. As of the beginning of 2022, policyholders with Optimi insurance savings have had the option of switching from the guaranteed interest rate to unit-linked. Just over two hundred policyholders have made the switch so far.

Kaleva is a mutual insurance company, which limits opportunities for recapitalisation. In practice, Kaleva only has its retained earnings as capital, which requires careful and long-sighted planning and preparedness for whatever may be lurking around the corner. Kaleva's solvency at the end of 2022 was at a healthy level of 544% – the highest since the company was last restructured. Ensuring steady, long-term development of solvency is important for Kaleva, which is why the company has recently revised its steering model. Part of the surplus that the

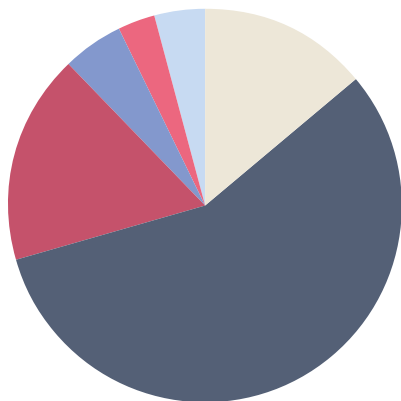
**Solvency ratio = own funds divided by the solvency capital requirement as per the European Union's Solvency II regime**

Date	Solvency ratio
31 December 2022 (estimate)	544%
31 December 2021	434%
31 December 2020	379%
31 December 2019	375%
31 December 2018	443%

company has generated is distributed to the policyholders in the form of bonuses: discounts on premiums and higher risk sums in the case of risk insurance policies and terminal bonuses in the case of insurance savings with a guaranteed interest rate. Kaleva updated its terminal bonus system at the start of 2022, which now better factors in the long life of the insurance portfolio and the effect of any future fluctuations in the investment market.

The investment market was hit by a number of shocks simultaneously in 2022. Kaleva's investment policy is working well in the current circumstances. The company started to systematically reduce the equity allocation in its portfolio as soon as share prices began to fall, and reinvested the released capital in carefully chosen fixed-income instruments as interest rates rose. Return on investment ultimately came in at -5.4%.

**Kaleva's investments at fair value  
EUR 1,361 million**



Money market securities and cash	14%
Credit bonds, funds and loans	56%
Equity	17%
Real estate	5%
Private equity	3%
Alternative	4%

Cost-effectiveness is crucial for Kaleva's performance. Kaleva's partnership with If and Mandatum creates cost synergies that none of the three could achieve alone. Customers also benefit in the form of a competitive, mutually complementary product portfolio, which the companies sell, market and advertise together. Mutual insurance companies have a duty to ensure not just efficient cooperation but also compliance with the applicable laws and regulations and that the risks

involved in their operations are appropriately identified and controlled. Kaleva is doing this by continuously investing in its human resources and competence.

We are all glad to see the back of 2022. But there will be other surprises in the future, some negative and some positive. I am keeping my fingers crossed for more of the latter for a change.

**I would like to take this opportunity to thank all our customers, staff and partners – for as long as we stick together, we can go confidently into the future.**

Helsinki, April 2023

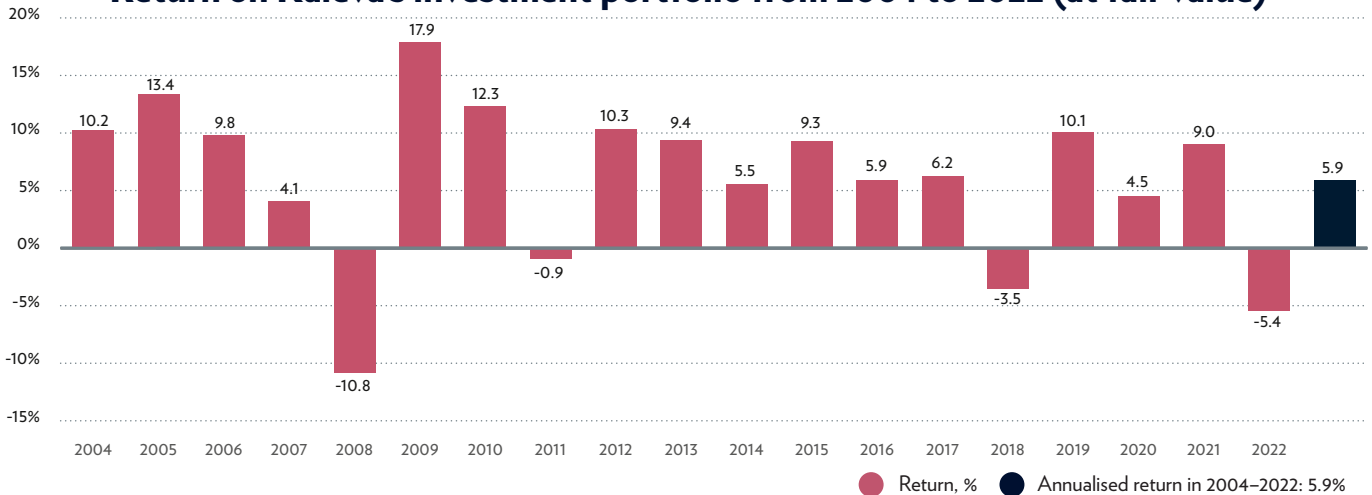
**Timo Laitinen**  
CEO



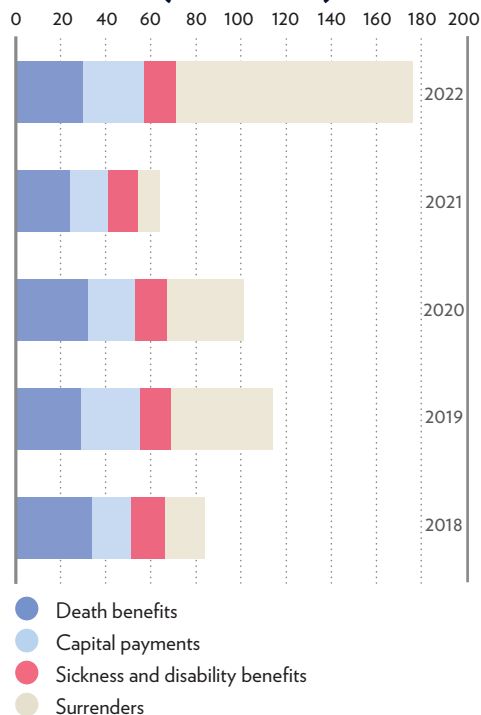
## Kaleva's key figures in 2022

EUR million	Kaleva	
	2022	2021
Premiums written (on own account)	61	60
Net investment income	57	151
Claims paid (on own account)	-178	-67
Change in technical provisions before bonuses and change in equalisation provision	151	131
Operating expenses	-12	-10
Balance on technical account before bonuses and change in equalisation provision	79	265
Operating profit	79	265
Bonuses	68	-442
Profit before extraordinary items, appropriations and taxes	147	-177
Expense ratio, %	73	71
Average number of personnel	9	9
Interest-bearing technical provisions (on own account)	1,004	1,354
Unit-linked technical provisions	131	0
Balance sheet total	1,387	1,470
Valuation differences	129	286

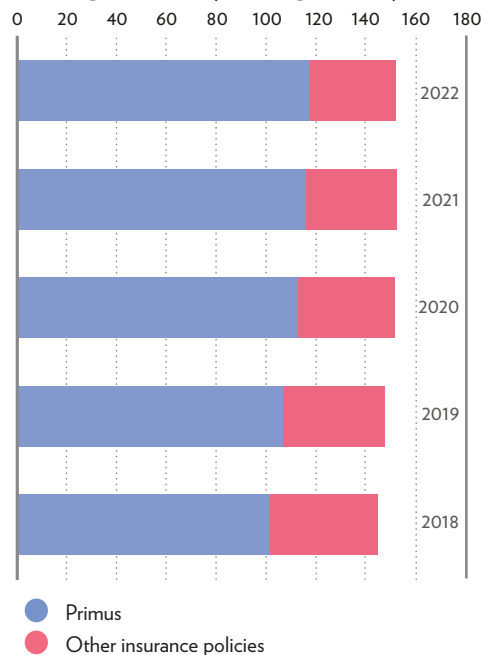
### Return on Kaleva's investment portfolio from 2004 to 2022 (at fair value)



### Kaleva's paid claims (EUR million)



### Development of the life insurance portfolio (1,000 policies)



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