

KALEVA

VAKAUTTA YLI ELÄMÄN



2019

MUTUAL INSURANCE COMPANY KALEVA  
ANNUAL REVIEW

# CEO's Review



## It is impossible to anticipate death, but easy to ensure the livelihood of your loved ones

### Increased risks for households

Many fail to prepare for risks that compromise their future and everyday life. However, the risks are still there. We know that Finns prefer to continue to live in their accustomed way even if their family faces grave misfortune. One of the major risks is death.

Even people in active age can die. In the age group of 15–64, a total of 7,827 Finns died in 2018. The vast majority die from illnesses, with the share of deaths caused by accidents being low – under 10%.

When the provider of a family dies, one consequence is that disposable income decreases. This results in problems with housing, loan payments, everyday routines and the related expenses. According to a survey conducted by Kaleva, over 70% of respondents find it important that their family's standard of living can be maintained even if the respondent would die. In addition, more than 70% of the respondents estimated that their standard of living would drop if their spouse died. 40% believe that they would have to move.

The financial risks in many families are high. 79% of households with children and two guardians in the age group of 35–44 have a housing loan. Slightly younger families have the largest average housing loans – 152,000 euros.

Kaleva finds it important that these risks are reviewed and information on them shared. The key is to offer insurance policies with which Finnish families can prepare for situations in which risks are realised and a provider of the family dies. Many families have not yet covered this

risk. The main reason for not taking an insurance is that it has not occurred to them. Thus, more and better communication is needed.

### An increasing number of the members of Kaleva's cooperation organisations took measures to prepare

Kaleva's communication with the cooperation organisations reached the members well. It is important to use all communication and marketing channels in a mutually supporting manner – public media and the media of organisations support each other, with both digital and traditional media needed in order to reach the customers. When discussing demanding topics, phone conversations and meetings are also needed.

As a result of all this, the sales of life insurance policies increased, with the number of new policies sold amounting to 13,772. In addition, the current customers maintained their existing policies for a longer time, with the life insurance

portfolio increasing by over 5% as a result. Customers were increasingly more capable of estimating the level of risk coverage they need. The value of the insurance coverage taken increased by 5% and insurance policies now cover the financial risks of households better. The total amount with which Kaleva covered Finnish lives was EUR 10 billion at the end of 2019.

### Caring for customers

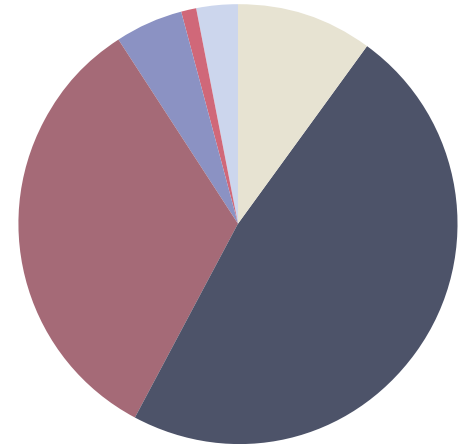
The relationship between a customer and a life insurance company is long – even decades. Many things change during this time: the customer's personal situation, technology, the market affecting investments and regulations applied to the insurance sector. We have discussed these issues with our customers and considered together how the regulatory changes implemented over the past few years affect their insurance policies. Our customers find it important that the compensation and savings related to insurance policies are available when they are needed the most and that they are actually paid to the persons who are planned to be the beneficiaries. The various regulatory changes that take place during the life cycle of an insurance agreement require that customers react appropriately in order to ensure that the original idea regarding the purpose of an insurance policy still applies. Despite changes, Kaleva is tasked with taking care of agreement-related obligations until the agreement terminates decades later.

At the end of 2019, savings under insurance amounted to EUR 421 million. The terminal bonus liability related to savings insurance policies, to which Kaleva's bonus principles apply, totalled EUR 451 million. The bonus for the customers' insurance policies taken to cover death or accidents was an insurance premium discount or increase of claim amount.

### The core of Kaleva's responsibility is "Physical and economic prosperity as our goal"

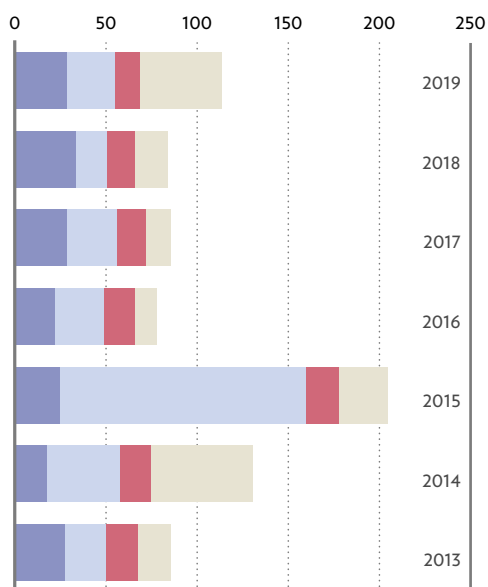
Kaleva's basic task is summarised in the inscription on the Kaleva Cup, which was donated by employees 111 years ago: "Physical and economic prosperity as our goal". We take care of the financial security of our customers in situations where that is needed the most and, together

### Allocation of investment portfolio 31 Dec 2019 EUR 1,424 million



Money market securities and cash	10%
Credit bonds, funds and loans	48%
Equity	33%
Real estate	5%
Private equity	1%
Venture capital funds	3%

### Kaleva's paid claims, MEUR



- Death benefits
- Capital payments
- Sickness and disability benefits
- Surrenders

with our cooperation partners, we also encourage people to maintain and improve their physical well-being. On a long-term basis.

Developing good governance is part of this work. For example, we provide policies, create operations models, develop risk management and monitor the related implementation on a regular basis. Kaleva's corporate responsibility regarding investments is one important element, which we steer by assessing the sustainability of individual investments and by measuring the carbon footprint of the investment portfolio. In addition, we operate in accordance with the UN's Principles for Responsible Investment and the Global Compact initiative.

### Areas contributing to the company's financial results in good shape

The return on Kaleva's investments was 10.1% in 2019. The yields from Kaleva's investments in equity were good. In addition to market deve-

lopments, yields increased as a result of some equity owned by Kaleva being delisted from the stock exchange through redemption. Yields from fixed income investments were also good. One major reason was that the interest rate levels decreased compared to previous years. For this reason, moderate yields are expected from fixed income investments in the future. Kaleva prepared for the continuation of the extremely low interest rate levels by increasing the supplemental provision for guaranteed interest rate, which is included in technical provisions.

The insurance premiums paid to cover the risks of death and accidents exceeded the compensation paid. Risk result was EUR 9.5 million. Premiums collected to cover the costs of operations exceeded the costs by EUR 4.3 million, with costs being 2.8% lower than in the previous year.

Kaleva's solvency remained at a good level. The solvency ratio is approximately 3.6 times the required level. Therefore, Kaleva has good ability to withstand fluctuations in the economy and investment market.

### Cooperation is the key

Cooperation is successful when both parties benefit from it more than from operating alone.

When it comes to canvassing new customers, cooperation with employee organisations is central to Kaleva's operations model. The life insurance and accident insurance benefit available only to the members of these organisations is important. The importance of jointly implemented communication and marketing increases year after year.

If contributes to Kaleva's sales and customer service by bringing with it the efficient customer service capability of a large company. Our cooperation was very good during the period, and especially If's franchising entrepreneurs improved their results in an extremely professional manner.

Customer service for the closed insurance portfolio and company administration is carried out in cooperation with Mandatum Life. In investment activities, Sampo Group's expertise provides significant benefits.

### A successful year overall

Kaleva focused on its basic mission – ensuring the financial prosperity of Finnish families. Based on customer feedback and the key figures, we succeeded well. The approach will remain the same in the future – we will concentrate on what we do best.

Naturally, changes in the environment require a proactive approach. We succeed best when our core operations are in good shape, with controlled experiments carried out as well.

I would like to thank all customers, cooperation partners and Kaleva employees. I enjoy working with you.

Helsinki, March 2020

**Timo Laitinen**  
CEO

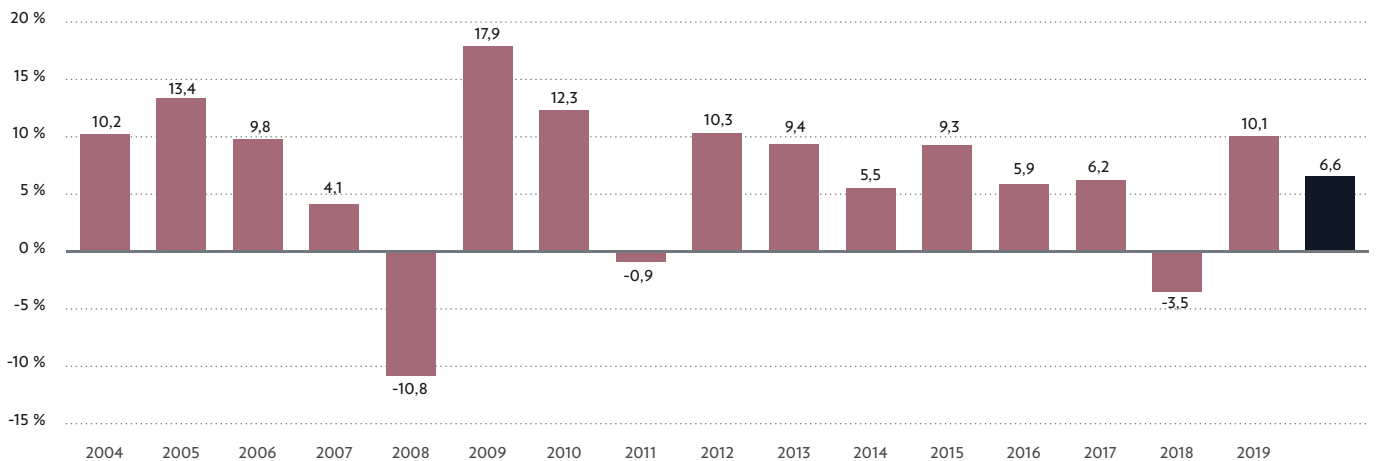


From left to right: Marketing Coordinator Elsa Silvasti, Director Minna Mikkonen, Customer Manager Marja-Liisa Sillanpää, Product and Customer Experience Manager Sini Rakkola, Marketing Manager Jussi Lehtonen, Chief Actuary Teemu Jokela, Managing Director Timo Laitinen and Customer Manager Hannu Stark.

## Kaleva – key figures 2019

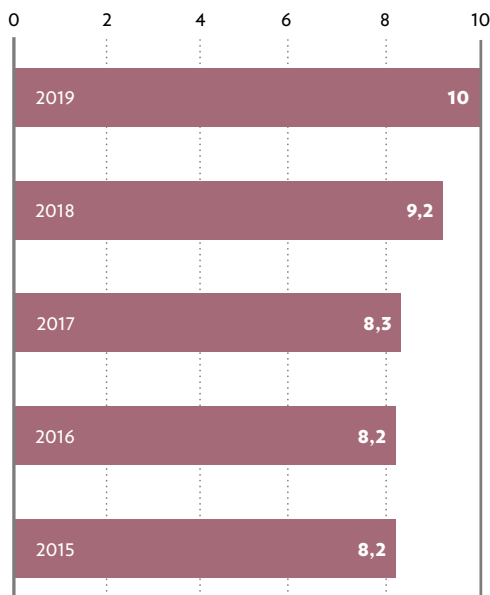
MEUR	Kaleva	
	2019	2018
Premiums written (on own account)	56	54
Net investment income	76	29
Claims paid (on own account)	-116	-85
Change in technical provisions before bonuses and change in equalisation provision	34	65
Operating expenses	-10	-11
Balance on technical account before bonuses and change in equalisation provision	41	51
Other income and expenses	0	0
Operating profit	41	51
Change in equalisation provision	0	0
Bonuses	-14	-103
Profit before extraordinary items, appropriations and taxes	27	-52
Expense ratio, %	74	78
Average number of personnel	9	9
Technical provisions (on own account)	-1,043	1,064
Balance sheet total	-1,298	1,302
Valuation differences	308	234

### Return on Kaleva's investment portfolio 2004–2019 (at fair value)



● Return, % ● Annualised return in 2004–2019 is 6.6%

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



At the end of 2019, Kaleva had insured lives of Finns for the total amount of EUR 10 billion.

### Sales of life insurance policies

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

Return on investment operations

**10.1%**

Claims incurred

**117.5**  
EUR million

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Oy Aija Bärlund Ab

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Professionals in Finland (Tehy)

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Finnish Pharmacists' Association

### Petri Vanhala

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Union

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If P&C Insurance Ltd (publ), branch in Finland

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Varma Mutual Pension Insurance Company

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