

27 Liabilities from insurance and investment contracts

P&C insurance

Change in insurance liabilities

EURm	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for unearned premiums						
At 1 Jan.	2,107	55	2,053	1,972	53	1,919
Acquired insurance holdings	38	-	38	-	-	-
Exchange differences	-127	-2	-128	56	1	56
Change in provision	46	-10	36	79	1	78
At 31 Dec.	2,065	43	2,022	2,107	55	2,053

EURm	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
Provision for claims outstanding						
At 1 Jan.	7,747	522	7,225	7,576	476	7,100
Disposed insurance holdings	61	0	61	-1	-0	-1
Exchange differences	-314	-20	-294	199	12	187
Change in provision	-59	-126	66	-27	35	-62
At 31 Dec.	7,435	377	7,058	7,747	522	7,225

Liabilities from insurance contracts

EURm	2013	2012
Provision for unearned premiums	2,065	2,107
Provision for claims outstanding	7,435	7,747
Incurred and reported losses	1,770	2,050
Incurred but not reported losses (IBNR)	3,538	3,573
Provisions for claims-adjustment costs	271	275
Provisions for annuities and sickness benefits	1,856	1,849
P&C insurance total	9,500	9,854
Reinsurers' share		
Provision for unearned premiums	43	55
Provision for claims outstanding	376	522
Incurred and reported losses	270	401
Incurred but not reported losses (IBNR)	107	121
Total reinsurers' share	420	577

As the P&C insurance is exposed to various exchange rates, comparing the balance sheet data from year to year can be misleading.

Claims cost trend of P&C insurance

The tables below show the cost trend for the claims for different years. The upper part of the tables shows how an estimate of the

total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet.

More information on P&C insurance's insurance liabilities in the Risk Management section of the Annual accounts.

Claims costs before reinsurance

Estimated claims cost

EURm	< 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
At the close of the claims year	7,715	2,468	2,629	2,639	2,703	2,847	2,853	2,968	3,051	3,085	2,979	
One year later	7,770	2,434	2,575	2,621	2,700	2,801	2,801	3,009	3,170	3,071		
Two years later	7,768	2,371	2,521	2,592	2,664	2,741	2,771	2,953	3,168			
Three years later	7,851	2,365	2,492	2,589	2,630	2,712	2,728	2,952				
Four years later	7,871	2,349	2,458	2,548	2,583	2,688	2,709					
Five years later	7,853	2,322	2,423	2,498	2,557	2,674						
Six years later	7,928	2,281	2,369	2,467	2,547							
Seven years later	8,037	2,247	2,345	2,456								
Eight years later	8,077	2,209	2,327									
Nine years later	8,061	2,194										
Ten years later	8,096											
Current estimate of total claims costs	8,096	2,194	2,327	2,456	2,547	2,674	2,709	2,952	3,168	3,071	2,979	35,174
Total disbursed	5,586	1,975	2,095	2,196	2,250	2,357	2,336	2,513	2,639	2,407	1,654	28,011
Provision reported in the balance sheet	2,510	219	232	259	297	316	373	440	529	664	1,325	7,164
of which established vested annuities	1,316	53	70	74	70	66	55	63	48	34	7	1,856
Provision for claims-adjustment costs												271
Total provision reported in the BS												7,435

Claims cost after reinsurance

Estimated claims cost

EURm	< 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
At the close of the claims year	6,994	2,398	2,482	2,530	2,602	2,723	2,733	2,821	2,884	2,880	2,927	
One year later	5,918	2,363	2,422	2,502	2,592	2,691	2,699	2,869	2,960	2,865		
Two years later	7,030	2,300	2,366	2,473	2,565	2,634	2,668	2,826	2,948			
Three years later	7,097	2,294	2,345	2,477	2,532	2,607	2,639	2,819				
Four years later	7,110	2,281	2,313	2,438	2,487	2,586	2,621					
Five years later	7,091	2,254	2,279	2,394	2,462	2,573						
Six years later	7,116	2,212	2,238	2,364	2,454							
Seven years later	7,242	2,180	2,215	2,355								
Eight years later	7,283	2,143	2,199									
Nine years later	7,282	2,130										
Ten years later	7,318											

Current estimate of total claims costs	7,318	2,130	2,199	2,355	2,454	2,573	2,621	2,819	2,948	2,865	2,911	33,194
Total disbursed	4,875	1,921	1,974	2,103	2,164	2,263	2,256	2,455	2,492	2,287	1,617	26,407
Provision reported in the balance sheet	2,442	210	225	252	291	311	365	365	455	4,915	7,388	6,787
of which established vested annuities	1,315	53	70	74	70	66	55	63	48	34	7	1,856
Provision for claims-adjustment costs												271
Total provision reported in the BS												7,058

Life insurance

Change in liabilities arising from other than unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2013	4,065	6	4,071
Premiums	159	0	159
Claims paid	-396	-1	-396
Expense charge	-37	-0	-37
Guaranteed interest	139	0	139
Bonuses	3	0	3
Other	-11	-1	-12
At 31 Dec. 2013	3,924	4	3,927
Reinsurers' share	-3	0	-3
Net liability at 31 Dec. 2013	3,921	4	3,925

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2012	4,242	7	4,249
Premiums	172	0	172
Claims paid	-425	-1	-426
Expense charge	-38	-0	-38
Guaranteed interest	148	0	148
Bonuses	3	0	3
Other	-37	-1	-38
At 31 Dec. 2012	4,065	6	4,071
Reinsurers' share	-3	0	-3
Net liability at 31 Dec. 2012	4,062	6	4,067

Change in liabilities arising from unit-linked insurance and investment contracts

EURm	Insurance contracts	Investment contracts	Total
At 1 Jan. 2013	2,665	1,168	3,833
Premiums	469	440	909
Claims paid	-173	-172	-345
Expense charge	-36	-18	-54
Other	169	104	274

At 31 Dec. 2013	3,095	1,522	4,617
At 1 Jan. 2012	2,216	838	3,054
Premiums	421	389	810
Claims paid	-165	-123	-289
Expense charge	-32	-14	-46
Other	225	79	303
At 31 Dec. 2012	2,665	1,168	3,833

The liabilities at 1 Jan. and at 31 Dec. include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in Group's Risk Management.

EURm	2013	2012
Insurance contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	1,969	2,090
Provision for claims outstanding	1,948	1,972
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	0	0
Provision for claims outstanding	1	1
Total	3,918	4,063
Assumed reinsurance		
Provision for unearned premiums	4	1
Provision for claims outstanding	2	1
Total	5	2
Insurance contracts total		
Provision for unearned premiums	1,973	2,091
Provision for claims outstanding	1,951	1,975
Total	3,924	4,065
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	4	6
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	1,976	2,096
Provision for claims outstanding	1,951	1,975
Life insurance total	3,927	4,071
Reinsurers' share		
Provision for unearned premiums	0	0
Provision for claims outstanding	-3	-3
Total	-3	-3

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 *Insurance contracts* has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

EURm	2013	2012
Group, total	3,927	4,071