

LocalTapiola Group's financial performance 2018: We help our customers succeed in lifelong security

We build customer relationships based on trust and interaction to enable our customers to enjoy more success in their lifelong security. The number of private customers grew by nearly 10,000, and customer satisfaction (NPS) continued to improve. Compensations paid to customers based on non-life insurance amounted to EUR 724 million in total, being 11% more than the previous year. Loyalty bonuses and other bonuses paid to non-life insurance customers amounted to EUR 98 million. Regarding life insurance, customers received compensations of EUR 353 million in total, and savings accrued were credited with a return of EUR 62 million, of which EUR 8 million were bonuses. Despite the reduction in the result, LocalTapiola Group is still very solid. Key events in 2018 include:

Security – we prevent damages

- We continue as market leader in motor insurance. LocalTapiola's portfolio of motor liability insurance policies continued its growth.
- We are expanding our operations in Åland. The insurance companies Alandia Insurance and LocalTapiola Etelärannikko agreed on the transfer of Alandia's voluntary personal insurances to LocalTapiola as a portfolio transfer transaction on 1 January 2019.

Finances – we help our customers prosper

- We offer our customers increasingly comprehensive services for motoring. LocalTapiola Finance Ltd offers our customers financing services in conjunction with the purchase of a vehicle. Sales of vehicle financing have shown strong growth. The finance portfolio was EUR 135 million in the end of year 2018.
- Our customers want to be better prepared for the future, and they are increasingly interested in insuring themselves. In order to make it easy for our customers to use our services, we have introduced a digital application service for term life insurance, making us the first company in Finland to offer this service. Our premiums written in term life insurance continued to grow.
- Financial self-sufficiency is important for our customers. Around 17,000 customers have already taken up last year's revamp of the investment services, which make the benefits of a major insurance company's investment activities available to all of our customers.

Health – we improve our customers' health

- As a lifelong security company, we are making increasing investments in comprehensively maintaining our customers' health and preventing diseases. We have increased our holdings in the health care service providers Mehiläinen and Pihlajalinna.
- Last year, we served 120 000 customer contacts in a virtual hospital, which is part of the TerveysHelppi service and realised in cooperation with our service partner. Customers increasingly want to handle their health matters via remote connections. Our customers are also interested in handling their pets' health matters via remote connections. Alongside the hugely popular TerveysHelppi, we opened the LemmikkiHelppi remote veterinary service for our pet insurance customers with our partner.

LocalTapiola Group's key figures 2018

LocalTapiola Group	1-12/2018	1-12/2017
Non-life insurance		
Direct business premium income (non-life insurance), EUR million	1 132,3	1 095,2
Growth of direct business premium income (non-life insurance), %	3,4	-2,1
Premium income (non-life insurance), EUR million	1 196,0	1 154,1
Growth of premium income (non-life insurance), %	3,6	-1,9
Combined ratio excl. unwinding of discount expense, %	93,9	88,9
Risk ratio, %	64,0	57,9
Cost ratio, %	29,9	31,1
LocalTapiola Group		
Return on assets at fair value excl. Unit-linked , %	2,2	5,9
Operating profit, EUR million	259,1	343,0
Total result, EUR million	112,0	406,0
Capital adequacy ratio at the end of the period under review, %	187,9	175,2
LocalTapiola General		
	1-12/2018	1-12/2017*
Direct business premium income, EUR million	218,1	321,3
Growth of direct business premium income, %	-32,1	-25,5
Premium income, EUR million	321,8	410,7
Growth of premium income, %	-21,6	-19,4
Combined ratio excl. unwinding of discount expense, %	90,1	96,1
Risk ratio, %	66,5	67,6
Cost ratio, %	23,6	28,5
Net investment income at fair value, %	2,1	4,0
Operating profit, EUR million	66,9	174,4
Total result, EUR million	76,6	129,9
Capital adequacy ratio at the end of the period under review, % **	322,2	302,3
* Business transfer from LocalTapiola General to regional companies on 30 June 2017.		
LocalTapiola Life		
	1-12/2018	1-12/2017
Premium income, EUR million	449,8	516,0
Growth of premium income, %	-12,8	22,4
Net investment income at fair value, %	2,1	5,3
The Supplements to the Technical provisions, EUR million	47,4	78,3
Operating profit, EUR million	63,3	48,4
Total result, EUR million	33,0	64,0
Capital adequacy ratio at the end of the period under review, %	214,8	191,5

LocalTapiola Asset Management	1-12/2018	1-12/2017
Business result, EUR million	2,0	5,9
Turnover, EUR million	21,0	22,2
Managed customer assets at the end of the period under review, EUR billion	10,2	10,8

LocalTapiola Real Estate Asset Management Group	1-12/2018	1-12/2017
Business result, EUR million	2,9	2,3
Turnover, EUR million	15,9	15,2
Managed real estate assets at the end of the period under review, EUR billion	2,4	2,5

Comments by Erkki Moisander, CEO of LocalTapiola Group:

2018 was successful, considering the surrounding conditions. Our customers' satisfaction with our products and services has remained at a good level. Claims expenditure increased due to growth in the number of major losses and the challenging weather conditions in the early part of the year. Claims expenditure typically increases during economic upturns, and this is what happened now. The challenging investment climate affected our investment income.

In line with our lifelong security strategy, we are making increasing investments in comprehensively maintaining our customers' health and preventing diseases. We have increased our holdings in the health care service providers Mehiläinen and Pihlajalinna.

Our customers increasingly want to handle their health matters via remote connections. Customers have welcomed the virtual hospital service, which is part of TerveysHelppi and realised in collaboration with Mehiläinen. TerveysHelppi handled 120 000 customer contacts last year.

As a result of the good experiences gained from the TerveysHelppi service, we also extended telemedicine services to remote pet care. The LemmikkiHelppi service, implemented in collaboration with Omaeläinklinikka, offers our pet insurance customers the opportunity to use a mobile application for veterinary services. Remote veterinary care is initially offered to dogs and cats, later it is intended to be extended to horses. The user experiences so far are very encouraging.

Finnish motorists show strong levels of trust in LocalTapiola. Our portfolio of motor liability insurance policies continued its growth, although the record growth figures of the preceding year could not be matched. We are still the clear market leader in motor vehicle insurance. We transferred our customers' motor liability insurance policies from LocalTapiola General to the regional companies in 2017, and this has contributed to an improved customer experience and regional competitiveness.

We offer our customers increasingly comprehensive services for motoring and established LocalTapiola Finance in spring 2018. In 2018, the goals of the business plan were clearly exceeded. During the year, the sales of LocalTapiola Finance increased significantly, and in the end of the year, the finance portfolio was EUR 135 million. The beginning of year 2019 has been good, and the company monthly sales have reached a market share being almost 10% of the vehicle financing market. The company result in 2019 is expected to be positive promoted by a strong and profitable growth.

Our customers want to be better prepared for the future. For this reason, LocalTapiola Life introduced a digital application service for term life insurance, making it the first company in Finland to offer this

service. Alongside improving the customer experience, the service significantly boosts the efficiency of the sales process and risk selection work.

Our customers have welcomed last year's revamp of investment services, which make the benefits of a major insurance company's investment activities available to all of our customers. There are now 18,000 customers covered by the new insurance asset management services.

For our investor customers, the success of the service provider is one of the key selection criteria. LocalTapiola Asset Management has been highly successful in independent fund comparisons. Thomson Reuters Lipper named LocalTapiola Asset Management the best Nordic asset manager in its class. Several LocalTapiola funds were awarded prizes in the same comparison. In addition, the SFR survey for institutional investors awarded LocalTapiola Asset Management the best asset manager with the Platinum Award in the Challenger series.

With successful real estate investments and sales as well as efficient lease operations, LocalTapiola Real Estate Asset Management achieved excellent real estate investment returns for our customers. The real estate fund business continued to grow, and the volume of non-group customer accounts increased in line with strategic objectives.

As part of our investment operations, direct financing to support our corporate customers rose to a record level. We have granted direct corporate financing of several tens of millions of euros to our existing insurance customers.

We have continued growing in the corporate customer segment in 2018, and an increasing number of Finnish companies select LocalTapiola as cooperation partner. The industry reference data for the last quarter is still unconfirmed, but LocalTapiola's workers' compensation insurance premium income during the year increased by 6% in comparison with year 2017, which is an excellent performance.

We strengthened our position in Åland, when Alandia Insurance and LocalTapiola Etelärannikko (LocalTapiola Sydkusten) agreed on the transfer of Alandia's voluntary personal insurances to LocalTapiola as a portfolio transfer transaction on 1 January 2019. The transferred portfolio includes nearly 20,000 personal insurance policies.

The mental and physical coping of farming entrepreneurs has become a major issue. As a lifelong security company, we want to support the coping of our farmer customers, and that is why we launched a work capacity service for farming entrepreneurs. In addition, we participated as a partner in the Farmers' Social Insurance Institution Mela's 'Care for the Farmer' programme, which promotes farmers' mental coping.

Our farmers' economic services have expanded during the year as our partners in banking, OMA Säästöpankki and the Savings Banks, provide farm financing with their local services. Our market leadership in farm insurance was further strengthened.

In 2018, LocalTapiola Group's premiums written in direct non-life insurance grew significantly faster than the industry, and we managed to increase our market share. Premiums written amounted to EUR 1 132.3 million. Premiums written continued to increase in term life insurance and group pension insurance. Investment services acquired new customers. Investment income was at a good level considering the circumstances.

Customers were paid EUR 69.0 million in loyalty bonuses under non-life insurance and EUR 724.3 million in compensation. In addition, a total of EUR 29 million was paid to customers as S Group bonuses for their insurance premiums. Under life insurance, customers were paid a total of EUR 353.4 million in

compensation and EUR 62 million in return on savings under insurance of which EUR 8 million were bonuses.

The lifelong security strategy for 2019-2021 is in preparation, and we are committed to being our customers' most valued daily partner in lifelong security. In line with our lifelong security strategy, we are increasingly offering different kinds of forecasting, security and well-being solutions and services that make Finns' everyday lives safer, more economically successful and healthier. We serve our customers locally, utilising digitalisation and customer understanding. Our competent staff will continue to provide good and caring service to our customers in the future.

The figures are unaudited.

Additional information

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www.lahitapiola.fi Press releases by LocalTapiola available at: www.lahitapiola.en/uutishuone