

2 Read the article below and answer the questions.

- 1 What is the scandal at Skandia? *irregularities by top managers*
- 2 What did the report by independent investigators reveal?
- 3 Why might Skandia now be the target of a takeover?
- 4 How successful was Skandia's move into the American market?
- 5 Does the future look positive or negative for Skandia?

Writing

Write a short description (80–100 words) describing and explaining the changes in the share price at Skandia, based on the graph.

The Economist

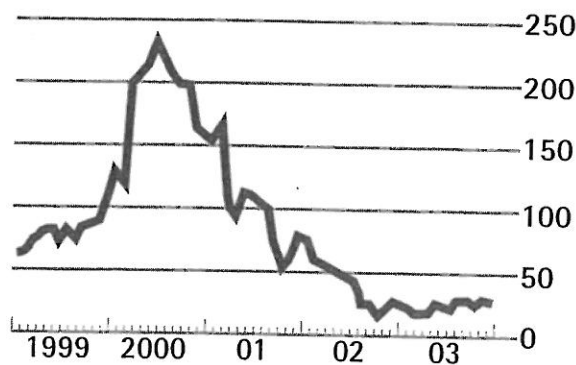
Business

Skandal

An insurer's damaged reputation

A fallen Nordic star

Skandia share price, SKr



Source: Thompson Datastream

SWEDEN is in the middle of one of its biggest corporate scandals. In the spring, there were allegations of misbehaviour by top managers at Skandia, the country's biggest insurer. On December 1st a report by independent investigators outlined the extent of 'irregularities'. The company's chairman, Bengt Braun, resigned. Though not accused of doing wrong, Mr Braun had been on the board when some executives made themselves rich at shareholders' expense.

The findings of the 156-page report by Otto Rydbeck, a lawyer, and Goran Tidstrom, an accountant, are shocking.

Executives told shareholders that they received SKr356m (\$37m) in bonus payments between 2000 and 2002, but in fact took home a further SKr550m. In 1997 and 1998 Skandia had launched two bonus programmes, both with limits authorised by the board of directors, explains Mr Rydbeck. But former chief executive Lars-Eric Petersson himself removed the limit on the second scheme in October 2000. "Mr Petersson should be personally liable for the SKr550m," says Mr Rydbeck.

Stockholm's public prosecutor is launching a criminal investigation into this payment and another transaction from which Mr Petersson and his deputy, Ulf Spang, received SKr70m more than authorised. Mr Petersson, Mr Spang and Ola Ramstedt, the head of Skandia's life-insurance business, took corporate flats for themselves and their relatives. The flats were renovated at the company's expense.

The scandal is doing the insurer's financial health no good at all. Skandia's share price is one-tenth of its peak in June 2000. On December 2nd Sampo, a Finnish company and Skandia's biggest shareholder, denied that it was planning a takeover bid.

Once Skandia was a favourite of growth investors. In the 1990s it successfully entered the American market. But the stockmarket crash showed how much Skandia was affected by stockmarket changes. It started making operating losses and in December 2002 Skandia was forced to sell American Skandia to Prudential Financial, an American insurer.

Even so, say analysts, Skandia is basically a healthy company: the bad old bosses have gone and their successors are bringing in changes to improve the business.