Carnegie
Solvency II seminar

London 11th of January 2010

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Solvency II
- many positives, final calibration important

- Storebrand supports the main principles underlying Solvency II
  - Consistent rules across the European industry
  - Mark-to-market on both sides of the balance sheet (economic value based)
  - Captures all essential risks in the capital requirements
    - Market risk
    - Insurance risk
    - Operational risk
    - Counterparty risk
    - Concentration
    - Correlation
    - Diversification

- Important that the final calibration is consistent with real economic risk and use of capital
  - Pension assets have a long time horizon
    - How to reflect this in the risk measures?
    - Illiquidity premiums
  - Mark-to-market of insurance liabilities
    - Discount rate: risk-free or swap, include illiquidity premium?
    - The use of macroeconomic extrapolation

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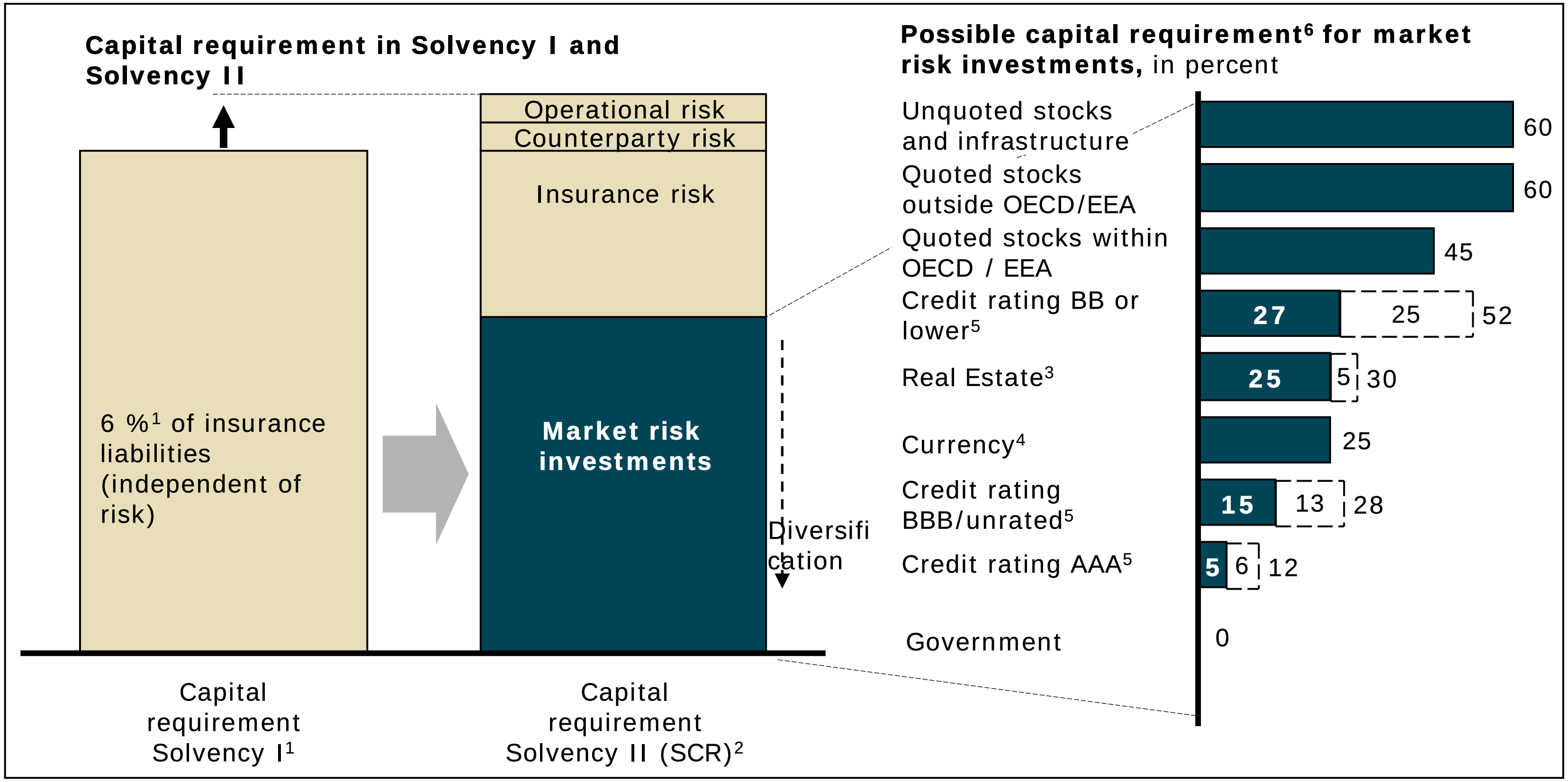
Capital requirement
- main changes from Solvency I to Solvency II

Based on CEIOPS proposal



1 Given a solvency margin target of 150 %. 2 Loss exceeding SCR every 200 year. 3 30% of city offices, city malls. 25 % on others. 4 Currency stress is +/- 25 %, 5 Credit requirements depend on duration. In this example 4 year duration for lower limit and 10 year or more duration for upper limit is used. 6 Stress test level

Source: CEIOPS Consultation Paper 70; teamanalyse

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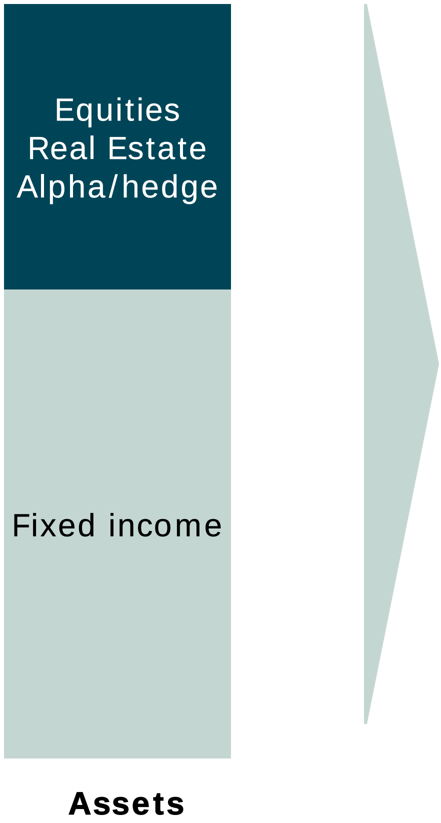
Illustrative

The life insurance balance sheet
- issues on the asset side



- Stress testing of equities
  - Quoted versus non-quoted equities
  - Quoted equities within the OECD area versus other
- Capital charge on medium quality bonds
  - Highly rated bonds with short time to maturity is preferred in the new proposed regulatory framework
- Real estate
  - Long-term investment or asset play?
  - Mark-to-market through model
- Infrastructure
  - Too high capital charge
  - The long duration nature is not captured

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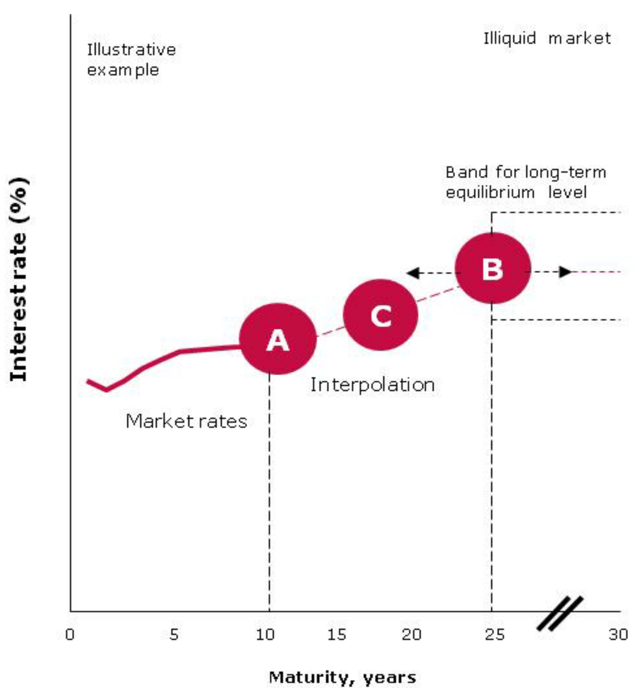
Illustrative

The life insurance balance sheet
- market value of liabilities

Liabilities



- SPP introduced a new discounting model in Q4 2008
- "We believe that the Macroeconomic extrapolation technique is the most appropriate technique for extrapolation of market data at the long-end of the curve"[1]
- Close dialogue with European regulators
  - Aim: to be the preferred model within the Solvency II framework

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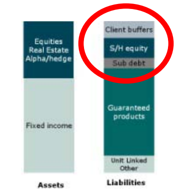
1) CEA comments on CEIOPS CP 40 – Consultation paper on the Draft L2 advice on TP – Risk free interest rate

Illustrative



The life insurance balance sheet
- available solvency capital

- Tier 1 (Core capital)
  - Current Solvency 2 proposal will have small effects (No DAC, VIF, etc.)
  - Possible grandfathering of T1 hybrid capital due to incentives to redeem (NOK 1,5 bn.)
- Tier 2 (Hybrid capital proposal)
  - Existing hybrids are perpetual with call and loss absorption (grandfathering)
- Tier 3 (Other buffers / reserves)
  - Treatment of customer buffers?
  - T3 limit to be challenged?

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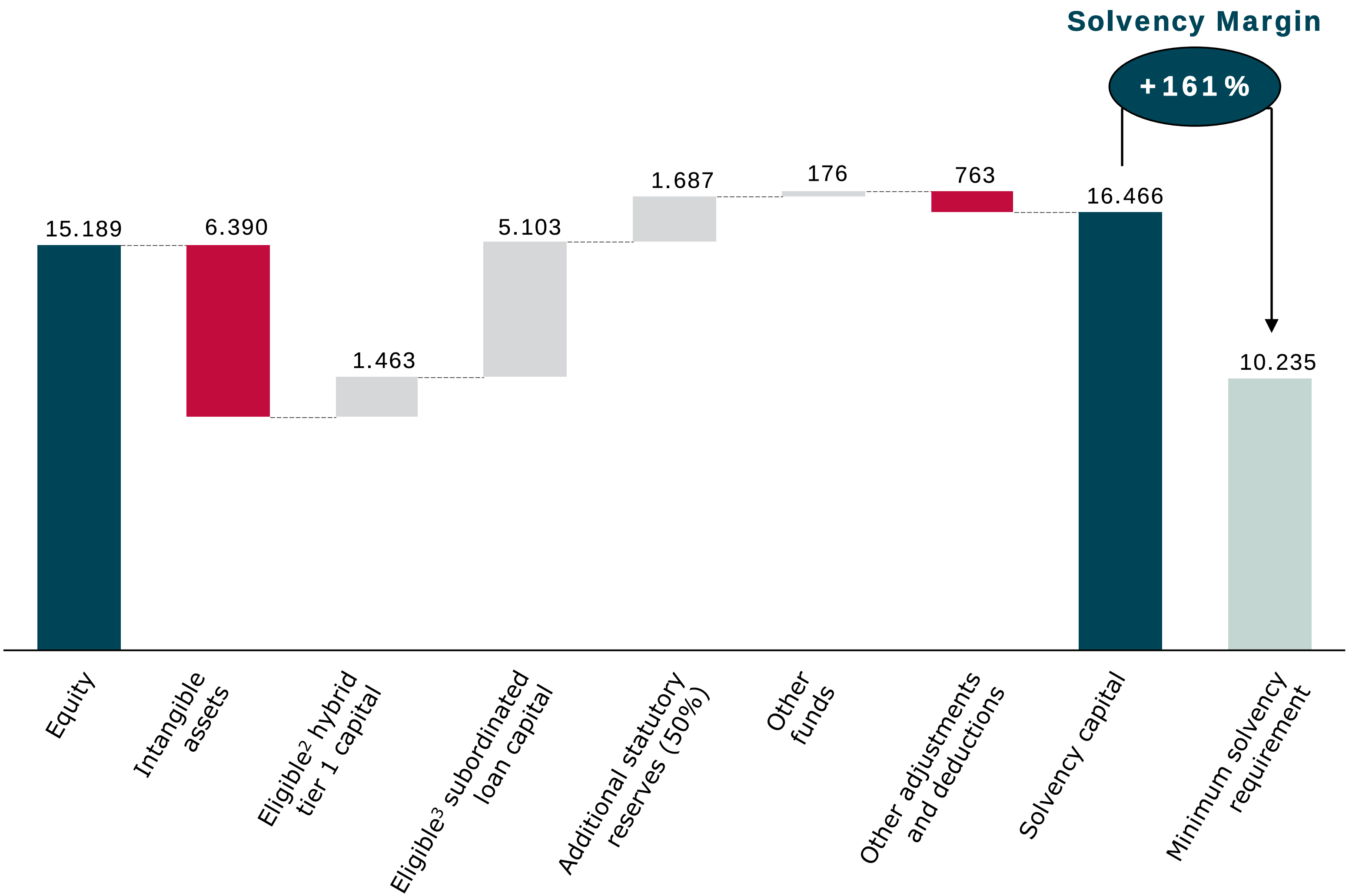
Storebrand Life Group
Solvency I capital[1]



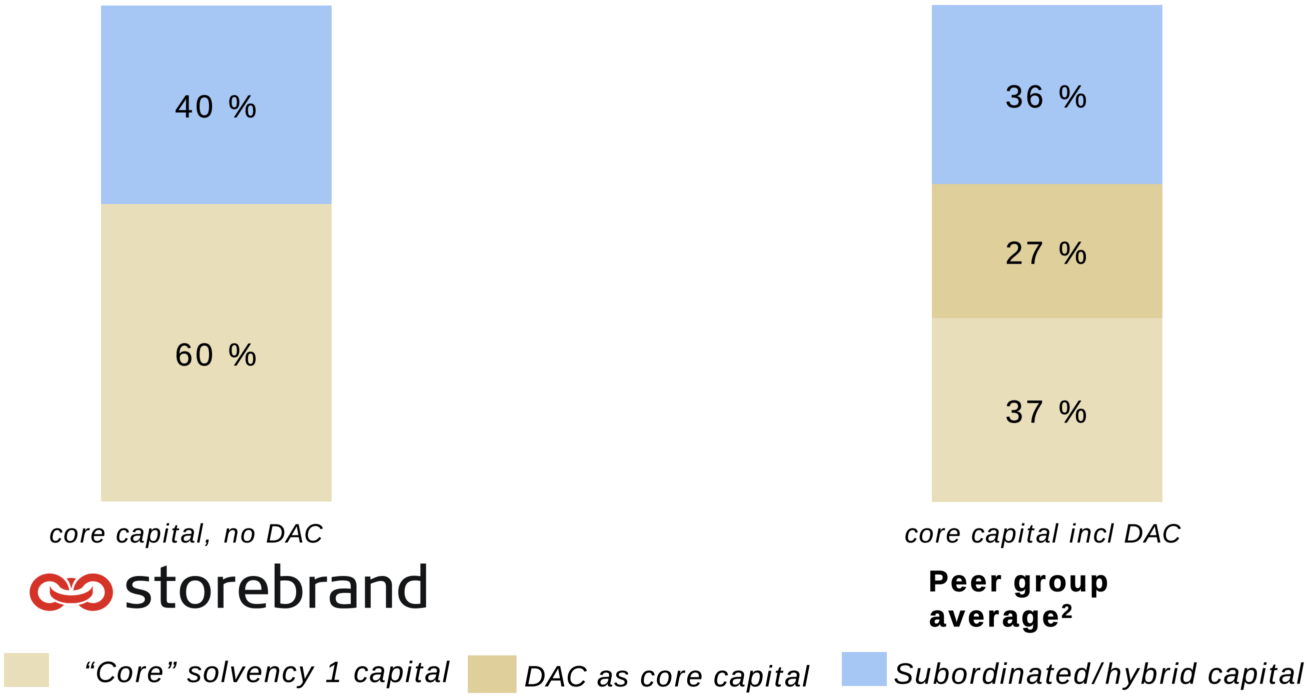
¹) Q3 2009

²) Eligible amount limited to 15% of total tier 1 capital

³) Eligible amount limited to 50% of the solvency requirement

Solvency I capital
– quality of capital

Solvency I capitalisation benchmarking[1] (%)
as % of required solvency capital



Notes:
1 Company disclosure, UBS IBD estimates
2 Peer group consisting of Prudential, Standard Life, Zurich, Legal and General, Swiss Life, Allianz, Aviva and AXA
3 DAC net of marginal corporate tax rate in the respective domiciles, excluding estimated DAC in US businesses

Timeline and process 2010-2012

January 2010
CEIOPS delivers its remaining final advice on Level 2 implementing measures

June 2010
Commission to publish QIS5 technical specification

October-November 2010
Formal adoption of the Proposal for Level 2 implementing measures by Commission with accompanying impact assessment

December 2011
Formal Level 3 supervisory guidance including impact analysis

2010 2011 2012

March 2010
CEIOPS provides a comprehensive calibration paper to the Commission along with a draft QIS5 technical specification

July-September 2010
Finalising the drafting of the Level 2 implementing measures

January-May 2011
Formal discussion of Level 2 implementing measures in EIOPC

October 2012
Implementation of Solvency II

Impact is essentially known

The “shape” is essentially defined

Solvency II
– main priorities for Storebrand

- Involvement in order to secure a best possible final framework
  - Common European rules, selected priorities:
    - Use of macroeconomic extrapolation
    - Investments in infrastructure and other alternative duration assets
  - National legislation, important issues:
    - Annual guarantee (Norway)
    - Transfer rights at full market value (Norway)
    - Client buffers (Norway and Sweden)

- Preparation in order to secure an optimal implementation
  - Broad internal project established
  - Explore possible benefits from using internal models
  - Solvency II will be an integral part of the business

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Storebrand's objective is to be the leading and most respected institution in the Nordic market for long-term savings and insurance

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