



For more than 40 years, we have offered consumer protection in the housing sector

INSURANCE AND WARRANTIES

Försäkrings AB Bostadsgaranti, which is a wholly-owned subsidiary of AB Bostadsgaranti, has been active since 2000. The company provides insurance in connection with the production of new dwellings in particular. The largest product in terms of volume is building defects insurance. Building defects insurance is statutory for all newly built housing for permanent use and also for many holiday homes, as well as extensions and substantial renovations. The insurance provides protection for ten years in the event of building defects and damage as a result of such defects in the newly-produced building. Another product is completion warranty insurance, which is an attractive alternative to a bank guarantee when a building contractor needs to provide security to the purchaser for a contractual commitment. Completion warranties are provided for both the construction period and the guarantee period.

AB Bostadsgaranti was formed in 1962 and has, since its inception, worked on consumer protection in house-building. The company is owned equally by the Swedish State and the Swedish Construction Federation. Today, its operations consist of providing warranties for advance payments and deposits for tenant-owner apartment projects. Through the years, we have built up a genuine

knowledge of the tenant-owner housing area and the company also provides education and seminars within this area.

CLAIMS

Over the year, Försäkrings AB Bostadsgaranti has strengthened its internal claims organisation and also engaged external claims adjustment to a limited extent.

As was the case last year, dampness-related claims were most common as regards building defects insurance. The problem with so-called one-step sealed façades has resulted in a further number of claims during the year. This damage consists of mould and rot arising due to moisture penetrating into the façade as a result of leaks caused by poor workmanship. The façade damages have usually appeared over the latter part of the 10-year period covered by the building defects insurance but, in some cases, have manifested themselves earlier. The number of claims made on the building defects insurance have increased by 10 percent compared with the previous year.

The number of claims made on the completion warranty insurances have increased by 30 percent compared with the previous year.

Significant events during the year

- A sustainability report for the Group was compiled for 2010 in accordance with the Global Reporting Initiative's guidelines. This has been published as a separate document and on our website at www.bostadsgaranti.se. The report supports us in our role as an employer and helps us act from the perspective of sustainability through a dialogue with our stakeholders.
- We are strengthening our organisation by recruiting new employees skilled in underwriting and claims adjustment to be able to continue to offer good service to both policy holders and claimants.
- Our continued work in accordance with the Solvency II directive entails considerable commitment from several people within the organisation. Both personnel and the Board receive training and updates regarding the directive. The implementation plan adopted by the Board is monitored and revised as necessary.

“In the spring of 2011, the building defects insurance requirement is to be removed for work carried out by ‘owner builders.’”

The choice of contractor, accurate contract documentation, payments according to a reasonable payment plan and completion of the project in accordance with the terms of the contract are the cornerstones in the correct realization of the consumer’s dream to build his or her own house.

Many newly constructed small houses change owners within the first ten years. In cases like these, the contractor’s guarantees and the responsibilities associated with the original contract no longer apply. Having worked with ten-year consumer protection for more than three decades, our experience shows that faults tend to appear towards the end of those first ten years. For those lacking a valid construction contract, building defects insurance may offer the only opportunity for recourse. Building defects insurance is also the answer for many house buyers who do have valid contracts but lack a counterparty due to the liquidation of the contractor. Such calls of distress have risen in number.

Our total compensation costs for building defects insurance for small houses is currently approximately SEK 40.5 million. Before building defects insurance for small houses became compulsory, building warranty insurance was applied – a predecessor of today’s building defects insurance. Claims related to those plans amount to approximately SEK 12 million.

The building defects insurance requirement for small houses was introduced in Sweden in 2005. Of the 27 member countries of the EU, Sweden and four others lead the way when it comes to statutory consumer protection. In three countries, consumer protection systems have been developed based on terms from financiers and stakeholders on the production side.

In the spring of 2011, the building defects insurance requirement is to be removed for work carried out by “owner builders”. In January 2011, a ministry white paper proposed that building defects insurance be abolished entirely as of 1 January 2012. In my view, the phasing-out of consumer protection through guarantees and insurance that has functioned in Sweden for nearly 35 years represents a major setback for Swedish home buyers. Today, we see targets being set for the reduction of moisture and mould problems in Swedish homes. Sweden and other EU countries are working to achieve sustainable housing construction and this will entail new and possibly previously untried techniques being applied.

It does not seem reasonable that numerous consumers shoulder the consequences of faulty buildings and techniques that fail to live up to their promises. I perceive well-developed building defects insurance as a more suitable choice.

Stockholm, February
Kåre Eriksson,
Managing Director and CEO



Five-year-overview*

(SEK 000s)	2010	2009	2008	2007	2006
RESULTS					
Insurance operations					
Premium written, gross	128 436	103 075	137 634	164 808	167 261
Premium written, net	87 534	66 772	85 482	102 776	99 455
Premiums earned for own account	49 063	34 030	33 171	29 061	29 834
Operating costs	-21 051	-22 204	-20 820	-20 650	-16 204
Net return on capital in insurance operations	13 608	16 567	14 997	11 067	8 924
Claims, net	-8 108	-23 642	-43 478	-15 587	2 882
Insurance operations' technical profit/loss	31 812	3 551	-16 130	5 900	23 427
Remaining return on capital	26 619	51 642	-20 146	-5 575	16 326
Profit for the year	-14 314	22 756	-27 441	181	21 338
FINANCIAL POSITION					
Investment assets at fair value	698 443	624 880	532 439	491 132	417 620
Insurance technical provisions for own account	491 912	462 388	426 096	343 800	262 382
Consolidation capital					
Shareholders' equity	123 993	120 545	88 207	115 649	115 468
Untaxed reserves	136 100	58 325	32 500	32 500	32 500
Deferred tax effects on equity in the accounts	9 889	8 581	-1 449	7 386	8 568
Total consolidation capital	269 982	187 451	119 258	155 535	156 536
Of which deferred tax	45 683	23 920	7 098	16 486	17 668
Capital base	260 093	178 869	120 707	148 149	147 967
Requisite solvency margin	32 900	33 248	31 584	31 128	31 128
KEY RATIOS					
PROFIT FROM INSURANCE OPERATIONS					
Claims ratio, net %	17	69	131	54	-10
Operating costs ratio, net %	43	65	63	71	55
Total costs ratio, net %	59	135	194	125	45
FINANCIAL POSITION					
Solvency ratio %	308	281	140	151	157
RESULT FROM CAPITAL INVESTMENTS					
Direct yield %	2,3	3,7	4,0	3,2	1,4
Total yield, net %	6,3	11,6	-3,8	1,2	6,4

Definitions of key ratios and figures

Requisite solvency margin: The Swedish Insurance Business Act's requirement regarding the lowest capital base that an insurance company must have

Claims ratio: Claims as a percentage of earned premiums

Operating costs ratio, net: Total operating costs as a percentage of earned premiums

Total costs ratio, net: Total insurance compensation and total operating costs as a percentage of earned premiums

Solvency ratio: Consolidation capital as a percentage of premiums written for own account

Direct yield: Capital return as a percentage of average fair value of investment assets

Total yield: Capital return + change in value + capital gain/loss as a percentage of average fair value of investment assets

* Legally limited IFRS applied for years 2007, 2008, 2009 and 2010. Years 2004-2006 prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (2003:13).

Income statement

(SEK 000s)	2010-01-01 -2010-12-31	2009-01-01 -2009-12-31
TECHNICAL ACCOUNT INSURANCE OPERATIONS		
Premiums earned for own account		
Premiums written, gross	128 436	103 075
Premiums ceded	-40 902	-36 303
Change in provision for unearned premiums and unexpired risks	-59 841	-45 691
Reinsurers' share of change in provision for unearned premiums and unexpired risks	21 370	12 949
Total premium revenues	49 063	34 030
Capital return transferred from the non-technical account	13 608	16 567
Claims for own account		
Claims paid		
Gross	-32 655	-24 773
Reinsurers' share	13 901	3 482
Change in provision for non-settled claims		
Gross	1 648	-6 905
Reinsurers' share	8 998	4 554
Total claims for own account	-8 108	-23 642
Operating costs	-21 051	-22 204
Change in equalisation provision	-1 700	-1 200
Insurance operations technical profit/loss	31 812	3 551
NON TECHNICAL ACCOUNT		
Insurance operations technical profit/loss	31 812	3 551
Capital return, income	36 636	35 543
Unrealised profits on investment assets	23 377	50 301
Capital return, costs	-1 382	-5 472
Unrealised losses on investment assets	-18 404	-12 163
Capital return transferred to the technical account	-13 608	-16 567
Profit/loss after financial income and costs	58 431	55 193
Year-end appropriations		
Provision for guarantee reserve	-77 775	-25 825
Profit/loss before tax	-19 344	29 368
Tax on profit/loss for the year	5 030	-6 611
Profit/loss for the year	-14 314	22 757

Statement of comprehensive income

Profit/loss for the year	-14 314	22 757
Other comprehensive income	-	-
Total comprehensive income	-14 314	22 757

Balance sheet

(SEK 000s)	2010-12-31	2009-12-31
ASSETS		
Investment assets		
Other financial investment assets		
Shares and participating interests	273 799	207 364
Bonds and other interest-bearing securities	424 644	417 516
Total investment assets	698 443	624 880
Reinsurers' share of insurance technical provisions		
Provision for unearned premiums and unexpired risks	306 503	285 133
Provision for non-settled claims	20 986	11 988
	327 489	297 121
Receivables		
Receivables regarding direct insurance	1 638	1 037
Receivables regarding reinsurance	16 330	5 820
Receivables regarding current tax	2 319	2 319
Other receivables	24 323	13 467
	44 610	22 643
Other assets		
Tangible assets	262	250
Cash and bank balances	24 821	4 257
	25 083	4 507
Prepaid expenses and accrued income		
Prepaid acquisition costs	33 809	33 113
Other prepaid expenses and accrued income	8 902	13 417
	42 711	46 530
TOTAL ASSETS	1 138 336	995 681
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital (60,000 shares at SEK 1,000)	60 000	60 000
Share premium reserve	15 000	15 000
Profit/loss brought forward	63 307	22 788
Profit/loss for the year	-14 314	22 757
	123 993	120 545
Untaxed reserves		
Guarantee reserve	136 100	58 325
	136 100	58 325
Insurance technical provisions		
Unearned premiums and unexpired risks	758 674	698 833
Non-settled claims	57 827	59 476
Equalization provision	2 900	1 200
	819 401	759 509
Provision for other risks and costs		
Provision for deferred tax liability	9 889	8 581
	9 889	8 581
Liabilities		
Liabilities regarding direct insurance	183	72
Liabilities regarding reinsurance	9 765	8 304
Other liabilities	1 477	4 829
	11 425	13 205
Accrued expenses and deferred income		
Reinsurers' share of prepaid acquisition costs	36 247	33 524
Other accrued expenses and deferred income	1 281	1 992
	37 528	35 516
TOTAL EQUITY AND LIABILITIES	1 138 336	995 681

Pledged assets and contingent liabilities

(SEK 000s)	2010-12-31	2009-12-31
Other pledged assets		
For insurance technical provisions registered funds for own account	491 912	462 388
Contingent liabilities	None	None
Commitments	None	None

Board of directors

AB Bostadsgaranti and Försäkrings AB Bostadsgaranti



Leif Ljungqvist

Senior Investment Manager
Ministry of Enterprise,
Energy and Communications
Born: 1971.
Elected 11 April 2009.



Kristina Westerståhl

Head of The Swedish Consumers' Banking & Finance Bureau
Born: 1962.
Elected 16 April 2008.



Kerstin Grönwall

Environmental Manager,
KPA Pension
Born: 1948.
Elected 21 April 2009.



Jan Persson

Head of Operating accounting,
Peab Sverige AB
Born: 1957.
Elected 11 April 2002.



Pether Fredholm

CEO, John Svensson Byggnadsfirma AB
Born: 1957.
Elected 20 April 2010.



Bo Antoni

CEO, The Swedish Construction Federation
Born: 1948.
Elected 16 April 2008.



Hans Wibom

Chairman of the Board
Advokat and senior partner, Vinge law firm
Born: 1949.
Elected 23 October 2008.



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