

## Mandatum Life

By a number of indicators, Mandatum Life's year 2014 was a success. The expense result rose to an all-time high and the company's total result was also good. Unit-linked premium income and technical provisions, likewise, broke new records, just as in 2013.

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Mandatum Life's investment returns exceeded the level of guaranteed interest rate promised to policyholders, especially due to the excellent return on alternative investments. Low-risk, long-term interest rates sank to an extremely low level, and maturing fixed income investments continue to present a considerable re-investment risk, as in previous years. In response to the low interest rate levels, the company continued to supplement the reserve for decreased discount rates, and has consequently lowered the return requirement on technical provisions for 2015 and 2016.

Premium income continued to grow in the company's core businesses, and the company's unit-linked premiums reached a record-high level. This can be attributed to successful sales work on the part of Danske Bank's and the company's own networks.

Despite the growth in premium income, the company lost market shares, because the premium income in the sector grew even more substantially.

The year also involved the transfer of a group pension portfolio from Suomi Mutual, with more than 2,000 insurance policies, 30,000 insured and EUR 1,300 million of assets transferred to Mandatum Life. During 2014, Mandatum Life also initiated fund management business especially tailored to meet the needs of institutional customers. Setting up the fund business necessitated changes in Mandatum Life's corporate structure, resulting in the company establishing an investment services company in Finland and a fund management company and non-UCITS fund in Luxembourg.

## New Business Focus on Unit-linked and Personal Risk Insurance

In terms of new business, more than ten years ago Mandatum Life set unit-linked insurance and personal risk insurance as its core business areas. At the time, the company's technical provisions were almost exclusively related to with profit products, and the share of the particularly high (3.5 per cent and 4.5 per cent) guaranteed interest rate portfolio of the total technical provisions was close to 90 per cent. Due to the strong growth in unit-linked technical provisions (51 per cent of the total technical provisions) and the technical provisions that transferred from Suomi Mutual (13 per cent of the total technical provisions), the share of the high guaranteed interest rate portfolio is now only around 30 per cent of the technical provisions.

Cost effectiveness becomes increasingly important as the weight of unit-linked business grows. The cost-savings program initiated two years ago by the company, in conjunction with increased fee and commission income, caused the company's expense result to rise to an all-time high. The expense result for the next few years is expected to increase, despite the fact that it will be increasingly vulnerable to changes in the investment markets due to the growth in the weight of unit-linked savings.

The business result improved also in the Baltics. The company was able to increase premium income, unit-linked savings and capital at risk and simultaneously decrease operating expenses.