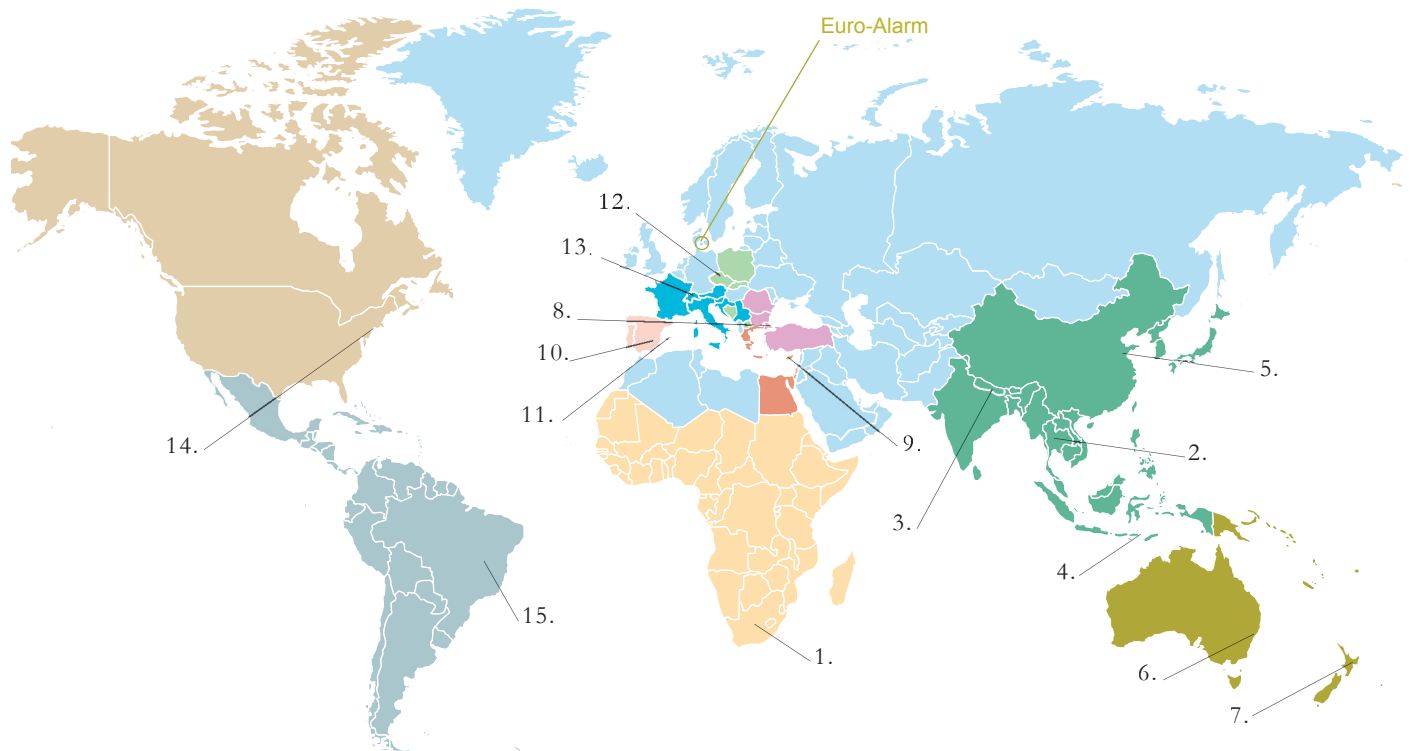




# ANNUAL REPORT 2005

EUROPEISKA FÖRSÄKRINGS AB (PUBL),  
EUROPEISKA INSURANCE CO  
TRANSLATION OF THE SWEDISH ANNUAL REPORT

## THE UNIQUE WORLDWIDE NETWORK OF EUROPEISKA



### OUR EURO-CENTERS AND EURO-ALARM HELP YOU ON THE SPOT

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## ... FROM TRAVEL INSURANCE TO TRAVEL SECURITY PROVIDER...

Already in last years annual report we indicated that it would become difficult to maintain our outstanding result from 2004 also during 2005. However, even if our result is slightly below that of previous year, we are still pleased with the fact that our result for 2005 well exceeded our expectations.

Our net result of MSEK 17,7 for 2005 compared with MSEK 20,5 in 2004 confirms that our company has stabilised its result at a satisfactory level. Based on the current very competitive market situation a gross premium growth of about 7% is very satisfactory. Our net claims ratio increase from 48,4% to 54,5% is slightly higher than expected but is explained by a relatively high amount of major claims. Due to special agreements and the run off effect related to the Tsunami in 2004, it is very difficult to make a full comparison of the key ratios with those from the previous year.

All the claims handling and most other matters directly or indirectly related to the Tsunami were primarily taken care of during the first half of the year. The total cost was considerably lower than we initially expected, even though we have handled more than 1000 individual claims. Our cooperation with the Insurance Federation, other insurance companies and various authorities has been quite extensive, and it is our experience that the entire insurance industry together did a very professional job in the handling of all aspects of the Tsunami.

From a general market perspective we have continued our work during the year with servicing our clients in a quick and smooth way, created several new business solutions with new corporate clients as well as with companies working in the private travelling sector. This includes a new long-term contract with one of Sweden's leading tour operators, and the signing of a significant expatriate insurance contract.

We have also continued our efforts with improving and streamlining our various administrative processes. This includes the deployment of a first version of our new production system for corporate business, and new systems for the handling of salaries and related tasks.

A major job has also been carried out due to changes in the Swedish Insurance Contracts Act (FAL) as we have adjusted all our insurance contracts wordings in order to be in line with this new legislation.

We have during the year made a major update of our Travel Diary with new functions, improved quality and speed as well as launched a new web-shop enabling the general public to buy our security products on the web.

As a niche company we are closely related to the travel industry, this means that we also are vulnerable to any major changes within that industry. For this purpose we have also made a major risk analysis in order to identify and assess these risks. The risks are grouped into four different areas; global-, strategic- operational- and investment risks and have then been ranked according to their significance from high to low. This task is now concluded and we have thus a comprehensive report which will be the base for continuous monitoring of possible changes in the different risk areas. Measures have also been taken to reduce, eliminate or protect the company against the key risks.

The outlook for 2006 is perceived as stable and the entire travel industry are acting and planning for growth and increased volumes. There is a significant optimism influenced by the rather strong economic situation in Sweden, and the private- as well as the corporate travel is expected to grow. However, as we have seen several times before, a new terror attack in a major tourist destination or in a major city could change this abruptly. A general concern right now is of course the emerging bird flu disease, if this becomes a major threat it could dramatically change the positive travelling development.

Our cost- and distribution ratios will continue to be in focus for further improvement and additional cost efficiency. The loss ratio will as always become the dominating factor when it comes to making a forecast about our expected results. However, at this point in time we see no major threat to our operations and we expect to reach a result well in line with the insurance result in the previous three years.

We expect to maintain and also expand our leading position through all our lines of business also in the future. Our long-term effort to move from being the leading travel insurer to become the leading travel security provider is our guiding tool. This requires continued focus on client-service; quick claims handling and immediate responses to our clients and partners in their contacts with us. In addition, our flexibility and ambition to create concepts and products in close

contact with our clients, reflecting new demands and needs, will continue.

At the same time, our menu becomes wider every year as we step by step implement tools and features related to travel security. This also requires excellent quality throughout all our business processes and a strong belief in technical innovations.

We are well positioned and I am personally sure that we also for the coming years will have a continued success and reach our goals, based on a proactive approach and with a positive attitude to arising challengers.

I would finally also like to extend a warm thanks to all employees and management for their contribution during 2005. I would also like to conclude by personally thanking our clients and partners for their continued faith in Europeiska, as well as our shareholders for their support.

Stockholm, April 4, 2006.



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## REPORT OF THE BOARD OF DIRECTORS

EUROPEISKA INSURANCE COMPANY LIMITED (PUBL) CORPORATE IDENTITY NO. 502005-5447

The Board of Directors and the Managing Director of European Insurance Company Ltd hereby submit their Annual Report for 2005, the 85th year of operations.

The attached annual accounts have been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL), and also in accordance with the guidelines of the Swedish Financial Supervisory Authority.

The Company is a wholly owned subsidiary of European Holding A/S in Copenhagen and part of the Munich Re group, domiciled in Munich, where consolidated group accounts may be obtained.

The Company was formed in 1920 and is a specialised company in travel insurance. In addition to private and business travel insurance, the Company offers special insurances for bankcards and insurances for watches and jewellery in co-operation with retail associations.

### Financial results

The operating profit before appropriations and tax amounted to 17,7 MSEK as compared to 20,5 MSEK in year 2004. Gross premiums written by the Company increased from 333,3 MSEK to 357,8 MSEK, and net premiums earned increased from 252,0 MSEK to 271,5 MSEK. The net claims ratio including claims handling increased from 48,4% to 54,5%. The net combined ratio increased from 93,6 % to 97,4 %. The investment income increased from 4.3 MSEK for 2004 till 9,9 MSEK.

It should be noted that the handling of the Asian tsunami in December 2004 and the following run off result during 2005 influences the key ratios to a certain extent, why comparisons between the years may be somewhat misleading.

### Management summary of 2005

The year 2005 was initially to a large extent influenced by the claims handling and information related work, contacts with various insurance branch organisations and authorities, etc related to the Asian tsunami. The financial effect, primarily related to the Company's net retention in the reinsurance program, was mainly influencing the year 2004. However, most of the actual work was carried out during 2005. The work has more or less been finalised during the year but for some smaller tasks related to the finalisation of in context certain related projects.

The major internationalisation of the Company's corporate portfolio as well as the fact that travellers to a larger extent travel to new destinations also means that we continuously must adjust our services and establish a presence in locations where our clients travels or live. As examples of the Company's ambition to give "assistance on the spot" we have during the year in our international claims- and assistance organisation, Euro Center, opened a new office in Beijing and significantly increased the staff in our offices in Istanbul and New York.

Europeiska has also during the year introduced a completely new version of the "Resdagboken" ("Travel Diary" ([www.resdagboken.com](http://www.resdagboken.com)) that is our meeting place on the web for travellers. The operations in the Company's Travel security shop in central Stockholm has been expanded through the opening of an electronic shop for sales of travel security articles via the Internet. The web shop is in line with our ambition to offer more travellers the opportunity to purchase travel security articles. The Company's strategy to have a presence in all areas relating to travel security has by this been completed.

The Company has during 2005 continued to strengthen its position in the corporate as well as in the private

market. We have for example signed a new multi year cooperation agreement with one of the major Swedish tour operators, and signed global agreements with some of our most well known major corporations.

New or improved insurance products have also been continuously launched, for example revised insurance conditions for private travellers. Europeiska has also launched a new version of Insurance for employees stationed abroad as well as an Airline Insolvency Insurance. During the entire 2005 work has been carried out with a new production- and business support system, primarily for our corporate portfolio.

The Company's result for year 2004 was exceptionally good in consequence of many concurring positive factors. The year 2005 can be considered a more normalised year, leading to a slightly weaker result and higher key ratios compared to the previous year. This is primarily due to more major claims and in some areas higher claims frequency. As a result of continuous work with improved risk selection, adjustments of conditions and premiums, this development has had a limited effect.

#### Market / Products

##### Private travel insurance

The private travel market continues to mirror the general economic situation in Sweden. During 2005 the major tour operators reported strong financial improvements, primarily due to improved penetration for full price trips and a reduction of last minute sales through reduced overcapacity. In addition, some of the improvements are due to a more diverse product content aiming to meet the changes in client behaviour.

The client behaviour continues in the direction of more Internet bookings, more frequent but shorter trips, increased purchasing of cheap flight tickets with

low cost airlines, etc. This will ultimately also influence the travel insurance operations. This development is likely to continue and should primarily be seen as a new business opportunity. Together with our partners we are continuously adapting our products and services to the emerging new client behaviour. This has also led to increased shares of travel insurance sales via Internet and Internet links.

The Gross premium has continued to increase. This is primarily due to high penetration ratios through our major distributors but also a result of premium increases and volume increases amongst many of our medium size distributors.

Europeiska's website "www.resdagboken.com" has been given more content, improved technical stability and increased commercial value. The site enables you to publish your diary and digital photos on the net and through automatically generated mails you will stay in contact with friends and relatives back home. At the end of the year we had about 55.000 diaries and almost 3 million digital photos registered. As an example of the use could be mentioned that during the month of December alone we had an all time high with 700.000 unique visitors to the site.

The site will continue to grow due to that sister companies and other Europeiska-companies in Europe will introduce local versions of our Travel diary.

##### Corporate travel insurance

The corporate portfolio has continued to show good results, however not fully in line with the previous year.

The Company has during the year established a group competence Center of Excellence in Stockholm with the primary aim to expand the international insurance portfolio within the ERV group.

The ambition is to supply the sister companies with the necessary knowledge and products to enable sales

of corporate insurances in their respective domestic markets. The company has during the year developed a new international insurance policy including service- and price models to be launched by our sister companies in their respective domestic markets during 2006. We have also during the year introduced an additional coverage feature, i.e. a life insurance for our small and medium size business travel clients to cover death as a result of illness or disease during business trips.

#### Non-travel insurance

The Company's non-travel related portfolio includes cooperation agreements with "Stjärnumakarna", "Din Guldsmed" and others. This portfolio has stayed very stable and shows a significantly improved result compared to previous year.

#### Distribution

From an overall perspective we are distributing our products and services through a number of different distribution channels. The external channels range from major tour operators to more than 800 small to medium sized travel agents as well as most of the insurance brokers. The Company's own distribution channels includes sales representatives as well as telephone sales through internal customer service and via Internet.

From a product perspective this means that we have a unique know-how to sell existing as well as new products via many different channels. The Internet development continues, and we will during 2006 continue to develop new Internet based alternatives. Our strategy is to very quickly monitor changes in the market and quickly adapt to new customer preferences and behaviour.

#### Expected future development

We believe that tourism and travelling is a stable, growing market that primarily is influenced by the general economic situation. The threats that exist in a general perspective, and this opinion is shared by most companies in the industry, is of course different types of terror attacks, a global pandemic like the bird flu, etc. There are however different opinions about what type of travel pattern that may develop, for example how you will book your ticket, your hotel room or rental car. There are also many different opinions where you may go, like for how long you will stay away, if you fly with a low cost carrier or fly with regular airlines, if you go camping or make long sailing trips. One thing is however everybody agreeing on; we will travel more frequently, we will vary our destinations more and we will travel at higher ages. In addition, we will to a larger extent use the Internet and mobile services in relation to the planning, booking and purchasing of trips, and as communication tools while travelling.

This constant change of behaviour and the supply of new ways of travelling mean that we during the co-

ming years must be extremely flexible. For Europeiska it is an ongoing and proactive process to have a built-in flexibility for future changes, which also influences all our development work. All our investment decisions are based on key words like flexibility, modern technology, cost efficiency and quality.

Europeiska is well equipped to meet these future challenges and in the years to come we expect to deliver a insurance result in line with our results during the previous years. Our market position is strong and we will do our absolute best to meet our clients' and partners' expectations.

#### Risks

##### Financial risks

According to the Company's policy, assets shall be invested in interest bearing instruments. The major part of the investments during the year is made in government treasury bills with an even maturity over the year. A smaller part has been invested in government bonds. In case of a change in market interest rates, the financial effect for the Company is very limited.

Insurance amounts are normally stated in Swedish Kronor. An increased number of claims are paid in foreign currencies and consequently increase the Company's sensitivity for fluctuations in foreign currency rates. However, through fast claims adjustment, the currency risk is limited.

Agents collect a substantial part of the premium income. Accounting is normally made monthly and is carefully monitored; a number of steps have been taken to further reduce these risks. For instance, invoices that are not paid on due date are handed over to a credit service company for reminders and recovery, etc. Bad debt losses have been very limited during the year.

##### Insurance risks

The average sums insured and claims are comparatively low, and single claims consequently have a rather limited effect on the result. However, the accumulation of risk connected with transportation and hotels, etc, is not insignificant and is reinsured with a net retention for the Company of maximum 2.0 MSEK per occurrence. A separate reinsurance program also exists to protect the corporate portfolio.

##### Operational risks

The operational risks that exist are especially risks associated to tele- and data communication systems both in respect of operational disturbances and from a quality point of view regarding monitoring and control of the operations. Furthermore there is always a risk due to strong dependency of persons holding key positions. Within Europeiska there is ongoing work to identify all possible risks in order to minimize and limit these as much as possible.



## PROPOSED APPROPRIATION OF EARNINGS (SEK)

Earnings at the disposal of the General Meeting	
Profit brought forward from 2004	19 564 231
Change in fund for unrealised gain	-1 356 463
Profit for the year	765 531
Total unappropriated earnings	18 973 299

The board and Managing Director propose,	
to be distributed to the shareholders	6 564 000
to carry forward to new account	

Sundbyberg, April 4 2006



Franz Josef Biesel  
Chairman



Helmut Pritscher



Stefan Holzhauser



Gunnar Petri



Kenneth Sandén  
Chief Executive Officer



Björn Engström  
Employee representative (FTF)



Helene Hultgren  
Employee representative (SACO)

My audit report was submitted XXXXXXXX  
KPMG Bohlins AB



Henrik Rättzén  
Authorised Public Accountant

Tjena!  
Hur e läget? Allt  
lugnt? Jag måste  
bara säga att jag  
har det hur bra  
som helst här i  
landet down under.  
Jag mår som en  
kung helt enkelt.  
Just nu sitter jag  
och glassar på vandrарhemets



Karl Bergström  
Granstigen 7  
S-910 93 Umeå  
Sweden

ute servering. Vilket  
ställe! Jag tror aldrig  
jag har sett något fulare  
vandrарhem i hela mitt  
liv. Man riskerar sitt liv  
varje gång man gång  
ger in genom dörren.  
Huset är helt fallfärdigt  
och receptionisten ser  
så arg ut varje gång  
man måste fråga  
henne om något. Men  
allt annat är toppen!  
Jag håller på äta  
frukost och ska snart  
ta min bräda och glida  
ner till stranden. Surfa  
är riktigt kul! Du borde  
testa någon gång. Vi  
härs snart igen. Hälsa  
alla. Ta det lugnt. /Ante

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Surfa in på [www.resdagboken.com](http://www.resdagboken.com) och skapa din egen resedagbok. Här kan du skriva om din resa, ladda upp bilder, läsa andras reseberättelser, söka resmål mm. Välkommen till [www.resdagboken.com](http://www.resdagboken.com) – en gratisjänst skapad av Europeiska Reseförsäkringar.

## FIVE-YEAR OVERVIEW

Result (SEK Thousand)	2005	2004	2003	2002	2001
<b>Insurance Operations</b>					
Gross premiums written	357 760	333 292	326 346	313 791	275 363
Net premiums earned	271 545	251 984	253 489	265 532	230 606
Net investment income of the insurance operations	2 299	2 997	4 057	4 657	4 096
Net claims incurred	-147 878	-122 033	-125 712	-151 889	-141 757
Net technical result, insurance operations	9 394	19 157	11 930	-2 208	-35 672
Profit for the year	766	-	-	-	-238
<b>Economic Status</b>					
Investment assets at current value	234 146	237 352	225 570	213 604	212 850
Technical provisions for own accounts	105 101	104 094	113 652	142 951	127 159
Shareholders' equity	32 605	36 346	41 838	41 838	47 838
Untaxed funds	119 835	103 460	83 421	69 087	68 005
Return of deferred tax on unrealised gains	572	44	15	92	164
Total consolidation capital	153 011	139 850	125 274	111 017	116 007
Available solvency margin	147 497	136 998	125 259	110 925	115 843
Required solvency margin	56 193	36 942	41 057	47 341	45 057
<b>Key Figures</b>					
Claims ratio, for own account	54.5	48.4	49.6	57.2	61.5
Expense ratio, for own account	42.9	45.2	47.3	45.3	55.7
Combined ratio, for own account	97.4	93.6	96.9	102.5	117.2
Solvency ratio %	56.2	56.4	50.7	40.6	49.7
Direct yield of investments %	2.6	2.7	3.7	4.4	4.8
Total yield of investments %	4.6	2.9	3.8	4.5	4.7

## STATEMENT OF INCOME

(SEK Thousand)	Note	2005	2004
Technical account of insurance operation			
Premium earned (for own account)			
Premium income (before reinsurance ceded)	1	357 760	333 292
Reinsurance premiums ceded		-85 372	-85 135
Change in provision for unearned premiums and remaining risks		-1 558	4 487
Reinsurers' share of change in provision for unearned premiums and remaining risks		715	-660
<b>Total premium earned (for own account)</b>		<b>271 545</b>	<b>251 984</b>
Investment income allocated from non-technical account	2	2 299	2 997
Claims incurred (for own account)			
Claims paid			
Gross	3	-184 545	-158 595
Reinsurers' share		36 910	30 830
Change in provision for outstanding claims			
Gross		29 740	-23 740
Reinsurers' share		-29 983	29 472
<b>Total claims incurred (for own account)</b>		<b>-147 878</b>	<b>-122 033</b>
Operating expenses	4	-116 572	-113 791
Technical result of insurance operation		9 394	19 157

## STATEMENT OF INCOME

(SEK Thousand)	Note	2005	2004
<b>Non-technical account</b>			
Technical result of insurance operation		9 394	19 157
Investment income	5	9 721	6 676
Unrealised gain on investments	6	1 884	107
Investment expenses	7	-1 655	-2 482
Investment income allocated to technical account		-2 299	-2 997
<b>Result after investment income</b>		<b>17 045</b>	<b>20 461</b>
Other income	8	774	-
Other expenses	9	-144	
<b>Result before appropriations and tax</b>		<b>17 045</b>	<b>20 461</b>
<b>Appropriations</b>			
Change in safety reserve		-16 375	-20 038
<b>Result before tax</b>		<b>1 300</b>	<b>423</b>
Tax for the year	10	-534	-423
<b>Result for the year</b>		<b>766</b>	<b>-</b>

## BALANCE SHEET

(SEK Thousand)	Note	2005	2004
<b>Assets</b>			
<b>Intangible assets</b>			
Other intangible assets	11	4 942	2 808
<b>Investments</b>			
Investments in group companies and associated companies			
Interest-bearing loans to group companies	12	41 818	50 752
Shares and participations in associated and affiliated companies	13	1 803	1 671
Other financial investment assets			
Shares and participations		0	0
Bonds and other fixed-income securities	14	162 219	154 231
<b>Total investments</b>		<b>205 840</b>	<b>206 654</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums and remaining risks	15	9 885	9 170
Provision for claims outstanding	16	12 369	42 352
<b>Total reinsurers' share of technical provisions</b>		<b>22 254</b>	<b>51 522</b>
<b>Receivables</b>			
Receivables arising out of direct insurance operations	17	16 497	13 304
Receivables arising out of reinsurance operations	18	145	297
Other receivables	19	60 654	33 192
<b>Total receivables</b>		<b>77 296</b>	<b>46 793</b>
<b>Other assets</b>			
Fixed and tangible assets	20	1 206	1 403
Cash at bank and in hand		28 306	30 698
<b>Total other assets</b>		<b>29 512</b>	<b>32 101</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest income		3 203	906
Deferred acquisition cost	21	11 769	11 656
Other deferred expenses and accrued income		2 917	1 925
<b>Total prepaid expenses and accrued income</b>		<b>17 889</b>	<b>14 487</b>
<b>Total assets</b>		<b>357 733</b>	<b>354 365</b>

## BALANCE SHEET

(SEK Thousand)	Note	2004	2003
Equity, provisions and liabilities			
Shareholders' equity			
Share capital (20.000 shares with par value of SEK 500 each)		10 000	10 000
Reserve fund		2 160	2 160
Fund for unrealised gains		1 471	114
Profit brought forward		18 208	24 072
Result for the year		766	-
<b>Total shareholders' equity</b>	22	<b>32 605</b>	<b>36 346</b>
Untaxed reserves			
<b>Equalisation reserve</b>		<b>119 835</b>	<b>103 460</b>
Technical provisions (before reinsurance ceded)			
Provision for unearned premiums and remaining risks	23	65 939	64 381
Provision for claims outstanding	24	61 496	91 235
<b>Total technical provision (before reinsurance ceded)</b>		<b>127 435</b>	<b>155 616</b>
Provisions for other risks and charges			
<b>Provision for tax</b>	25	<b>572</b>	<b>44</b>
Liabilities			
Liabilities arising out of direct insurance operations	26	25 633	26 391
Other liabilities		39 382	22 186
<b>Total liabilities</b>		<b>65 015</b>	<b>48 577</b>
Accrued expenses and prepaid income			
Reinsurers' share of prepaid acquisition cost		3 442	2 739
Other accrued expenses and prepaid income		8 829	7 583
<b>Total accrued expenses and prepaid income</b>		<b>12 271</b>	<b>10 322</b>
<b>Total shareholders' equity, provisions and liabilities</b>		<b>357 733</b>	<b>354 365</b>
Pledged assets and contingent liabilities			
Pledged assets		None	None
Contingent liabilities		None	None

## ACCOUNTING PRINCIPLES

The annual accounts have been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL), and also in accordance with the guidelines of the Swedish Financial Supervisory Authority.

Assets and liabilities (including appropriations) have been valued at their acquisition cost, unless stated otherwise below.

### Premium income

The premium income is accounted according to the inception day principle. This means that only the insurance agreements for which the Company's responsibility has begun during the financial year are accounted as premium income.

### Operating expenses

Operating expenses are classified per function as acquisition costs or administration expenses. Operating expenses for claims adjustment are accounted as part of claims incurred in the statement of income, and operating expenses for investment management are accounted as part of the investment costs.

### Deferred tax

Deferred tax is calculated on the fund for unrealized gains that is part of the restricted equity. For the calculation a tax rate of 28 % has been used.

### Intangible assets

Intangible assets consist mainly of developing cost for own development and acquired computer software that can be deemed to be of essential financial value for the operation during the next coming years. Intangible

assets are accounted to acquisition cost with deduction of accumulated depreciations. The depreciation time is decided at time of completion and the expected financial life time. If the real value of the asset after depreciation is deemed to be below booked assets the asset will be accounted to the lowest value.

### Investment assets

Interest-bearing securities and stocks are valued at market value. Shares in associated companies have been valued to the lowest of acquisition cost or market value. Surplus value, positive change between market value and acquisition cost on investment assets, with deduction for deferred tax, is accounted for in fund for unrealised gains, within the restricted equity. The investment assets are valued collectively per class of assets.

### Receivables

Receivables are reported at the amount expected to be collected, based on individual assessment of collectibles. Provision for doubtful receivables is normally made upon individual assessment of the receivable.

### Tangible fixed assets

Depreciation according to plan is based on the asset's historic cost. Depreciation is made over the period that the fixed assets are used and is accounted for as a cost in the profit and loss account. The following depreciation periods are applied:

Data equipment 3 years  
Other fixed assets 5 years



### Deferred acquisition cost

For purposes of obtaining a real accrual accounting of costs relating to sale of insurance, the acquisition cost is capitalized and depreciated over one year. Costs fluctuating with, and being directly or indirectly related to acquisition or renewal of insurance agreements, are the base for capitalization.

Examples of direct related sales costs are sales commission, salaries and other costs for own sales staff and underwriting.

### Receivables and payables in foreign currencies

Receivables and payables have been recalculated at the year-end rates of exchange. Currency gains and losses are accounted as income/costs in the investment result.

### Appropriations and safety reserves

Swedish tax legislation allows companies to reduce the financial year's taxable income through appropriations to untaxed reserves. The following forms of untaxed reserves exist:

#### Equalisation reserve

The equalisation reserve forms a collective safety reinforcement of the insurance technical provisions. Accessibility is limited to the covering of loss and demands. For other purposes it is necessary to obtain permission from the Financial Supervisory Authority.

### Technical provisions

Technical provisions forms by appropriation for non-earned premium normally strictly time proportionally. For non-life insurance and reinsurance the calculation of technical provisions for unearned premiums is nor-

mally made strictly time-proportional in accordance with the pro rata temporis calculation. If the premium level is considered to be insufficient to cover expected claims and administrative expenses, an additional provision for unearned premiums must be added for such remaining risks, a so-called premium deficiency reserve.

Technical provisions for outstanding claims are calculated to correspond with the policy commitments. Provision for outstanding claims has been augmented with supplements for unknown claims and inflation effects.

Receivables from recourse claims are accounted in accordance with the accruals concept and have reduced the provision for claims outstanding.

### Reinsurers' share in technical provisions

Reinsurers' share in technical provisions is taken up to the amount that corresponds to the reinsurance agreements.

### Write down

If there at the time of closing the accounts exist any indication of that a materiell or immateriell asset has decreased in value a calculation of the assets recovery value is made. With recovery value one mean the highest of the assets net market value or its useful value. If the recovery value exceeds the accounted value a write down will take place. If at a later time a higher value is established then a reversal of previous write down will take place.

## Notes

SEK THOUSANDS

Note 1 Premium income	2005	2004
	Gross	Gross
Direct insurance, Sweden	357 343	332 780
Reinsurance assumed	416	512
<b>Total</b>	<b>357 760</b>	<b>333 292</b>

## Note 2 Investment income allocated from non-technical account

An amount based on a calculation of the average technical provisions for own account, after deduction for net receivables arising out of insurance operations has been allocated from the total investment income to the insurance operations. In the calculation, an interest rate of 1,88% has been used which was the average interest rate of 90 days STIBOR for year 2005.

Note 3 Claims paid	Before reinsurance ceded	Reinsurers' share	For own account
Claims paid	170 808	-36 910	133 898
Operating expenses for claims adjustment	13 737	-	13 737
<b>Total claims paid</b>	<b>184 545</b>	<b>-36 910</b>	<b>147 635</b>

Note 4 Operating expenses					2005	2004
Acquisition costs					112 286	114 134
Change in deferred acquisition costs					-112	30
Management expenses					38 829	32 718
Commission and profit share					-35 135	-32 881
Change in deferred commission and profit share					704	-210
<b>Total operating expenses in insurance</b>					<b>116 572</b>	<b>113 791</b>
Total oper. exp. categorized by functions	Capital admin	Acquisition	Claims ad-justm.	Administra-tion	Total	
Cost of staff		18 950	9 017	11 256	39 223	
Cost of premises				5 500	5 500	
Depreciation				1 159	1 159	
Acquisition costs incurred, for own account		48 873			48 873	
Other	645	9 920	4 720	20 915	36 200	
<b>Total</b>	<b>645</b>	<b>77 743</b>	<b>13 737</b>	<b>38 830</b>	<b>130 955</b>	

The amount includes payments to KPMG Bohlins AB for audit fee of TSEK 511 that fully refers to year 2005

Note 5 Investment income	2005	2004
Interest income etc.		
Bonds and other fixed-income securities	7 586	4 066
Other interest income*	2 135	2 610
<b>Total investment income</b>	<b>9 721</b>	<b>6 676</b>
* Thereof from group companies	1 003	1 553

Note 6 Unrealised gains on investments	2005	2004
Unrealised gains on bonds and other interest-bearing securities	1 884	107
<b>Total unrealised gains on investments</b>	<b>1 884</b>	<b>107</b>

Note 7 Investment expenses	2005	2004
Interest expenses etc.		
Other interest expenses	380	629
Loss on foreign currency exchange, net	629	623
Investment management expenses*	645	863

Write-down	-	367
<b>Total investment expenses</b>	<b>1 655</b>	<b>2 482</b>

\* Whereof investment management fee TSEK 461 (416)

Note 8 Other income	2005	2004
Resesäkerhetsbutik and Resdagboken	774	-
<b>Total other income</b>	<b>774</b>	<b>-</b>

Note 9 Other expenses	2005	2004
Resesäkerhetsbutik and Resdagboken	-144	-
<b>Total other expenses</b>	<b>-144</b>	<b>-</b>

Note 10 Tax for the year	2005	2004
Tax on income for the year	7	393
Deferred tax on unrealised result	527	30
<b>Total tax for the year</b>	<b>534</b>	<b>423</b>

Note 11 Other Intangible assets	2005	2004
Capitalized development costs and similar items		
Accumulated capitalized development costs and similar items		
Balance brought forward	2 808	-
Internally developed assets during the year	4 605	2 808
Balance carried forward	7 413	2 808
Accumulated depreciation according to plan		
Balance brought forward	-	-
Depreciation for the year	2 471	-
Balance carried forward, accumulated depreciation	2 471	-
<b>Total residual value according to plan</b>	<b>4 942</b>	<b>2 808</b>
The asset refers to an own developed insurance system.		
The depreciation for the year is accounted in operating expenses.		

Note 12 Interest-bearing loans to group companies	2005	2004
European International Holding A/S	41 818	50 752

Note 13 Shares and participations in associated and affiliated companies							
	Corp.iden- tity No	No	Owner share	Acq. Cost	Book value	Domicile	
Euro-Center Holding A/S	A/S 174224	4	16,67%	2 015	1 780	Köpenhamn	
European Assist. Holding GmbH	139284	1	10,00%	23	23	München	
<b>Total shares and participations in associated companies</b>				<b>2 038</b>	<b>1 803</b>		

Note 14 Bonds and other fixed-income securities				
			Total current value	Accrued acquisition value
Listed securities				
The Swedish Government			162 219	160 176
<b>Total bonds and other fixed-income securities</b>			<b>162 219</b>	<b>160 176</b>

Note 15 Provision for unearned premiums and remaining risks				2005	2004
Reinsurance					
Balance brought forward				9 170	9 830
Change in provision				715	-660
Balance carried forward				9 885	9 170
Note 16 Provision for claims outstanding				2005	2004
Reinsurance					
Brought forward incurred but not reported claims				17 473	9 775
Brought forward claims adjustment provision				-7 080	7 698
Portfolio entry of adjustment provision				24 879	3 106
Change in claims adjustment provision				-22 903	21 773
Balance carried forward				12 369	42 352
Note 17 Receivables arising out of direct insurance operations				2005	2004
Policyholders				12 779	9 998
Agents/brokers				3 718	3 306
Total receivables arising out of direct insurance operations				16 497	13 304
Note 18 Receivables arising out of reinsurance				2005	2004
- The amount includes receivables from group companies				-	-
Note 19 Other receivables				2005	2004
- The amount includes receivables from associated companies				18 734	8 962
Note 20 Fixed- and tangible assets and inventories				2005	2004
Fixed- and tangible assets					
Accumulated purchase value					
Balance brought forward				6 578	9 727
Sale and dispose of assets				-358	-4 276
Purchases for the year				1 028	1 127
Balance carried forward, purchase value				7 248	6 578
Accumulated depreciation according to plan					
Balance brought forward				-5 175	-7 988
Sale and dispose of assets				285	4 276
Depreciation for the year				-1 152	-1 463
Balance carried forward, accumulated depreciation				-6 042	-5 175
Total residual value according to plan				1 206	1 403
Note 21 Deferred acquisition cost				2005	2004
Brought forward deferred acquisition cost				11 656	11 686
Depreciation for the year				-11 656	-11 686
Activation for the year				11 769	11 656
Carried forward deferred acquisition cost				11 769	11 656
The acquisition cost have a depreciation time of a year					

Note 22 Shareholders' equity						
	Share Capital	Reserve fond	Fund for unrealised gain	Profit brought forward	Result for the year	Total
BF balance 2005-01-01	10 000	2 160	114	24 072	0	36 346
Apropriation of profits						0
Dividend				-4 507		-4 507
Change in fund for unrealised gains			1 357	-1 357		0
Result for the year					766	766
CF balance 2005-12-31	10 000	2 160	1 471	18 208	766	32 605

Fund for unrealised gains concern only bonds and other fixed income securities.

Note 23 Provision for unearned premiums and remaining risks		2005	2004
Balance brought forward		64 381	68 867
Change in provision		1 558	-4 486
Balance carried forward		65 939	64 381

Note 24 Provision for claims outstanding		2005	2004
BF Incurred and reported claims		92 064	66 646
Change in incurred and reported claims		-29 727	25 418
BF Incurred but not reported claims		-4 110	-2 462
Change in incurred bud not reported claims		450	-1 648
BF Claims adjustment provision		3 281	3 312
Change in Claims adjustment provision		-462	-31
Balance brought forward		61 496	91 235

Note 25 Provision for tax		2005	2004
Deferred tax on unrealised result		572	44
Total		572	44

Note 26 Liabilities arising out of direct insurance operations		2005	2004
Agents / brokers		4 565	4 039
Policyholders		21 068	22 352
Total		25 633	26 391

Note 27 Staff and salaries		2005	2004		
		Men	Women	total	total
Board of Directors and CEO		1		1	1
Office staff*		24	50	74	65

\*recalculated to average full time employees

Salaries, remunerations and social expenses have been paid as follows:

(SEK Thousand)		Board and CEO		Office staff	
		2005	2004	2005	2004
Salaries and remunerations		2 298	1 852	28 925	27 849
Social security costs		911	887	10 184	9 731
Pension expenses		879	1 405	4 278	4 272
Total		4 088	4 144	43 387	41 852

Salaries and remuneration for the board includes a bonus of 693 TSEK to CEO.

The CEO has 1 years notice of cancellation. Upon dismissal of the CEO by the company, the severance payment amounts to 2 years salary. The retirement age for the CEO is 60 years. Other employees in the company's management enjoy employment and pension conditions normal for the insurance business.

Additional information	2005	2004
regarding sick leave		
Total sick leave in percentage of ordinary work time	5,15%	6,58%
Share of the total sick leave wich relates to continuous sick leave of		
59 days or more	61,60%	76,20%
Sick leave as a share of each group's ordinary work time:		
Sick leave split into sex:		
Men	2,80%	6,04%
Women	6,21%	6,82%
Sick leave split into age structure:		
29 years or younger	2,88%	3,44%
30-49 years	4,22%	4,53%
50 years or older	9,83%	16,74%

Note 28 Additional information regarding the insurance operations

	Insurance classes					
	Total 2004	Health	Accident	Property	Other financial loss	Transport
Gross premium income	357 760	169 516	73 371	85 657	8 037	21 179
Gross premium earned	356 202	168 778	73 052	85 284	8 002	21 087
Gross claims incurred	154 805	73 351	31 748	37 064	3 478	9 164
Gross operating expenses	151 004	71 549	30 969	36 154	3 392	8 939
Reinsurance result ceded	-43 299	-20 516	-8 880	-10 367	-973	-2 563
Claims ratio, gross%	43	21	9	10	1	3

## AUDIT REPORT

To the annual meeting of the shareholders of Europeiska Försäkringsaktiebolaget (publ)  
Corporate identity number 502005-5447

I have audited the annual accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Europeiska Försäkringsaktiebolaget (publ) for the year 2005. These accounts and the administration of the company and the application of the Insurance Annual Accounts Act when preparing the annual accounts are the responsibility of the Board of Directors and the Managing Director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the Managing Director. I also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Insurance Business Act, the Insurance Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Insurance Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

I recommend to the General Meeting of Shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, April 2006



Henrik Rättzén  
Authorized Public Accountant



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