ANNUAL REPORT 2018

Relax, we'll help you.

CONTENTS

2018 was a strong year for If in many ways, as shown in this full-year report from If Holding.

We finished the year with a favorable combined ratio and stronger operating results, with 2.9% growth in gross premium income and our lowest cost ratio ever for a full year at 21.9%.

Although many of us were able to enjoy a fantastic winter and a long, hot summer, the weather was not equally favorable from an insurance perspective. Despite this, our claims statistics show that none of the year's major weather events impacted our earnings to any great extent.

In 2018, we continued our work to make If the most convenient and simplest insurance company in all of the markets we serve. For us that means being the "best at risk" while at the same time having a clear focus on offering our customers market-leading products and services via first-class digital solutions.

A fresh example is the launch of the Any Vehicle digital service in Sweden – a completely new web shop where the only thing our commercial customers need do is to fill in the vehicle's registration number. The system finds out the relevant information that is needed and recommends the most suitable insurance solution.

This leads me to how important it is to offer the the best IT system in the industry. In 2018, we continued to invest in our new main system, Waypoint. The system is currently one of the largest IT development projects in the Nordic region and is an investment that we, and our customers, will benefit from considerably in the next few years.

Waypoint has actually already proven to be beneficial for If. Last year, it played a key role in the Commercial business area being able to enter into its largest partnership to date. The IT system's flexibility convinced Danish Transport and Logistics (DTL) to sign a six-year agreement with us. DTL is a member organization for more than 2,000 Danish companies.

Our performance in 2018 showed that If is well equipped for the future. However, this does not mean that we will stop developing and making improvements. History has shown that If continues to improve year after year. In 2005, our cost ratio was 24.3%. In 2018, it was 21.9%. In 2005, our combined ratio was 90.5%. The corresponding figure for 2018 was 85.2%.

We have every reason to be proud of what we have achieved to date and I hope that in a year's time we will be able to look back with pride at what we have achieved in 2019.

Personally, I will now move on to a new position in our Parent Company Sampo Abp. In view of If's strong position, I am delighted to now hand over the reins of President and CEO to Morten Thorsrud.

Morten has previously been president of If's Private and Industrial business areas and is, without doubt, the right person to lead If's journey during the years ahead.

Torbjörn Magnusson, President and CEO

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of If P&C Insurance Holding Ltd, corporate registration number 556241-7559, hereby issue their annual report for the 2018 fiscal year.

ORGANIZATION

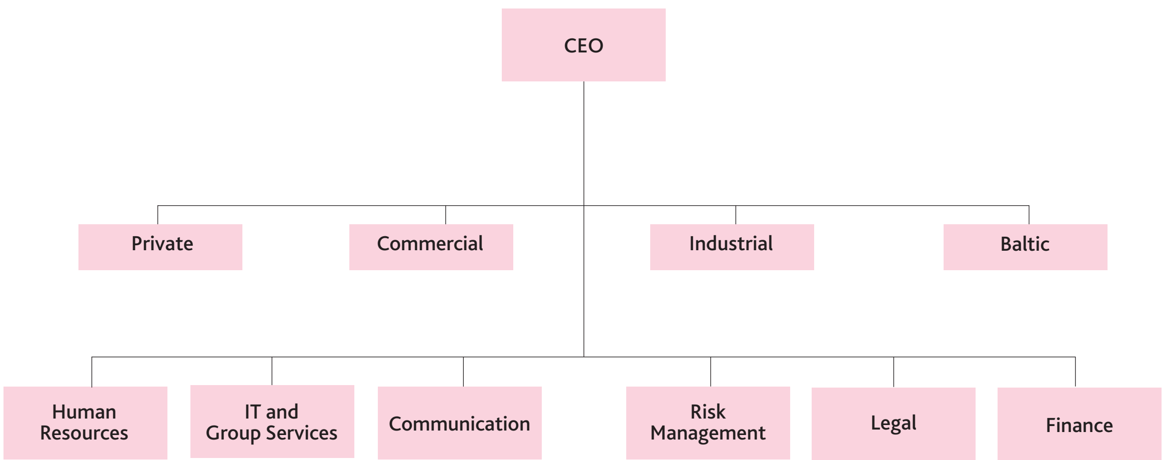
If is a Nordic Group that also conducts insurance operations in the Baltic countries. The Group's headquarter is located in Solna, Sweden.

The Parent Company of the If Group, If P&C Insurance Holding Ltd (publ), is a wholly owned subsidiary of Sampo plc, a Finnish listed company, whose registered office is in Helsinki.

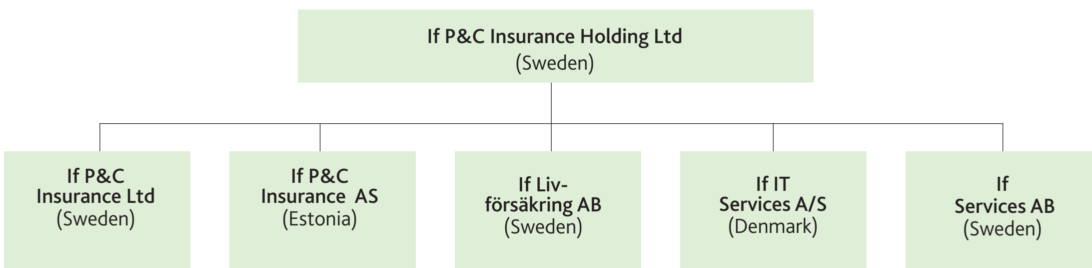
The main role of If P&C Insurance Holding Ltd (publ) is to manage shares in wholly owned property and casualty insurance operations as well as other significant holdings. The holding company owns the Swedish companies, If P&C Insurance Ltd, If Services AB (name changed from Nordic Assistance AB) and If Livförsäkring AB, the Danish company If IT Services A/S and the Estonian company If P&C Insurance AS. If's operations in Denmark, Norway, Finland, Estonia and Latvia, are conducted via branches of If P&C Insurance Ltd in each country. In addition, If P&C Insurance Ltd has branch offices in France, the Netherlands, the UK and Germany to support customers with international operations. The Estonian company If P&C Insurance AS also conducts operations in Latvia and Lithuania via branches.

The insurance operation in the Nordic region is organizationally divided in accordance with customer segment into the business areas Private, Commercial and Industrial. Insurance operations in the Baltic countries are organized in one business area, Baltic. Support functions such as IT, Human Resources, Communication, Risk Management and Finance are organized as a support to the business.

OPERATIONAL STRUCTURE



LEGAL STRUCTURE, SUMMARY



RESULTS FROM OPERATIONS

GROUP RESULTS

The result before income taxes was MSEK 8,699 (7,884). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 6,601 (6,171).

PREMIUMS WRITTEN

Gross written premiums for the year amounted to MSEK 46,191 (43,610). Adjusted for exchange-rate effects, the underlying change in premium volumes was growth of 2.9%. The increase was mainly in the Industrial and Baltic business area.

CLAIMS INCURRED AND OPERATING EXPENSES

Net claims incurred amounted to MSEK 30,307 (28,516). Adjusted for exchange-rate effects, claims expenses increased by 2.7%. The claims ratio was stable compared to the preceding year and amounted to 68.8% (68.9).

Operating expenses in the insurance operation totaled to MSEK 7,200 (6,796). Adjusted for exchange-rate effects, this corresponds to an increase of 2.2%. The expense ratio was stable compared to the preceding year and amounted to 16.4% (16.4).

The combined ratio amounted to 85.2% (85.3).

INVESTMENT RESULT

At full market value, profit from asset management decreased to MSEK -838 (2,995), corresponding to a total return of -0.8% (2.6).

Net investment return amounted to MSEK 2,648 (2,389) in the income statement and MSEK -3,485 (606) in other comprehensive income.

Year 2018 was an eventful year on the financial markets across the world. It started off with the same momentum as the previous year, but as we entered February the volatility increased significantly. Then the markets calmed down even though the US increased its interest rate several times and a global trade war was still escalating. At the end of the summer the selloff accelerated in number of emerging markets at the same time as both the US and the Swedish stock markets reached new all-time highs. As we entered October markets were in for a reality check that started a downward trend, which continued until the year end. This was due to the ongoing trade war and a continuation of increased interest rates in the US at the same time as the market started to incorporate a higher likelihood of a recession in the US by 2020. To summarize, the last quarter of the year resulted in an overall bad year for equities, but also interest-bearing assets due to widened credit spreads and a continued low interest rate environment in Europe.

Interest-bearing assets returned 1.0% (2.2%) for the year. The continued low interest rate environment in Europe and higher credit spreads especially during the fourth quarter, made the return lower for the year. The duration of the interest-bearing assets was unchanged at 1.4 (1.4) at the end of the year.

The total return on equities was negative for the year, -10,4% compared to 9,3% the year before.The strongest contributors to the negative return were the East Asian and European stock markets.

Alternative Investments constitute only a very small part of total investment assets but showed positive returns for the year.

Returns for interest-bearing assets were almost in line with their benchmark indices while equities underperformed theirs.

If's investment assets are mainly managed by the asset management unit within the Group's Parent Company, Sampo.

Consolidated results per quarter and full-year

MSEK	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018 Jan-Dec	2017 Jan-Dec
Premiums earned, net of reinsurance	11,166	11,323	11,033	10,497	44,019	41,376
Allocated investment return transferred from the non-technical account	34	34	32	29	130	180
Other technical income	82	81	73	68	304	260
Claims paid, net of reinsurance	-7,422	-7,923	-7,586	-7,376	-30,307	-28,516
Of which, Claims-adjustment costs	*-638*	*-617*	*-599*	*-582*	*-2,437*	*-2,327*
Operating expenses for insurance operations, net of reinsurance	-1,907	-1,791	-1,799	-1,703	-7,200	-6,796
Other operating expenses	-97	-86	-76	-85	-345	-334
Technical result from property and casualty insurance	**1,856**	**1,638**	**1,677**	**1,430**	**6,601**	**6,171**
Investment result	567	718	754	609	2,648	2,389
Allocated investment return transferred to the technical account	-115	-114	-113	-109	-450	-497
Interest expense, net pension liability	-3	-3	-3	-3	-12	-18
Interest expense etc., subordinated debt	-35	-35	-34	-27	-132	-175
Income from associates	15	-2	8	23	44	14
Result before income tax	**2,285**	**2,201**	**2,289**	**1,923**	**8,699**	**7,884**
Claims ratio	66.5%	70.0%	68.8%	70.3%	68.8%	68.9%
Expense ratio	17.1%	15.8%	16.3%	16.2%	16.4%	16.4%
Combined ratio	83.5%	85.8%	85.1%	86.5%	85.2%	85.3%
Risk ratio [1)]	60.8%	64.5%	63.3%	64.7%	63.3%	63.3%
Cost ratio [1)]	22.8%	21.3%	21.7%	21.8%	21.9%	22.0%
Insurance margin [1)]	16.8%	14.5%	15.2%	13.8%	15.1%	15.1%

[1)] Refers to alternative performance measurements which are defined in Glossary and definitions.

NET PROFIT AND TAX COSTS

Net profit was MSEK 6,784 (6,148). The effective tax rate for the year was 22.0% (22.0). Of total taxes, current tax expenses amounted to MSEK 1,822 (2,288) and deferred tax expense was MSEK 93 (income 552).

RESULTS PER BUSINESS AREA

Information concerning operations and the earnings trend in the Group's business areas is presented in Note 6.

SOLVENCY CAPITAL, CASH FLOW AND DIVIDEND

The solvency ratio amounted to 76.5% (85.8) at year-end. Solvency capital decreased to MSEK 33,932 (36,044). Cash flow from operating activities amounted to MSEK 4,721 (6,629) and cash flow from investing activities to MSEK 39 (3). During the year a subordinated loan was issued and affected cash flow by MSEK 993 (repayment -867). A total dividend of MSEK 7,000 (6,000) was paid. As presented in the proposed appropriation of the company's net result the Note 11 in the Parent Company, it is proposed that the 2019 Annual General Meeting decides not to distribute any dividend.

TECHNICAL PROVISIONS (RESERVES)

Gross provisions at year-end increased to MSEK 91,618 (89,775). Currency effects arising from the conversion of provisions in foreign currencies increased the provision by MSEK 2,533. After adjustments for exchange-rate effects, the premium reserve increased by MSEK 366. Correspondingly the claims reserve decreased by MSEK 1,056 after adjustments for exchange-rate effects.

Reinsurers' proportion of technical provisions decreased slightly to MSEK 2,138 (2,163). After adjustment for exchange-rate effects, reinsurers' share of technical provisions decreased by MSEK 169.

OBJECTIVES AND POLICIES FOR FINANCIAL RISK MANAGEMENT

The core of the Group's insurance operations is the transfer of risk from the insured clients to the insurer. If's result depends on both the underwriting result and the return on investment assets.

The main objectives of If's risk management are to ensure that sufficient return is obtained for the risks taken and that risks are taken into account in pricing decisions and other business decisions.

This requires risks to be properly identified and monitored. The risks, exposures and risk management are described in Note 5.

SOLVENCY II

All If's insurance subsidiaries have regulatory solvency capital requirements (SCR). If P&C Insurance Ltd (publ) uses an approved partial internal model (PIM) to calculate the SCR for insurance risk, while other risks are calculated using the standard formula. If Livförsäkring AB and If P&C Insurance AS (Estonia) use the standard formula for calculating SCR.

As a subsidiary of Sampo plc, If P&C Insurance Holding Ltd (publ) is a member of the Sampo insurance group and is not subject to a formal requirement to report its sub-group solvency position. However, a standard formula based SCR is calculated, corresponding to what the regulatory requirement would have been if Solvency II-regulations had been enforced at the level of the If Group.

As per December 31, 2018, the sub-group standard formula SCR amounted to MSEK 18,801 (MSEK 19,079) and the eligible own funds amounted to MSEK 36,909 (MSEK 37,579).

PERSONNEL

During the year, the number of employees increased slightly and amounted to 6,680 (6,452) at year-end. The average number of employees during the year was 6,603 (6,367), of whom 54% (54) were women.

In 2018 If recruited approximately 1,200 employees, in order to replace people who have retired or left the company and to add new competencies to the company.

The principles applied for determining remunerations and benefits for key management personnel are presented in Note 12.

APPLIED ACCOUNTING POLICIES

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS including IAS, SIC and IFRIC), as adopted by the European Union. For the 2018 fiscal year, there were no new or amended standards that caused any for If's accounting significant changes or new requirements.

EVENTS AFTER THE BALANCE SHEET DATE

Torbjörn Magnusson resigned as President and CEO on February 7, 2019 and was elected as new Chairman of the Board after Kari Stadigh. On the same day, Morten Thorsrud was appointed new President and CEO.

OUTLOOK

The development of the global economy in 2019 is difficult to predict. Despite increased competition in the market, the underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

The financial target for the Group is to reach a return on equity of at least 17.5% after tax. For 2019, the Group is expected to reach a combined ratio of 86-90%.

PARENT COMPANY

The operations of the Parent Company If P&C Insurance Holding Ltd (publ) consist primarily of ownership and management of shares in subsidiaries and manage a part of the cash surplus in a dedicated investment portfolio.

The Parent Company is also the main account holder for a Group cash pool account system comprising the major part of the flows of liquid funds from the insurance operations. Underlying flows give rise to intra-Group transactions within the Parent Company's balance sheet

The Parent Company's net profit increased to MSEK 7,205 (6,055), mainly as a result of increased dividends from subsidiaries.

The Parent Company's solvency capital at year-end amounted to MSEK 21,312 (20,151) and its total assets to MSEK 22,579 (21,777).

CORPORATE GOVERNANCE STATEMENT

If P&C Insurance Holding Ltd (publ) is not listed, and does not comply with the Swedish Code of Corporate Governance. However, the company has subordinated loans listed for trading on the Luxembourg Stock Exchange (BdL Market).

According to the Annual Accounts Act (1995:1554) there are requirements stipulating that such companies shall submit a limited Corporate Governance Statement. The company has decided to allow the Corporate Governance Statement to be part of the Board of Directors' Report.

As mentioned above, the company is a wholly owned subsidiary of the listed Finnish company Sampo plc. The shareholder's right to participate in company decisions is exercised at the Annual General Meeting and at Extraordinary General Meetings.

The Articles of Association, which is the fundamental control document for the company, states, inter alia, the object of the company's operation, the size of the share capital, the number of members of the Board of Directors and auditors, as well as, the period for such assignments, matters that shall be addressed at the Annual General Meeting and how notice convening the General Meetings shall be sent out. According to the Articles of Association, the Board of Directors shall comprise of not less than three and not more than five elected members, and the election shall apply for the period until the end of the Annual General Meeting taking place the second financial year after the election. The Articles of Association contains no stipulations pertaining to amendments of the Articles of Association. The company has issued two series of shares, A-shares and B-shares. Shares of series A carry one vote each and shares of series B carry one tenth of a vote each. The shareholder or the shareholder's representative is entitled to vote for the full number of shares represented, with no restrictions on voting entitlement. No General Meeting has granted any authorization to the Board of Directors to make decisions that the company shall issue new shares or acquire own shares.

The Board of Directors and the President of the company are ultimately responsible for all financial reporting. The central finance and accounting department is responsible in part for control systems, control, accounting and reporting in accordance with generally accepted accounting principles, and in part for liquidity, funding and capital. The Internal Audit performs independently, on behalf of the Board of Directors, audit reviews of the company's operations and system for internal control according to an annually established plan. The head of the internal audit reports directly to the company's Board of Directors.

The Compliance function provides advice to management and the business operations on issues pertaining to regulatory compliance. The Compliance function reports to the Board of Directors and the President of the company.

On behalf of the Chief Risk Officer (CRO) the Risk Control unit within Risk Management is responsible for the collective internal reporting of all of the If group's significant risks at an aggregated level. In addition, the If group has a comprehensive system for monitoring risks in the business operations, as described in the section on Objectives and Policies for Financial Risk Management.

SUSTAINABILITY REPORT

If P&C Insurance Holding Ltd (publ) shall in accordance with the Swedish Annual Accounts Act prepared a sustainability report which includes the Parent Company and its subsidiaries. If has chosen to prepare the statutory sustainability report separate from the annual report, named If Sustainability Report 2018. The report is available on the website https://www.if.se.

Group Five-year summary

MSEK	2018	2017	2016	2015	2014
Condensed income statement					
Premiums written, net of reinsurance	44,381	41,994	40,636	40,951	40,627
Premiums earned, net of reinsurance	44,019	41,376	40,575	40,629	40,568
Allocated investment return transferred from the non-technical account	130	180	-25	213	339
Other technical income	304	260	251	261	249
Claims incurred, net of reinsurance	-30,307	-28,516	-27,503	-29,400	-28,781
Of which, Claims-adjustment costs	*-2,437*	*-2,327*	*-2,227*	*-2,333*	*-2,369*
Operating expenses in insurance operations, net of reinsurance [1)]	-7,200	-6,796	-6,754	-5,290	-6,778
Other operating expenses	-345	-334	-316	-660	-245
Technical result from property and casualty insurance	**6,601**	**6,171**	**6,228**	**5,753**	**5,352**
Investment result	2,648	2,389	1,893	3,184	3,614
Allocated investment return transferred to the technical account	-450	-497	-242	-564	-749
Interest expense, net pension liability	-12	-18	-20	-42	-64
Interest expense etc., subordinated debt	-132	-175	-108	-136	-169
Income from associates	44	14	4,635	394	490
Results before income tax	**8,699**	**7,884**	**12,386**	**8,589**	**8,474**
Income taxes	-1,915	-1,736	-1,683	-1,826	-1,733
Net profit for the year	**6,784**	**6,148**	**10,703**	**6,763**	**6,741**

[1)] In 2015, operating expenses were affected by a non-recurring effect related to a Norwegian pension plan amendment (cost reduction MSEK 1,456).

Group Five-year summary *continued*

MSEK	2018	2017	2016	2015	2014
Balance sheet, December 31					
Assets					
Intangible assets	945	892	863	873	1,294
Investment assets	110,535	110,975	111,994	104,293	108,738
Reinsurers' share of technical provisions	2,138	2,163	2,255	2,196	2,230
Deferred tax assets	111	172	233	252	718
Debtors	15,174	13,529	12,978	11,970	11,894
Other assets, prepayments and accrued income	5,562	6,527	6,633	5,739	5,300
Total assets	**134,465**	**134,258**	**134,956**	**125,323**	**130,174**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	27,809	30,414	29,749	26,337	27,140
Subordinated debt	4,107	3,067	3,889	1,829	3,276
Deferred tax liability	2,127	2,735	3,309	2,881	3,591
Technical provisions	91,618	89,775	89,596	86,687	86,258
Creditors	6,293	5,534	5,648	4,634	5,024
Provisions, accruals and deferred income	2,509	2,734	2,765	2,955	4,885
Total shareholders' equity, provisions and liabilities	**134,465**	**134,258**	**134,956**	**125,323**	**130,174**
Key data, property and casualty operations					
Claims ratio	68.8%	68.9%	67.8%	72.4%	70.9%
Expense ratio [1]	16.4%	16.4%	16.6%	13.0%	16.7%
Combined ratio	85.2%	85.3%	84.4%	85.4%	87.7%
Risk ratio [2]	63.3%	63.3%	62.3%	66.6%	65.1%
Cost ratio [1] [2]	21.9%	22.0%	22.1%	18.8%	22.5%
Insurance margin [2]	15.1%	15.1%	15.5%	15.1%	13.2%
Key data, asset management					
Total investment return [3]	-0.8%	2.6%	2.9%	1.5%	4.1%
Other key data					
Capital base [4]	-	-	-	29,142	31,435
Solvency requirement [4]	-	-	-	8,093	7,895
Solvency capital	33,932	36,044	36,714	30,795	33,289
Solvency ratio	76.5%	85.8%	90.3%	75.2%	81.9%
Return on equity [2]	12.1%	19.6%	38.4%	18.8%	24.7%

[1] In 2015, operating expenses were affected by a non-recurring effect related to a Norwegian pension plan amendment (cost reduction MSEK 1,456).
[2] Refers to alternative performance measurements which are defined in Glossary and definitions.
[3] The calculations are based on the policies used internally by If for the valuation of investment operations. Refer to Note 15.
[4] Calculations are made in accordance with the Solvency I-regulation that ended January 1, 2016.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	2018	2017
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	7	46,191	43,610
Premiums ceded	7	-1,810	-1,616
Change in provision for unearned premiums and unexpired risks		- 366	- 594
Reinsurers' share of change in provision for unearned premiums and unexpired risks		4	- 23
		44,019	**41,376**
Allocated investment return transferred from the non-technical account	8	130	180
Other technical income		304	260
Claims incurred, net of reinsurance			
Claims paid			
Gross		-32,106	-30,101
Reinsurers' share		596	875
Change in provision for claims outstanding			
Gross		1,377	717
Reinsurers' share		- 173	- 7
	9	**-30,307**	**-28,516**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-7,325	-6,909
Commissions and profit participations in ceded reinsurance		125	113
		-7,200	**-6,796**
Other operating expenses		- 345	- 334
	10, 11, 12, 13	**-7,545**	**-7,129**
Technical result from property and casualty insurance	14	**6,601**	**6,171**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		1,800	1,872
Changes in value		1,150	807
Management costs		- 302	- 290
	15	**2,648**	**2,389**
Allocated investment return transferred to the technical account	8	-450	-497
Interest expense on net pension liability		-12	-18
Interest expense etc., subordinated debt	16	-132	-175
Income from associates	17	44	14
Result before income taxes		**8,699**	**7,884**
Taxes	18	-1,915	-1,736
Net profit for the year		**6,784**	**6,148**
Of which attributable to owners of the parent		*6,784*	*6,148*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2018	2017
Net profit for the year		**6,784**	**6,148**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurements of the net pension liability		- 64	47
Taxes related to items which will not be reclassified	18	13	- 9
		- 51	**38**
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		458	92
Effects of changes in exchange rates, foreign associates		1	1
Exchange rate differences at realization, foreign operations		-	42
Exchange rate differences at realization, foreign associates		- 3	-
Remeasuring of financial assets available for sale		-2,423	1,492
Value changes recognized in income statement on assets available for sale		-1,062	- 886
Taxes related to items which will be reclassified when specific conditions are met	18	693	-262
		-2,338	**478**
Total comprehensive income		**4,396**	**6,664**
Of which attributable to owners of the parent		*4,396*	*6,664*

CONSOLIDATED BALANCE SHEET

Assets, December 31

MSEK	Note	2018	2017
Intangible assets			
Goodwill		715	715
Other intangible assets		230	177
	19	**945**	**892**
Investment assets			
Land and buildings	20	122	196
Investments in associates	21	144	140
Other financial investment assets	22, 23	110,261	110,631
Deposits with ceding undertakings		7	7
		110,535	**110,975**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		433	393
Provisions for claims outstanding		1,704	1,770
	24	**2,138**	**2,163**
Deferred tax assets	33	**111**	**172**
Debtors			
Debtors arising out of direct insurance operations	25	13,375	11,839
Debtors arising out of reinsurance operations	26	455	460
Other debtors	27	1,344	1,229
		15,174	**13,529**
Other assets			
Tangible assets	28	246	217
Cash and bank balances		3,012	4,082
Collaterals and settlement claims		66	54
		3,325	**4,352**
Prepayments and accrued income			
Accrued interest and rental income		476	473
Deferred acquisition costs	29	1,190	1,166
Other prepayments and accrued income	30	571	536
		2,237	**2,175**
Total assets		**134,465**	**134,258**

Shareholders' equity, provisions and liabilities, December 31

MSEK	Note	2018	2017
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		2,402	5,106
Profit carried forward		15,497	16,034
Net profit for the year		6,784	6,148
		27,809	**30,414**
Subordinated debt	31	**4,107**	**3,067**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		21,018	19,960
Provisions for claims outstanding		70,600	69,815
	32	**91,618**	**89,775**
Provisions for other risks and charges			
Deferred tax liability	33	2,127	2,735
Other provisions	34, 35	707	884
		2,834	**3,618**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	36	1,876	1,869
Creditors arising out of reinsurance operations		241	235
Derivatives	22, 23	46	107
Other creditors	37	4,131	3,323
		6,293	**5,534**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		32	29
Other accruals and deferred income	38	1,770	1,821
		1,802	**1,851**
Total shareholders' equity, provisions and liabilities		**134,465**	**134,258**

PARENT COMPANY

Income statement

MSEK	Note	2018	2017
Other operating income		-	-
Other operating expenses		-	-
Operating result		**-**	**-**
Result from financial investments			
Dividends from Group companies		7,194	6,091
Income from associates	1	10	1
Interest income and similar income items	2	53	25
Interest expense and similar expense items	3	-91	-101
Result after financial items		**7,166**	**6,016**
Group contributions, net		39	40
Result before income taxes		**7,205**	**6,056**
Tax on net profit for the year	4	0	-1
Net profit for the year		**7,205**	**6,055**

Statement of comprehensive income

MSEK	Note	2018	2017
Net profit for the year		**7,205**	**6,055**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Remeasuring of financial assets available for sale		-38	**0**
Taxes related to items which will be reclassified when specific conditions are met		8	**0**
		-30	**0**
Total comprehensive income		**7,175**	**6,055**

Balance sheet, December 31

MSEK ASSETS	Note	2018	2017
Financial fixed assets			
Shares in Group companies	5	17,039	17,039
Shares in associates	6	92	70
		17,130	**17,109**
Deferred tax asset		8	-
	9		
Debtors			
Debtors, Group companies		47	92
Accrued interest income		11	3
		58	**95**
Short-term investments			
Bonds and other interest-bearing securities		4,105	2,932
	7	**4,105**	**2,932**
Cash and bank balances		**1,278**	**1,641**
		22,579	**21,777**
Total assets			
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		-30	0
Profit carried forward		8,037	8,981
Net profit for the year		7,205	6,055
		18,337	**18,162**
Subordinated debt	8	**2,983**	**1,989**
Provisions			
Deferred tax liability	9	-	0
Current creditors			
Creditors, Group companies		1,255	1,622
Provision for taxes		0	1
Other accrued expenses and prepaid income		4	3
		1,259	**1,625**
Total shareholders' equity, provisions and liabilities		**22,579**	**21,777**

CHANGES IN SHAREHOLDERS' EQUITY

Group

MSEK	Share capital	Statutory reserves	Other reserves	Fair value reserve [3]	Profit brought forward	Net profit for the year	Total equity
	Restricted equity			Unrestricted equity			
Equity at beginning of 2017	**2,726**	**400**	**-**	**4,624**	**21,999**	**-**	**29,749**
Transfer between restricted and unrestricted equity	-	-	-17	-	17	-	-
Total comprehensive income	-	-	17	482	18	6,148	6,664
Dividend to shareholder [1]	-	-	-	-	-6,000	-	-6,000
Equity at end of 2017	**2,726**	**400**	**-**	**5,106**	**16,034**	**6,148**	**30,414**
Equity at beginning of 2018	**2,726**	**400**	**-**	**5,106**	**22,182**	**-**	**30,414**
Transfer between restricted and unrestricted equity	-	-	-87	-	87	-	-
Total comprehensive income	-	-	87	-2,704	228	6,784	4,396
Dividend to shareholder [2]	-	-	-	-	-7,000	-	-7,000
Equity at end of 2018	**2,726**	**400**	**-**	**2,402**	**15,497**	**6,784**	**27,809**

Parent Company

MSEK	Share capital	Statutory reserves	Fair value reserve [3]	Profit brought forward	Net profit for the year	Total equity
	Restricted equity		Unrestricted equity			
Equity at beginning of 2017	**2,726**	**400**	**-**	**14,981**	**-**	**18,107**
Dividend to shareholder [1]	-	-	-	-6,000	-	-6,000
Total comprehensive income	-	-	0	-	6,055	6,055
Equity at end of 2017	**2,726**	**400**	**0**	**8,981**	**6,055**	**18,162**
Equity at beginning of 2018	**2,726**	**400**	**0**	**15,037**	**-**	**18,162**
Dividend to shareholder [2]	-	-	-	-7,000	-	-7,000
Total comprehensive income	**-**	**-**	-30	**-**	7,205	7,175
Equity at end of 2018	**2,726**	**400**	**-30**	**8,037**	**7,205**	**18,337**

[1] During 2017, dividends paid totaled approximately SEK 44.00 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 44.00 per share.
[2] During 2018, dividends paid totaled approximately SEK 51.34 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 51.34 per share. The Board of Directors and the President propose that the 2019 Annual General Meeting resolve not to pay any dividend.
[3] The fair value reserve correspond in full to value changes of financial assets available for sale with deduction for deferred tax.

There are a total of 136,350,000 shares with a quotient value of SEK 19.99 each, including 103,525,000 Series A shares carrying one vote and 32,825,000 Series B shares carrying one tenth of a vote.
The accumulated translation difference amounted to MSEK 415 (-40).

The equity presentation complies with legal requirements and a separate disclosure of contributed capital would not add any significant information.

CASH FLOW STATEMENTS

Group

MSEK	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance		46,412	43,077
Claim payments, direct insurance		-32,036	-30,063
Reinsurance flows		-1,275	-779
Costs of operations		-7,749	-6,747
		5,352	**5,488**
Cash flow from asset management			
Interest payments received		1,532	1,486
Dividends received, shares		488	443
Cash flow from properties		3	8
Net investments in financial investment assets		285	333
		2,309	**2,269**
Interest payments etc., subordinated debt		-125	-177
Realized foreign exchange transactions		-472	1,310
Paid income tax		-2,343	-2,261
		4,721	**6,629**
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend and sale of shares, associates		60	3
Investments in associates		-21	-
		39	**3**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-7,000	-6,000
Issuance/repayment, subordinated debt	31	993	-867
		-6,008	**-6,867**
Cash flow for the year		**-1,248**	**-236**
Cash and bank			
Cash and bank balances on January 1		4,082	4,217
Effect of exchange rate changes		178	100
Cash flow for the year		-1,248	-236
Cash and bank balances on December 31		**3,012**	**4,082**

Parent company

MSEK	2018	2017
Net profit for the year	7,205	6,055
Non cash flow items/changes in operating activities	-48	-57
	7,157	**5,998**
Group internal flows, net	-282	2,893
Net investments in financial investment assets	-1,217	-2970
Investments		
Dividend and sale of shares, associates	8	-
Investments in associates	-21	-
Liquidation Group companies	-	50
	-13	**50**
Financing		
Dividend	-7,000	-6,000
Issuance, subordinated debt	993	-
	-6,008	**-6,000**
Cash flow for the year	**-363**	**-29**
Change in cash and bank balances	**-363**	**-29**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – Accounting policies

COMPANY INFORMATION

This annual report and the consolidated financial statements for If P&C Insurance Holding Ltd were prepared and authorized for publication by the Board of Directors and CEO on February 26, 2019 and will be presented to the 2019 Annual Meeting for approval. The company is a Swedish limited liability company with its registered office in Stockholm and its headquarters in Solna, Sweden.

The Group's primary operations are described in the Report of the Board of Directors.

STATEMENT OF COMPLIANCE WITH REGULATIONS APPLIED

The annual report for the Parent Company If P&C Insurance Holding Ltd was prepared in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for legal entities).

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS including IAS, SIC and IFRIC), as adopted by the European Union. In addition, If applies the supplementary provisions ensuing from the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2015:12) and, in appropriate parts, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting rules for Groups).

In accordance with Chapter 2 of the Swedish Annual Accounts Act (ÅRL) and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it is possible to depart from the aforementioned regulations if the effect of the departure is immaterial.

IFRS 15 Revenue from Contracts with Customers took effect on January 1, 2018. For If, the standard applies to revenue in the insurance operations other than revenue involving a transfer of insurance risk. Such revenue is recognized as Other technical income in the income statement and comprises an insignificant share of If's overall operations and result. The application of IFRS 15 did not have any material impact on If's financial position or result.

IFRS 16 Leases took effect on January 1, 2019 and If applies the standard as of this date. The standard replaced the existing IAS 17. Following the transition, If recognizes a lease liability that corresponds to the present value of the remaining lease payments for the leases that were previously subject to IAS 17, discounted by an estimated incremental borrowing rate as of the date of initial application. A corresponding amount is recognized as a right-of-use asset in the balance sheet. However, If applies a company-specific materiality assessment that includes, but is not limited to, the two exemptions specified in the standard. Accordingly, only leases attributable to large office premises will initially be recognized in accordance with IFRS 16. The standard thus has a limited impact on If's financial position and result, although total assets increases slightly since a portion of the Group's leases are recognized in the balance sheet as fixed assets and interest-bearing liabilities, respectively. For information about amounts as of January 1, 2019, refer to Note 28 Tangible assets. The Group's technical result will also improve slightly since current leasing costs, which are included in operating costs, are divided between depreciation/amortization and interest expense, which is included in the investment result.

Issued, but not yet effective, international accounting standards or standards that If for some other reason does not apply, are currently assessed as not likely to have any significant impact on the financial statements when first applied, except IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts.

IFRS 9 Financial Instruments took effect on January 1, 2018. In accordance with an EU-adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that, under certain circumstances, insurance companies may delay their initial application of IFRS 9 so that the date coincides with the initial application of IFRS 17 Insurance Contracts (see below). If meets these requirements since If has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, If has decided to delay the application of IFRS 9. Accordingly, the transition from IAS 39 to IFRS 9 is not expected to have any significant impact on If's financial reporting until 2022. However, expanded disclosure requirements have been introduced for financial instruments, which will facilitate comparisons with companies that have already implemented IFRS 9. For more information, refer to Note 22 Other financial investment assets and derivative liabilities.

IFRS 9 contains some optionality, and If is of the opinion that there are significant cross-influences with respect to the published, but not yet adopted, standard concerning insurance contracts that still need to be carefully assessed before a final decision can be made as to the classification of financial assets.

IFRS 17 Insurance Contracts was published in May 2017 and was originally expected to take effect on January 1, 2021. The standard has not yet been adopted by the EU. In November 2018, the IASB proposed that the standard take effect one year later and that the initial mandatory application of IFRS 9 be delayed. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. Based on an initial, preliminary assessment, the measurement rules in the standard are expected to have a limited effect on If's profit or loss and balance sheet, while the presentation rules may have a material impact.

MEASUREMENT BASES FOR THE PREPARATION OF THE ACCOUNTS

The accounts are based on historical acquisition values with the exception of the totally dominant share of investment assets, which are recognized at fair value. The financial reports and notes are presented in SEK millions (MSEK), unless otherwise stated. The totals in tables and statements in the annual report may not always reconcile due to rounding. The aim is for each line item to correspond to the source and therefore rounding differences may arise in totals.

BASES FOR CONSOLIDATION

The consolidated accounts include the Parent Company, If P&C Insurance Holding Ltd, and all companies in which the Parent Company directly or indirectly holds more than 50% of the votes for all shares or in some other manner has a controlling interest.

The consolidated accounts have been prepared in accordance with IFRS 10 and IFRS 3. Acquired companies are reported in accordance with the purchase method, which means that assets and liabilities are reported in the acquiring company's accounts at the acquisition values determined in accordance with an established acquisition analysis. The identified assets and liabilities in the acquired company are fair valued in the acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the established fair value of the acquired assets and liabilities, the difference is reported as goodwill. In conjunction with the transition to IFRS, an opening balance sheet was compiled as of January 1, 2004. In line with the exemption rules in IFRS 1, no recalculation was made of acquisitions and mergers prior to this date.

In consolidating foreign subsidiaries, locally prepared income statements and balance sheets are recompiled to eliminate differences between local accounting policies and the accounting policies applied in the consolidated accounts. These recompilations mainly comprise adjustments for unrealized changes in value in investment assets and derivatives, deferred acquisition costs, provision for unexpired risks and interest allocated to the technical result.

Outside Sweden, any equalization or catastrophe reserves governed by tax or business laws are treated in consolidation in the same manner as Swedish untaxed reserves.

In 1999, Storebrand and Skandia agreed to form a joint venture and transfer their portfolios of property and casualty business to If P&C Insurance Ltd. The merger in 1999 is reported in the consolidated accounts, applying joint venture accounting based on the carryover method. According to the carryover method, the joint venture unit assumes the assets and liabilities transferred from the owners at the carrying amount and then continues to operate the business that has been taken over. As a result of this accounting procedure, no goodwill arose in If P&C Insurance Holding Ltd Group. Goodwill based on net assets is reported in the subsidiary If P&C Insurance Ltd, since in formal terms the assets from Storebrand were transferred at a value that exceeded the previous carrying amount. Since the subsidiary If P&C Insurance Ltd has a right to make a tax deduction for the amortization of the goodwill based on the net assets, a value has arisen in the Group, recognized in the consolidated accounts for 2017 at a rate of 21,4% of the non-amortized goodwill amount in the subsidiary, which represents deferred tax assets.

TRANSACTIONS, RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY AND TRANSLATION OF THE ACCOUNTS OF FOREIGN SUBSIDIARIES AND BRANCHES

Individual companies and branches in the If Group report in their respective functional currency, determined as the local currency in the country in which the company or branch is active. Income statement items in another currency than the functional currency (foreign currency) are translated to their respective presentation currency using the average exchange rate for the month during which they were reported, while assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported in the income statement as changes in value under Investment result. Currency forward contracts used to economically hedge currency exposure are fair valued and these effects are reported in their entirety in the income statement as changes in value.

In the preparation of the consolidated accounts, translation from the presentation currencies of the companies and the branches to SEK is effected in line with IAS 21. Balance sheet items are translated using the closing date exchange rate and income statement items are translated using the average exchange rate for the period during which the item arose. The translation differences arising from the use of different exchange rates for items in the balance sheet and income statement, the fact that capital contributions and dividends are translated at different exchange rates than those prevailing on the transaction date and that shareholders' equity is translated at a different exchange rate at year-end than at the beginning of the year are reported in other comprehensive income.

For If's most significant currencies, the following exchange rates were used as of December 31 to translate balance sheet items in foreign currency to SEK:

	2018	2017
Danish kroner	1.37	1.32
Euro	10.25	9.84
Norwegian kroner	1.03	1.00
US dollars	8.96	8.21

POLICIES APPLYING TO ITEMS IN THE CONSOLIDATED BALANCE SHEET

GOODWILL

Goodwill is valued at its acquisition value, adjusted for any impairments. Goodwill arises in connection with the acquisition of operations or portfolios. In conjunction with acquisitions, an acquisition balance sheet is compiled in which all identified assets and liabilities are fair valued on the acquisition date. When the acquisition price cannot be attributed to identifiable assets and liabilities, this portion is recognized as goodwill.

Goodwill is an asset with an indefinite useful life and thus it is not subject to amortization. To ensure that goodwill is not overvalued in the balance sheet, an annual analysis is conducted of individual goodwill items to identify impairment requirements. The analysis determines the recoverable amount, defined as the higher of the value in use and the net realizable value. The value in use is calculated as the discounted value of expected future cash flows attributable to the acquired net assets. When the recoverable amount measured on the valuation date is less than the carrying amount in the Group, the carrying amount is reduced to the recoverable amount. If, subsequently, a higher recoverable amount can be set, this does not result in revaluation or reversing of previous impairments.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of externally acquired rights etc. and internally developed intangible assets. Intangible assets are valued at their acquisition value less deductions for accumulated amortization.

Internally developed intangible assets are measured at acquisition value, determined as the direct and indirect expenses for the development (programming and testing) of computer systems and so forth that are expected to provide financial benefits in the future. Only expenses linked to new development and mainly limited to major system changes are capitalized.

Rights and similar assets are amortized from the day they are valid. Capitalized development expenses are amortized from the date the asset is put into production. Amortization is applied over its estimated useful life. The useful life is determined individually per asset and for capitalized developments does not exceed 10 years.

If there is any indication on the closing date that the carrying amount of an intangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. Recoverable amount refers to the higher of the asset's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

LAND AND BUILDINGS/INVESTMENT PROPERTIES

If reports all its owned properties as investment assets (investment properties), fair valued pursuant to IAS 40 and with changes in value reported in the income statement. This classification complies with the company's basic approach to these assets. If has concluded that a separation of such owned properties, which according to IAS 40 represent owner-occupied properties, would have only an insignificant effect on the particular asset and profit/loss item. The fair value consists of the realizable value and is set annually by external surveyors using acknowledged and accepted valuation methods. Accepted methods consist of local sales-price method (current prices paid for comparable properties in the same location/area) or cash flow models applying current market interest rates for the calculation of the present value of the property. Since valuation is effected at fair value, properties are not depreciated.

SHARES IN ASSOCIATES

Associates refer to companies in which If P&C Insurance Holding Ltd directly or indirectly has significant influence, which is normally the case when the shareholding amounts to a minimum of 20% of the voting rights for all shares in the company. Associates are reported in the consolidated accounts using the equity method. The equity method means that the carrying amount of an associate is continually adjusted for changes in the holding company's share of the associate's net assets. If there is any indication that an associate's carrying amount is higher than its recoverable amount, a calculation is made of the associate's recoverable amount. Recoverable amount refers to the higher of the associate's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the associate is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

Minor holdings are accounted for in a simplified way. The carrying amount is normally only adjusted with If's share of respective company's result after tax and subject to a delay of one quarter. Additional information is provided in Notes 17 and 21.

VALUATION OF OTHER INVESTMENTS ASSETS

Financial investment assets are reported in the original currency and at fair value with – as a main principle – changes in value recognized in other comprehensive income until being realized. The presentation below describes the detailed valuation for each type of asset.

The purchase and sale of money market and capital market instruments on the spot market as well as derivative transactions are reported in the balance sheet on the transaction date. The counterparty's liability/receivable is reported between the transaction date and payment date in a gross amount under the item Other assets or Other creditors.

SHARES

Shares are fair valued. For shares listed on an authorized stock exchange or marketplace, the sales value normally refers to the latest trade price on the closing date. Unlisted securities included in private equity investments are valued using established valuation models.

INTEREST-BEARING SECURITIES

Interest-bearing securities are fair valued and accounted for by separating accrued acquisition value from change in value. The accrued acquisition value is the discounted present value of future payments, for which the discount rate consists of the effective rate of interest on the acquisition date. This means that acquired surplus and deficit values on coupon instruments are distributed over the period as interest during the bond's remaining time to maturity, in the case of loans with adjustable interest rates, to the next rate-adjustment occasion. For discount instruments, the reported interest income pertains only to distribution of deficit values in conjunction with the acquisition. The return on interest-bearing securities is divided up into interest income and changes in value. The change in value is calculated as the difference between the fair value (market value) of the securities holding and its accrued acquisition value. When valuing at fair value, the listed bid price or yield-curve models, based on listed mid prices, are used.

DERIVATIVES

All derivative instruments are fair valued and are valued individually. Derivative transactions with a positive market value on the closing date are reported as Other financial investment assets and positions with a negative market value are reported on the liabilities side of the balance sheet under the heading Derivatives.

RECEIVABLES

Receivables are reported in the amounts expected to be received.

Provisions for doubtful receivables are normally posted on the basis of individual valuation of the receivables. Receivables pertaining to standard products are valued through a standard computation based on reported losses during prior periods.

TANGIBLE ASSETS

Tangible assets consist of machinery and equipment and are initially valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less accumulated depreciation. These deductions are based on historical acquisition value and the estimated useful life.

Acquisitions of assets financed through leasing agreements, but for which If is responsible for the financial risks and benefits associated with ownership (financial leasing), are reported as tangible assets at acquisition value. The financial obligation resulting from leasing agreements is reported as a liability that is calculated on the basis of future lease payments discounted to present value using the interest rate specified in the contracts. Machinery and equipment are reported at the historical acquisition value, less accumulated depreciation, based on the useful life of the assets. Current lease payments are divided among amortization and interest expense.

Depreciation period	
Office equipment	3–10 years
Computer equipment	3–5 years
Vehicles	5 years
Other fixed assets	4–10 years

If applies the new standard IFRS 16 Leases as of the 2019 fiscal year. This entails that If recognizes the value of the right of use pursuant to material leases that are subject to the standard as an asset. The acquisition cost corresponds to an amount equivalent to the present value of fixed lease payments and certain variable lease payments to be made under the lease and discounted by an estimated incremental borrowing rate. Depreciation is applied over the estimated useful life.

If there is any indication on the closing date that the carrying amount of a tangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. Recoverable amount refers to the higher of the asset's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

CASH AND BANK

In addition to small petty cash amounts, cash and bank consists of bank balances in the insurance operations and funds transferred to asset management that have not been invested in investment assets.

DEFERRED ACQUISITION COSTS

Selling costs that have a clear connection with the writing of insurance contracts are reported as an asset, namely as deferred acquisition costs. Selling costs include operating expenses such as commission, marketing costs, salaries and overheads for sales personnel, which vary according to, and are directly or indirectly related to, the acquisition or renewal of insurance contracts. The selling cost is deferred in a manner that corresponds to the amortization of unearned premiums. The amortization period ordinarily does not exceed 12 months.

SUBORDINATED DEBT

Issued subordinated loans are reported in their original currency at accrued acquisition value. The acquisition value includes surplus/deficit prices arising on the issue date and other external expenses attributable to borrowing. During the term of the loan, costs for subordinated loans are reported using the accrued acquisition value, whereby surplus/deficit prices and capitalized borrowing expenses are distributed over the term of the loan; however, no later than the interest adjustment date in the case of loans with adjustable interest rates.

TECHNICAL PROVISIONS

Technical provisions consist of:

- Provision for unearned premiums and unexpired risks;
- Provision for claims outstanding.

The provisions correspond to the liabilities pursuant to current insurance contracts.

PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS

The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force.

In property and casualty insurance and reinsurance, the provision for unearned premiums is calculated on a strictly proportional basis over time for most products, i.e. calculated on a pro rata temporis basis.

In the event that premiums are deemed to be insufficient to cover anticipated claims costs and operating expenses, the provision for unearned premiums is required to be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account premium installments not yet due.

PROVISION FOR CLAIMS OUTSTANDING

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company (the IBNR provision). The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The provision for claims outstanding in direct property and casualty insurance and reinsurance is calculated with the aid of statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods. The provision for claims outstanding is not discounted, with the exception of provisions for vested annuities, which are discounted to present value using standard actuarial methods, taking anticipated inflation and mortality into account.

PENSION COSTS AND PENSION COMMITMENTS AND OTHER EMPLOYEE BENEFITS

The Group's pension obligations comprise pension plans in several national systems that are regulated through local collective bargaining agreements and social insurance laws. The obligations consist of both defined contribution and defined benefit plans.

For defined contribution plans, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies.

The reporting of funded and unfunded defined benefit pension plans complies with the regulations contained in IAS 19 Employee benefits (issued in 2011). According to these rules, the present value of future pension obligations less the market value of the plan assets covered by the plan is to be recognized as a pension liability in the balance sheet.

What is to be recognized as a pension cost during the fiscal year is the sum total of (i) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (ii) calculated interest expense for indexing the preceding year's established net pension obligation. The calculation of pension costs during the fiscal year primarily occurs at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on current market interest rates adjusted to take into account the duration of the company's pension obligations. If includes the first amount in the technical result while the interest expense is recognized separately in the income statement. The technical result also includes past service income and cost, e.g. effects of plan amendments.

Remeasurements of the pension obligation due to actuarial gains and losses, and because the return on plan assets deviates from the calculated interest rate, are recognized in other comprehensive income.

If has certain pension obligations that have been classified as defined-benefit plans but recognized as defined-contribution plans, either because If lacks the information necessary to recognize them as defined-benefit plans or because they have been deemed as insignificant.

Provision is also made for the calculated value of other earned remuneration of employees, the final amount of which is determined and paid after the end of the fiscal year, such as one-year variable remuneration and multi-year incentive programs. Refer to Note 12 for information regarding these provisions.

POLICIES APPLYING TO ITEMS IN THE CONSOLIDATED INCOME STATEMENT

In the income statement, there is a division into the result of insurance operations – the technical result – and the non-technical result, which is primarily attributable to asset management.

Items included in the technical result pertain overwhelmingly to the Group's operations as an insurer, that is, the transfer of insurance risk pursuant to the definition in IFRS 4, Insurance Contracts. Only contracts that do not cover a significant transfer of insurance risk are attributable to other operations and are reported pursuant to IFRS 15 Revenue from Contracts with Customers.

Reporting in the income statement complies with the principle for gross accounting of accepted and ceded insurance. Income statement items thus disclose the accounting effects of the underlying flow and the accrual of issued insurance contracts and the equivalent for reinsurance purchased.

PREMIUMS WRITTEN

The premium refers to the compensation that If receives from the policyholder in return for the transfer of risk. Premiums written are reported in the income statement at the inception of risk coverage in line with the insurance contract. When the contracted premium for the insurance period is divided into several amounts, the entire premium amount is still recognized at the beginning of the period.

PREMIUMS EARNED

Premiums earned are reported as the share of premiums written that is attributable to the reporting period. The share of premiums written from insurance contracts pertaining to periods after the closing date is allocated to the premium reserve in the balance sheet. The provision posted in the premium reserve is normally calculated by distributing premiums written strictly on the basis of the underlying term of the insurance contract. For certain insurance products – in particular those with terms longer than one year – the accrual is risk adjusted, i.e. in relation to expected claims.

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

The investment result is reported in the non-technical result. Part of the income is transferred from the investment result to the technical result for insurance operations based on the net technical provisions. When calculating this income, interest rates corresponding to the discount rate in each country are used for annuities. For other technical provisions, interest rates are used that for each currency match the interest rate for government bonds with a maturity that approximates with the technical provisions. Negative interest rates are not used.

OTHER TECHNICAL INCOME

Other technical income consists of income in insurance operations that does not involve the transfer of insurance risk. Such income is primarily attributable to sales commission and services for administration, claims settlement, etc. in insurance contracts on behalf of other parties.

CLAIMS INCURRED

Total claims incurred for the accounting period cover claims payments during the period and changes in provisions for unsettled claims. In addition to claims payments, claims incurred also include claims-adjustment expenses. Provisions for unsettled claims are divided into reported and claims not yet reported to the company (IBNR).

OPERATING EXPENSES

Operating expenses reported in the technical result in the income statement are divided into expenses arising from the handling of insurance contracts that include the transfer of insurance risk, and costs for other technical operations. Administrative expenses refer to direct and indirect costs and are distributed among the following functions, Acquisition, Claims settlement, Administration, Asset Management and Other.

Claims settlement costs are included in the administrative expenses of insurance operations but are reported among claims incurred in the income statement.

In addition to administrative expenses, the operating expenses of insurance operations include acquisition costs and deferral of acquisition costs.

INVESTMENT RESULT

The investment result is distributed among direct investment income and changes in value and with deductions for management costs. The Direct investment income item primarily includes dividends on shareholdings and interest income from investments reported using the effective interest rate principle, in conjunction with which surplus/deficit values resulting from acquisitions are distributed across the remaining useful life of the asset. The Changes in value item mainly comprises realized value changes on investment assets, but also impairment losses from Available-for-sale financial assets that were deemed necessary in accordance with the specific impairment requirements in IAS 39.

In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. In this assessment, If has chosen to use, in respect of interesting-bearing securities, criteria related to issuer default. In respect of shares, the assessment is also conducted on an individual basis but generally all shares with a significant (>20%) and/or prolonged (12 months) decline in value in relation to the acquisition cost shall be impaired. For both asset categories, the carrying amount is reduced to current fair value. In the event of a subsequent recovery of a value decline, the recovery is presented as a reversed impairment loss in respect of interest-bearing securities but not in respect of shares.

The Group's currency result is included in the Changes in value item.

TAXES

The Group's tax expense is calculated in accordance with IAS 12 Income taxes. This entails calculation and recognition of both current and deferred tax.

Current tax is calculated individually for every unit in accordance with the tax rules in each country. Current taxes also include non-deductible coupon taxes in respect of dividends received.

If's foreign branch offices are taxed on their results in the country concerned. In Sweden, the company is in principle liable for taxation on all income, including the reported results from the foreign branch offices.

In Sweden, taxable income is also impacted by translation differences pertaining to the net assets of branches, which are recognized in other comprehensive income in accordance with IAS 21. A complication in this context is that If has opted for centralized asset management, which gives rise to considerable intra-company balance sheet items. In contrast to other assets and liabilities, the translation differences associated with these intra-company items are not taxable/deductible. As a result, the net impact on taxable income can be substantial and far exceed the recognized translation differences.

The liability that arises in the Swedish head office due to its centralized asset management is denominated in local currency and thus gives rise to currency effects on the intra-company items which, in accordance with IAS 21, are recognized in profit and loss. These effects are not taxable/deductible either and can thus also have a material impact on taxable income.

Because the two permanent tax effects arise simultaneously and display a strongly opposing correlation, relate to the same counterparty and are settled at the same time, the tax effects of the exchange-rate differences on the head office's internal liability are netted against the tax effects arising in conjunction with the translation of the balance sheets of branches. If thus recognizes all tax effects related to the above items net in other comprehensive income.

If the company pays tax in Sweden for its foreign income, with the aim of avoiding double taxation, a deduction for the taxes paid abroad is normally allowed.

Income taxes abroad are attributable to taxes on foreign branch office income and withholding taxes on the return on foreign investment assets.

In Sweden, the tax rate during the year was 22% of taxable income. In Denmark, the tax rate was 22%, in Finland 20% and in the Norwegian P&C insurance branch 25%. In Sweden, the tax rate is to be reduced as of 2019 to 21.4% and as of 2021 to 20.6%. This has been taken into account when calculating deferred tax assets and liabilities as of December 31, 2018.

Deferred tax attributable to temporary differences between the amounts reported and the equivalent actual taxation is reported in the company's accounts. For income reported in the income statement for the period but which is not taxed until a later period, a deferred tax cost is charged, which results in a corresponding liability item, Deferred tax liabilities. Similarly, costs that will not result in tax deductions until a later period give rise to a deferred tax revenue and a corresponding deferred tax asset. Deferred tax assets and liabilities are reported net in those cases where they pertain to the same tax authority and can be offset against each other. The tax effect of tax loss carry-forwards is reported as deferred tax assets if it is considered likely that they can be used to offset taxable profits in the future.

The application of joint venture accounting resulted in a deferred tax asset arising in connection with Storebrand's transfer of operations. This is based on the difference between the value for tax purposes and the carrying amount of these net assets. Additional comments regarding joint venture accounting are provided in the section Bases for consolidation above.

POLICIES APPLYING TO ITEMS IN THE CONSOLIDATED CASH FLOW STATEMENT

If defines cash and cash equivalents as the balance in ongoing transaction accounts in banks. Cash flow for the year thus consists of the net of inflows and outflows of cash and cash equivalents during the year, and, at the same time, the reconciliation of the balance-sheet item Cash and bank balances is a reconciliation of the Group's cash and cash equivalents.

In the income statement of a property and casualty insurance company, all premiums written are accrued over the term of the contract. Claims provisions are made continually, based on statistical models for anticipated claims, and when the claims occur the actual claims provisions are drawn up. Finally, the claim is settled through payment to the insured. Thus, the cash flows to which an insurance contract and a claim give rise differ considerably from how income accounting is performed. The link between the income statement and cash flow statement is shown in the operation's balance sheet, where accruals and deferrals are shown in the technical reserves (premium and claims reserves) and in the receivables and liabilities that constitute unsettled items attributable to insurance contacts. In insurance companies with extensive operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

The cash flow statement shows separate items of the Group's cash flow. The analysis has its foundation in the income statement items that are directly connected with external payment flows. These items are adjusted in the statement with the changes in the balance sheet during the period (counterparty receivables/assets) that are directly linked to the income statement items in question. The balance sheet items reported in the Group comprise significant receivables/liabilities in foreign currency and are thus subject to continuous revaluation at the exchange rate prevailing at each closing date. In the cash flow statement, the effect of this recalculation is eliminated and the individual cash flows shown in the analysis are therefore not directly evident as differences in the balance sheets and notes presented in other parts of the annual report.

POLICIES APPLIED FOR ALTERNATIVE PERFORMANCE MEASURES

Key figures are financial measurements of the historical earnings trend and financial position. If presents a number of key figures, some of which are referred to as alternative performance measures and are not defined in applicable accounting standards (IFRS, ÅRFL, FFFS 2015:12 and FRL). Definitions of a number of key figures are provided in the Glossary and definitions, including a number that are marked as alternative performance measures.

Alternative performance measures are used in cases where If considers it relevant to monitor and describe the Group's/ the company's financial situation and to provide additional useful information to the users of its financial statements. In order to facilitate increased comparability, comments on changes in amounts and percentages between the current year and the preceding year are occasionally adjusted for the impact of changes in exchange rates, whereby amounts in foreign currency have been recalculated using the same exchange rates for the particular years.

Since these measures have been developed and adapted for If, they are not fully comparable with similar performance measures presented by other companies.

ACCOUNTING POLICIES IN THE PARENT COMPANY

ACCOUNTING OF GROUP CONTRIBUTIONS

Paid and received Group contributions are recognized as an appropriation in the income statement.

ACCOUNTING FOR HOLDINGS IN SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries and associates are reported at acquisition value with deductions for any impairments. The acquisition value includes in certain cases external transaction costs attributable to the acquisition. Dividends from Group companies and associates are accounted for when received.

ACCOUNTING FOR SHORT-TERM INVESTMENTS

Short-term investments are recognized at fair value with changes in value recognized in other comprehensive income until they are realized. Refer to Policies applying to valuation of other investment assets above.

NOTE 2 – Significant considerations and assessments affecting the financial statements

Preparing financial statements in accordance with IFRS requires that the Board and executive management make judgments and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The judgments and assumptions are based on experience and insight into the insurance business. The actual outcome may deviate from these assessments.

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2018 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

VALUATION OF INVESTMENT ASSETS

If has elected to apply a classification according to IAS 39 that means that almost all financial investment assets, apart from associates, are fair valued. Since the valuation of the assets is essentially based on observable market listings, the company believes that this accounting method offers a good presentation of the company's holdings of investments assets.

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. The company's assessment affects the reported profit of the year but not shareholders' equity. The assessment criteria are presented in Note 1 (under the heading of Investment result). Additional information is provided in Notes 5, 15 and 22.

TECHNICAL PROVISIONS

The provision for unsettled claims is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR provision. The provision is calculated using statistical methods or through individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year claims result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claims results in recent years is available in Note 32.

The provision for unearned premiums and unexpired risk is designed to cover anticipated claims and operating expenses during the remaining term of the insurance contracts concluded. For most products, the provision is calculated strictly in proportion to time. If the premium level is deemed to be insufficient to cover the anticipated claims and operating expenses, the provision for unearned premiums is strengthened with a provision for unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk. This provision is also commented on in Note 5.

PROVISIONS FOR PENSIONS

If applies IAS 19 Employee benefits for reporting pensions expenses and outstanding pension commitments. According to this standard, the company should determine which pension plans that are to be seen as defined benefit plans, as well as a number of parameters that are significant in the calculation of, for example, the company's net obligations and the amounts that are to be reported in the income statement, other comprehensive income and balance sheet. The basis for deciding the discount rates for the pension obligations are extrapolated yield-curves in Sweden and in Norway for AAA and AA corporate bonds, including mortgage-backed bonds. Significant parameters are further presented in Note 34.

NOTE 3 – Recognition of the effects of changed exchange rates

In addition to the Nordic currencies, If underwrites insurance in the most frequently used international currencies. Moreover, asset management is characterized by a large degree of international diversification. Accordingly, assets and liabilities in currencies other than SEK account for considerable sums. According to If's Currency Policy, exchange-rate risks are to be limited by conducting specific hedging transactions when required. If's Currency Risk Policy set limits for currency exposure.

MSEK **Exchange-rate effects in the technical result**	**2018**	**2017**	**Change**	***Of which exchange-rate effect***
Premiums earned, net of reinsurance	44,019	41,376	2,643	*1,360*
Allocated investment return transferred from the non-technical account	130	180	-50	*6*
Other technical income	304	260	44	*10*
Claims incurred, net of reinsurance	-30,307	-28,516	-1,792	*-944*
Operating expenses	-7,545	-7,129	-415	*-254*
Technical result from property and casualty insurance	**6,601**	**6,171**	**430**	***178***

As a result of the large amount of foreign currency in business operations, financial reports in SEK are continuously impacted by effects attributable to exchange-rate changes. In the income statement, transactions in foreign currency are translated into SEK using the average exchange rate during the month when the transaction was incurred or reported. Normally, the accounting of insurance contracts matches the contracted currency. Accordingly, exchange-rate effects that could have an impact on a specific reporting line in the income statement do not have a material impact on the technical result from property and casualty insurance.

Technical income and operating expenses net, distributed by currency 2018	**Premiums earned**	**Total expenses**	***Of which claims costs***	***Of which operating expenses***
SEK	33%	30%	*25%*	*5%*
NOK	31%	31%	*25%*	*6%*
DKK	9%	10%	*8%*	*3%*
EUR	26%	27%	*21%*	*5%*
USD	1%	1%	*1%*	*0%*
Other	1%	1%	*1%*	*0%*
Total	**100%**	**100%**	***81%***	***19%***

Balance sheet items established in foreign currency are translated into SEK using the exchange rate on the balance sheet date. Currency exposure in the balance sheet is mainly controlled by the continuous allocations of If's investment assets in foreign currency. The remaining exposure that arises is managed through the use of currency forward contracts

For 2018, a net exchange-rate gain of MSEK 64 was recognized in the income statement. The gain amounted as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

MSEK **Total exchange-rate result**	**2018**	**2017**
Conversion of items in the income statement and balance sheet	622	-2,015
Realized effects of currency derivatives	-486	1,326
Unrealized effects of currency derivatives	-73	644
Total exchange-rate result	**64**	**-45**

NOTE 4 – Information about related companies

RELATIONS WITH ASSOCIATES

The Parent Company If P&C Insurance Holding Ltd (publ) owns a share of 33.0% of Svithun Rogaland Assuranse AS, which is an insurance agency that sells insurance products on behalf of If P&C Insurance Ltd.

The Parent Company If P&C Insurance Holding Ltd (publ) owns a share of 22.0% of CAB Group AB, which provides systems and services for calculations of costs of repairing vehicles.

The Parent Company If P&C Insurance Holding Ltd (publ) owns directly (10.2%) and indirectly via If P&C Insurance Ltd (15.0%) a share of 25.2% of SOS International A/S, a company providing assistance services to insurance companies.

In 2018, the Parent Company If P&C Insurance Holding Ltd (publ) has acquired an ownership share of 34.0% of Boligselskapenes Service Senter AS, which provides various services to housing associations, and Digiconsept AS, which owns the intellectual property rights to Boalliansen, a web portal for housing enterprises. Boligselskapenes Service Senter AS mediates insurances on behalf of If P&C Insurance Ltd.

RELATIONS WITH SAMPO

Sampo is defined as Sampo plc. The subsidiaries of Sampo are defined as all of the subsidiaries in the Sampo Group with the exception of If P&C Insurance Holding Ltd (publ) and its subsidiaries.

If has concluded agreements with Sampo subsidiaries regarding the marketing of the counterparty's products in If's networks in primarily Finland and the Baltic countries. The compensation takes the form of commission.

In Finland, If has concluded agreements with a Sampo subsidiary regarding life insurance policy administration, claims handling and maintenance of related IT systems. The compensation takes the form of a fee.

In Finland, If has also concluded agreements with a Sampo subsidiary regarding life and voluntary pension insurance agreements for employees. In Finland and the Baltic countries, Sampo or its subsidiaries have also concluded P&C insurance agreements with If.

Sampo's purchase of data-processing services and data production is conducted through If IT Services A/S, which has monitoring and administrative responsibility for IT operations with the suppliers.

If and Sampo have an asset management agreement according to which all investment decisions, within the framework of the Investment Policy have been outsourced to Sampo. The compensation takes the form of fixed commission calculated in accordance with the market value of the managed investment assets.

In Finland, Sampo and Sampo subsidiaries purchase HR services, as well as, other office services and investigation services from If. The compensation takes the form of a fee.

Office premises and services are used together with subsidiaries of Sampo.

As of September 30, 2017, Topdanmark A/S is a subsidiary of Sampo. Under the Danish Corporate Income Tax Act, the If Group and the Topdanmark group are subject to mandatory joint taxation in Denmark. Topdanmark A/S is the administration company for the Danish joint taxation.

In Finland, Nordic Assistance AB mediates insurances on behalf of subsidiaries to Sampo.

RELATIONS WITH NORDEA

Nordea is an associate to Sampo, and consequently a related company to If.

Nordea is If's banking partner in Sweden, Finland, Denmark, Norway and the United Kingdom and agreements have been concluded covering the management of bank accounts and related services. The Parent Company, If P&C Insurance Holding Ltd (publ), is the primary account holder in the Nordic cash pool in Nordea. The subsidiaries of P&C Insurance Holding Ltd (publ) also have their own accounts with Nordea.

In asset management, investments are made in bonds and other interest-bearing securities issued by companies in the Nordea Group as well as in deposits with Nordea. Nordea is also included among the market makers used for general securities trading. Nordea is furthermore the counterparty for transactions in interest rate and currency derivatives. Further information on this matter is provided in Note 5, Table 16.

Nordea distributes If's P&C insurance products through its banking offices and internet banking offices in Sweden and Finland for which they are paid a commission.

In Finland, If's subsidiary If P&C Insurance Ltd has written insurance policies with Nordea subsidiaries. The policies also include property financed by Nordea.

Transactions with related companies

	Income		Expenses		Assets		Liabilities	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017
Associates	4	2	-97	-101	5	1	-	-3
Owner								
Sampo plc	1	2	-20	-26	0	-	-1	-3
Other related parties								
Subsidiaries of Sampo	40	35	-	0	175	159	-1	-1
Nordea	79[1)]	195[1)]	-36[2)]	-93[2)]	8,713	8,964	-41	-106
Other associates, Sampo	1	-	0	-	50	-	0	-

[1)] Including interest income
[2)] Including interest expense

NOTE 5 – Risks and risk management

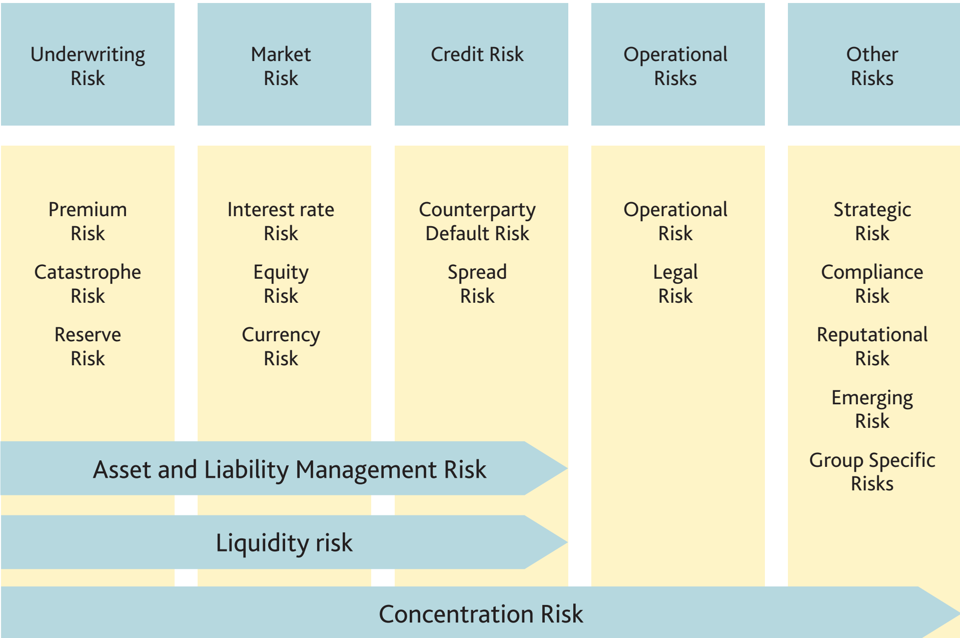
RISK MANAGEMENT SYSTEM

Risk is an essential and inherent element of If's business activities and operating environment. A high-quality risk management process is a prerequisite for running the business effectively achieving established goals. The objectives of the Risk Management System are to create value for If's stakeholders by securing its long-term solvency, minimizing the risk of unexpected financial loss and giving input to business decisions by taking into account the effect on risk and capital. If's risk appetite framework defines the boundaries for what level of risk If is willing to accept in the pursuit of the objectives. The framework includes the risk appetite statement, capital adequacy, steering documents, processes and controls.

If's Risk Management System comprises strategies, processes and reporting procedures necessary to continuously identify, measure, monitor, manage and report risks. The Risk Management System is part of the larger Internal Control System and ensures that all risks are managed from a Group-wide perspective as well as from a legal entity perspective. The main risk categories in If are: underwriting, market, credit and operational risk, see Figure 1. Each key risk is subject to a dedicated risk-management process.

Steering documents are in place for each risk area specifying restrictions and limits chosen to reflect and ensure that the risk level at all times complies with If's overall risk appetite and capital constraints.

FIGURE 1 – Risks encompassed in the Risk Management System



RISK STRATEGY

The Risk Management policy defines the overall risk strategy and the risk appetite for the main risks. The risk management strategies are to:

- Ensure a sound and well established risk culture in If;
- Ensure that risks affecting the profit and loss account and the balance sheet are identified, assessed, managed, monitored, and reported;
- Ensure that the riskiness of the insurance business is reflected in the pricing;
- Ensure adequate long-term investment returns within set risk levels;
- Ensure that risk buffers – in the form of capital and foreseeable profitability – are adequate in relation to the current risks inherent in business activities and external risks;
- Limit fluctuations in the economic values of If Group companies;
- Ensure the overall efficiency, security and continuity of operations; and
- Safeguard If's reputation and ensure that customers and other stakeholders have confidence in If.

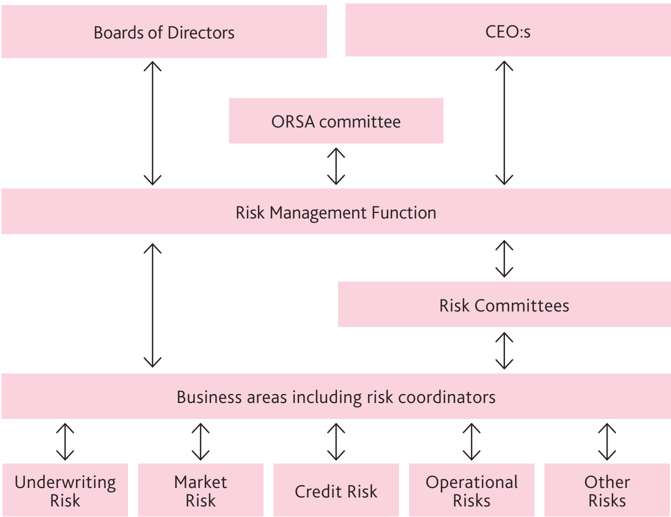
RISK MANAGEMENT PROCESS

The overall risk management process in If includes five main steps; risk identification, risk assessment/ measuring, risk monitoring, risk managing and risk reporting.

REPORTING STRUCTURE AND RISK GOVERNANCE

The figure 2 illustrates the risk management related information reporting structure in the Risk Management System. The System includes processes and activities performed by persons or groups including committees, experts and the line organization.

FIGURE 2 – If's Risk management reporting structure



BOARDS OF DIRECTORS

The Boards of Directors are the corporate body responsible for internal control, risk control, and for ensuring that If has appropriate risk management systems and processes. The Boards of Directors approve the yearly Risk Management policy and other risk-steering documents.

CEO:S

The CEO:s are responsible for organizing and overseeing the daily business activities in accordance with instructions and guidelines from the Boards of Directors. The CEO:s have the ultimate responsibility for the effective implementation of the Risk Management System by ensuring appropriate risk management set-up and promoting a sound risk culture within If.

COMMITTEES IN THE RISK MANAGEMENT SYSTEM

Own Risk and Solvency Assessment Committee (ORSA committee) assists the CEO:s in fulfilling the responsibility of overseeing If's risk and risk management system. The committee reviews the effectiveness of If's internal control system, as well as initiates and monitors efforts and actions relating to these areas. Furthermore, the committee monitors that If's short-term and long-term aggregated risk profile is aligned with If's risk strategy and capital requirements. The committee meets at least four times a year.

There are also additional committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled in accordance with the steering documents. The chairmen of the committees are responsible for the reporting to the ORSA committee. The committees also monitor the effectiveness of the steering documents and give input with respect to changes and updates, if needed. None of If's committees have any decision-making mandate.

RISK MANAGEMENT FUNCTION

The Risk Management function facilitates the implementation and development of the Risk Management System in If and consists of the CRO, the risk control unit and the capital management unit. The function is responsible for coordinating the risk management activities on behalf of the Boards of Directors and the CEO:s.

LINE ORGANIZATION

The line organization has the day-to-day responsibility for managing risks within limits and restrictions set by the risk policies, guidelines and instructions and has to ensure that it has resources and tools in place. On behalf of the Heads of the business areas/corporate functions, a risk coordinator structure is established. The Head of the Risk Control unit issues instructions describing the responsibility of the risk coordinators.

The line organization has an obligation to inform the Risk Management function of material risks relevant to the performance of their duties.

CAPITAL MANAGEMENT

If focuses on capital efficiency and sound risk management by keeping its capital resources at an appropriate level in relation to the risks taken over the business planning horizon. This means ensuring that the available capital exceeds the internal and regulatory capital requirements, as well as maintaining an A rating from Standard & Poor's and Moody's.

Capital management is based on If's risk-appetite statement, which provides further details on risk preferences and risk tolerances. These are established through steering documents decided by the Boards of Directors. If's risk profile, capital requirements and available capital are measured, analyzed and reported to the ORSA committee and the Boards of Directors on a quarterly basis, or more often when deemed necessary.

In order to maintain a sufficient level of capital, If:

- Projects its risk and capital according to the financial plan;
- Allocates capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation;
- Manages its debt-to-equity relation, enhancing the return to shareholders while maintaining reasonable financial flexibility; and
- Assures its dividend capacity through the effective use of reinsurance, group synergies and diversification benefits.

RISK AND CAPITAL MODELING

In order to assess the overall risk profile, it is necessary to consider the interrelationships between various risks, since some of these risks could develop in opposite directions creating diversification effects. For this purpose, If has used an internal model to calculate economic capital for market risk and underwriting risk. Through simulations of both investment and insurance operations, the effect of, for example, reinsurance structures and investment allocations is analyzed.

In addition to the calculation and reporting of economic capital for If and its subsidiaries, the internal model is used as a basis for decisions regarding:

- Allocation of capital to business areas and lines of business;
- Evaluation of the effect on the risk profile related to changes in the investment portfolio;
- Evaluation of reinsurance programs;
- Evaluation of investment policies and limits; and
- Evaluation of risks over the business planning horizon.

Operational risk and less material risks are quantified using the Solvency II standard formula.

CAPITAL POSITION
The capital position is the relationship between available capital and required capital. To fulfill requirements from various stakeholders, different measures are used to describe the capital position: regulatory measures, internal economic measures and rating agency measures. If considers both a one-year and a multi-year perspective.

REGULATORY MEASURES
Insurance is a regulated business with EU common rules for capital requirements and available capital. All insurance companies within the If Group met the regulatory solvency requirements under Solvency II during 2018.

As a subsidiary of Sampo plc, If P&C Insurance Holding Ltd (publ) is a member of the Sampo insurance group and is not subject to a formal requirement to report its sub-group solvency position. However, a standard formula based SCR is calculated, corresponding to what the regulatory requirement would have been if Solvency II-regulations had been enforced at the level of the If Group.

As per December 31, 2018, the standard formula, sub-group, SCR amounted to MSEK 18,801 (MSEK 19,079) and the eligible own funds amounted to MSEK 36,909 (MSEK 37,579).

INTERNAL ECONOMIC MEASURES
Economic capital is an internal measure showing the deviation from the expected result calculated at a confidence level corresponding to 99.5% on a one-year horizon. If's major quantifiable risks are included in the calculation of economic capital. The calculations are based on an economic, market-consistent valuation.

RATING AGENCY MEASURES
If P&C Insurance Ltd (publ) within the Group are A+ rated by Standard & Poor's and A1 rated by Moody's. The objective is to retain a single A rating.

IF'S RISKS

UNDERWRITING RISK
Underwriting risk is the risk of loss, or of adverse change in the value of insurance liabilities, due to uncertainty in pricing and provisioning assumptions.

PREMIUM RISK AND CATASTROPHE RISK
Premium risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events that have not occurred at the balance date.

Catastrophe risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

RISK MANAGEMENT AND CONTROL
The principal methods for mitigating premium risks are by reinsurance, diversification, prudent underwriting and regular follow-ups linked to the strategy and financial planning process. The Underwriting Policy (UW Policy) sets general principles, restrictions and directions for the underwriting activities. The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area.

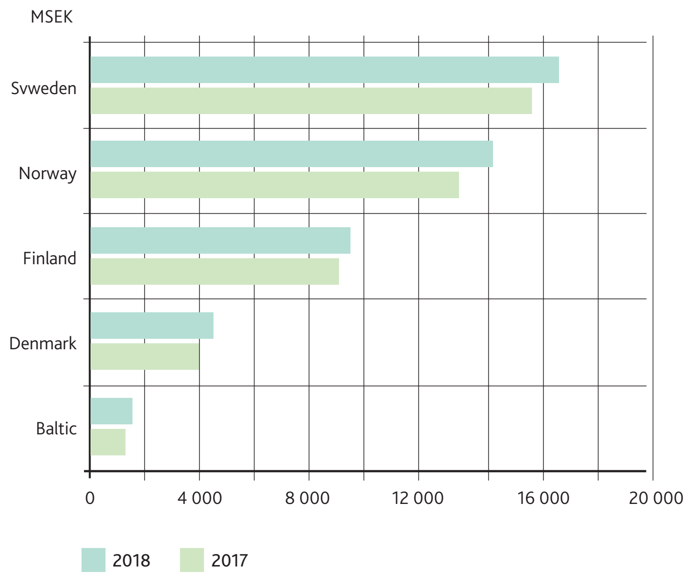
If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance is evaluated by comparing the expected cost versus the benefit of the reinsurance, the impact on result volatility and capital requirement. The main tool for this evaluation is If's internal model in which small claims, large claims and natural catastrophes are modelled. The Reinsurance Policy includes limitations on permitted reinsurers and their rating for each line of business. In addition, limits relating to concentration risk and exposure to reinsurance risk are given. The reinsurers are continuously assessed and evaluated through If's own financial and qualitative pre-defined analyses.

A Group-wide reinsurance program has been in place in If since 2003. In 2018, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

RISK EXPOSURE
There is a risk, given the inherent uncertainty of P&C insurance, of losses due to unexpectedly high claims costs. Examples of what could lead to high claims costs include large fires and natural catastrophes or an unforeseen increase in the frequency or the average size of small and medium-sized claims.

If mainly underwrites insurance policies in the Nordic and Baltic countries. If also underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of premium income is shown in Figure 3.

FIGURE 3 – Premium income per country



An analysis of how changes in the combined ratio, premium and claims level affect the result before tax is presented in Table 1.

TABLE 1 – Sensitivity analysis, premium risk

MSEK			Effect on result before tax	
Parameter	**Current level, 2018**	**Change**	**2018**	**2017**
Combined ratio, Business Area Private	83.7%	+/- 1 percentage point	+/- 265	+/- 250
Combined ratio, Business Area Commercial	86.9%	+/- 1 percentage point	+/- 119	+/- 112
Combined ratio, Business Area Industrial	92.3%	+/- 1 percentage point	+/- 42	+/- 39
Combined ratio, Business Area Baltic	88.8%	+/- 1 percentage point	+/- 15	+/- 13
Premium level	44,019	+/- 1%	+/- 440	+/- 414
Claims level	30,307	+/- 1%	+/- 303	+/- 285

RESERVE RISK

Reserve risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing and amount of claim settlements for events that have occurred at, or prior to, the balance date.

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

The technical provision for unearned premiums is intended to cover anticipated claim costs and operating expenses during the remaining term of insurance contracts in force. Since claims are paid after they have occurred, it is necessary to set provisions for claims outstanding. The technical provisions are hence the sum of the provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a degree of uncertainty since the provisions are based on estimates of the size and the frequency of future claim payments.

The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' Compensation (WC), Motor Third Party Liability (MTPL), Personal Accident, and Liability insurance are products with the latter characteristics.

RISK MANAGEMENT AND CONTROL

The Boards of Directors decide on the guidelines governing the calculation of technical provisions. If's Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient.

The actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are considered include loss development trends, the level of unpaid claims, changes in legislation, case law and economic conditions. When setting provisions, established actuarial methods are generally used, combined with projections of the number of claims and average claims costs.

The provisions for annuities are calculated as discounted values based on the amounts and payment periodicity in each individual case, taking expected investment income, expenses, indexation, other possible adjustments and mortality into account. The anticipated inflation trend is taken into account when calculating the technical provisions and is of high importance for claims settled over a long period of time, such as claims related to MTPL and WC business. The anticipated trend is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If 's own estimation of costs for various types of claims.

RISK EXPOSURE

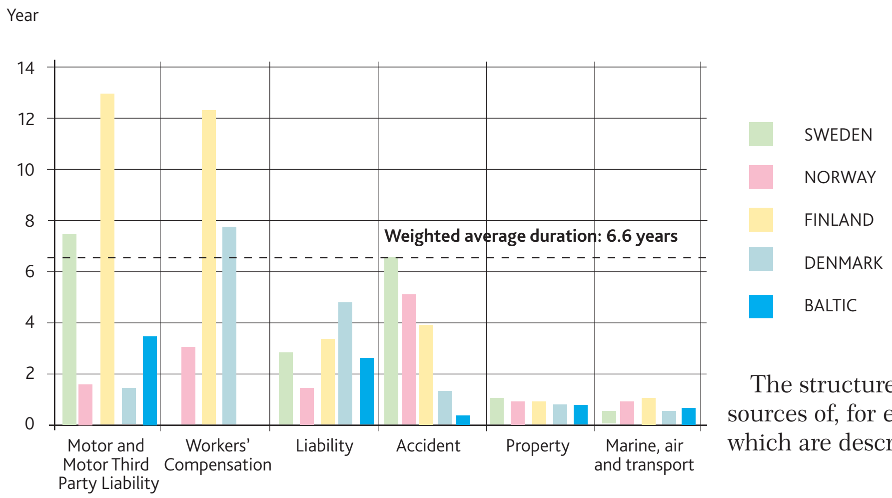
For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2018, the proportion of technical provisions related to MTPL and WC was 55%. The amount of technical provisions broken down by product and country is shown in Table 2.

TABLE 2 – Technical provisions (net) per product and country

	Sweden		Norway		Finland		Denmark		Baltic	
MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Motor and Motor Third Party Liability	23,860	24,765	5,399	5,277	10,522	10,167	1,679	1,575	1,088	852
Workers' compensation	-	-	2,093	2,144	12,051	11,801	2,590	2,482	-	-
Liability	2,685	2,634	1,135	1,255	1,133	1,202	784	726	217	202
Accident	3,465	3,214	3,952	3,657	1,646	1,537	1,019	925	71	56
Property & Other	4,381	4,007	4,778	4,672	2,435	2,227	1,089	971	333	242
Marine, air and transport	226	202	412	470	127	96	287	225	24	27
Total	**34,616**	**34,823**	**17,769**	**17,475**	**27,914**	**27,030**	**7,448**	**6,905**	**1,733**	**1,379**

The durations of technical provisions for various products are shown in Figure 4.

FIGURE 4 – Duration of technical provisions 2018



The structure and duration of technical provisions are also sources of, for example, interest rate risk and inflation risk, which are described in greater detail under market risk.

A sensitivity analysis of the reserve risk is presented in Table 3.

TABLE 3 – Sensitivity analysis, reserve risk

Portfolio	Risk	Change in risk parameter	Country	2018 Effect MSEK	2017 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,897	1,810
			Denmark	158	115
			Norway	511	524
			Finland	347	368
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	681	652
			Denmark	156	130
			Finland	3,005	2,947
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	248	242
			Denmark	17	16
			Finland	678	652

FINANCIAL ASSETS AND LIABILITIES

The recognition of financial assets and liabilities depends on their classification.

TABLE 4 –Categories of financial assets and financial liabilities

MSEK	2018	2017
Financial assets at fair value		
Financial assets, mandatory at fair value through profit and loss (trading)	94	242
Financial assets, available for sale	109,173	109,358
Loans and receivables [1]	20,071	19,504
Total financial assets	**129,337**	**129,104**
Financial liabilities, mandatory at fair value through profit and loss (trading)	46	107
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	11,428	9,143
Total financial liabilities	**11,474**	**9,249**

[1] Loans and receivables consists of the following balance sheet items: loans and receivables, deposits with ceding undertakings, debtors, cash and bank, securities settlement claims and financial accrued income.

[2] Financial liabilities measured at amortized cost or at the amount expected to be settled consists of the following balance sheet items: subordinated debt, creditors arising out of direct insurance and reinsurance operations, securities settlement liabilities and financial other creditors and accrued expenses.

TABLE 5 – Investment assets categorized from an asset management perspective

	Investment assets and derivative liabilities		Assets under active management		Assets under active management categorized from an asset management perspective					
					Fixed income		Equity		Properties	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Land and buildings	**122**	**196**	122	196					196	206
Investments in associates	**144**	**140**								
Financial assets, mandatory at fair value through profit and loss (trading)										
Derivatives [1]	94	242	94	242			0	3		
Financial assets, available for sale										
Shares and participations	11,557	14,423	11,557	14,423			11,557	14,423		
Bonds and other interest-bearing securities	97,616	94,935	97,616	94,935	97,616	94,935				
Loans										
Deposits with credit institutions		221		221	-	221				
Other loans	995	811	995	811	995	811				
Total other financial investment assets	**110,261**	**110,631**								
Deposits with ceding undertakings	**7**	**7**								
Total Investment assets	**110,535**	**110,975**								
Other assets										
Cash and bank			3,012	4,082	3,012	4,082				
Collaterals and settlement claims			66	54	12	34	54	19		
Accrued income			476	473	476	473				
Assets under active management			**113,938**	**115,436**	**102,111**	**100,555**	**11,611**	**14,445**	**122**	**196**
Financial liabilities mandatory at fair value through profit and loss (trading)										
Derivatives [2]	46	107	46	107	18	23				
Total Derivative liabilities	**46**	**107**								
Financial liabilities valued at the amount expected to be settled										
Collaterals and settlement liabilities			81	147	81	147				
Accruals			1	1	1	1				
Liabilities under active management			**128**	**256**	**101**	**172**				
Assets under active management, net			**113,810**	**115,180**	**102,010**	**100,383**	**11,611**	**14,445**	**122**	**196**

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 94 (239).
[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 27 (84).

MARKET RISK

Market risk is the risk of loss, or of adverse changes in the financial situation resulting, directly or indirectly, from fluctuations in the level or in the volatility of market prices of assets, liabilities and financial instruments.

RISK MANAGEMENT AND CONTROL

The Investment Policy is the principal document for managing If's market risks. It sets guiding principles for, inter alia, the prudent person principle, specific risk restrictions and decision-making structure for the investment activities.

The structure of If 's technical provisions, the overall risk appetite, risk tolerance, regulatory requirements, rating targets and the nature of the technical provisions are taken into account when deciding limits and when setting return and liquidity targets. The Boards of Directors decides on the Investment Policy once a year or more often if deemed necessary. The Investment Policy is supplemented with guidelines defining mandates and authorizations and guidelines on the use of derivatives. The market risk is actively monitored and controlled by the Investment Control Committee and reported to the ORSA Committee quarterly.

RISK EXPOSURE

If's investment operations generated a return of -0.8% in 2018. Investment assets amounted to MSEK 113,744. The main market risks are interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of values to changes in key risk factors.

TABLE 6 – Allocation of assets under active management

MSEK	2018 Carrying amount	2018 %	2017 Carrying amount	2017 %
Fixed income	102,010	89.7	100,383	87.3
Equities	11,611	10.2	14,445	12.6
Properties	122	0.1	196	0.2
Total	**113,744**	**100**	**115,025**	**100**

Currency derivatives amounting to MSEK 66 (155) are excluded from the allocation of assets under active management.

During the year, the proportion of equity investments decreased from 12.6% to 10.2%. The proportion of fixed income investments increased from 87.3% to 89.7%. Other investment assets amounted to 0.1% at December 31, 2018.

Table 7 shows the sensitivity analysis of the fair values of financial assets and liabilities in different market scenarios. The effects represent the immediate impact on fair values as a result of a change in the underlying market variables as of 31 December each year. The sensitivity analysis includes the effects of derivative positions and is calculated before tax.

TABLE 7 – Sensitivity analysis of the fair values of financial assets and liabilities

	2018				2017			
	Interest rate		Equities	Properties	Interest rate		Equities	Properties
MSEK	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	1	-1			3	-3		
Long-term fixed income	1,595	-1,543			1,513	-1,461		
Equities			-2,322				-2,888	
Other financial assets				-24				-39
Liabilities								
Subordinated loans	-62	60			-76	73		
Derivatives, net	-15	14	0		-20	19	-1	
Total change in fair value	**1,520**	**-1,470**	**-2,322**	**-24**	**1,420**	**-1,372**	**-2,888**	**-39**

INTEREST RATE RISK

Interest rate risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

RISK MANAGEMENT AND CONTROL

In accordance with If's Investment Policy, the nature of the insurance commitments with respect to interest rate risk and inflation risk is taken into account in the composition of investment assets. The interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

RISK EXPOSURE

Since the technical provisions are predominantly stated in nominal terms in the balance sheet, If is mainly exposed to changes in future inflation. However, the economic value of these provisions, meaning the present value of future claims payments, is exposed to changes in interest rates. Furthermore, the provisions for annuities are discounted and potential changes in discount rates affect the level of technical provisions.

The discount rates could vary between countries mainly as a result of legislative differences, but also due to the prevailing interest rate environment.

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 3, in the reserve risk section. The cash flows of financial assets and liabilities are presented by maturities in Table 15, in the liquidity risks section. The duration of fixed income investments was 1.4 at year-end 2018 (1.4). The duration of fixed income investments is shown in Table 8.

TABLE 8 – Duration and breakdown of fixed income investments per instrument type

	2018			2017		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Short-term fixed income	3,793	3.7	0.0	5,665	5.6	0.1
Scandinavia, long-term government and corporate securities	70,771	69.4	1.3	69,552	69.3	1.3
Scandinavia, index-linked bonds	655	0.6	1.9	679	0.7	2.9
Europe, long-term government and corporate securities	17,948	17.6	1.9	15,512	15.5	2.0
USA, long-term government and corporate securities	6,636	6.5	2.0	6,673	6.6	2.2
Global, long-term government and corporate securities	2,206	2.2	2.4	2,302	2.3	2.8
Total	**102,010**	**100**	**1.4**	**100,383**	**100**	**1.4**

EQUITY RISK

Equity risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

RISK MANAGEMENT AND CONTROL

If's equity portfolio is actively managed with a long-term investment horizon. The equity risk is reduced by diversifying the investments across industry sectors and geographical regions. According to If's Investment Policy, equity investments may not exceed 16.5% of the total investment portfolio and the exposure towards an individual issuer is to be limited.

RISK EXPOSURE

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, If's exposure amounted to MSEK 11,611 and the proportion of equities in the investment portfolio was 10.2%.

TABLE 9 – Breakdown of equity investments by industry sectors

	2018		2017	
MSEK	Carrying amount	%	Carrying amount	%
Industrials	3,703	46.9	5,056	49.1
Consumer Discretionary	1,960	24.8	2,810	27.3
Telecommunication Services	651	8.2	588	5.7
Materials	609	7.7	661	6.4
Health Care	594	7.6	654	6.4
Energy	260	3.3	62	0.6
Consumer Staples	113	1.4	132	1.3
Financials	4	0.0	282	2.7
Information Technology	-	-	46	0.4
Total	**7,894**	**100**	**10,291**	**100**

The sector allocation of equity excludes investments made through ETF's, mutual and private equity funds of MSEK 3,717 (4,154).

TABLE 10 – Breakdown of equity investments by geographical regions

	2018		2017	
MSEK	Carrying amount	%	Carrying amount	%
Scandinavia	7,894	69.1	10,291	72.2
Far East	1,235	10.8	1,483	10.4
Europe	1,149	10.1	1,348	9.5
North America	877	7.7	860	6.0
Latin America	262	2.3	277	1.9
Total	**11,417**	**100**	**14,259**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 194 (186).

CURRENCY RISK

Currency risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or the volatility of currency exchange rates.

RISK MANAGEMENT AND CONTROL

The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in the insurance operations is hedged to the base currency on a regular basis. The currency exposure in investment assets is controlled weekly and is hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size. If is also exposed to translation risk. Translation risk is described in more detail in the Group-specific risks section.

RISK EXPOSURE

If's currency positions against the base currency and the sensitivity of the valuation to changes in exchange rates are shown in Table 11.

TABLE 11 – Currency risk

MSEK Currency	EUR	NOK	DKK	GBP	USD	JPY	Other
Open position (SEK), 2018	-1,103	918	82	-14	-40	-3	-15
Open position (SEK), 2017	-991	781	-1	14	21	-2	-40
10% depreciation of foreign currency against SEK, 2018	110	-92	-8	1	4	0	1
10% depreciation of foreign currency against SEK, 2017	99	-78	0	-1	-2	0	4

Currency positions in the Baltic business area are excluded.

CREDIT RISK

Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance undertakings are exposed in the form of counterparty default risk, spread risk, or market risk concentrations.

Spread risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

In general, credit risk refers to losses arising from occurred defaults of debtors or other counterparties or from increases in assumed probability of defaults. In the case of default, the final loss depends on the value of the asset less any collateral and recoveries at the time of default.

CREDIT RISK IN INVESTMENT OPERATIONS

Credit risk in the investment operations can be measured as counterparty default risk and spread risk. In most cases, part of the credit risk is already reflected through a higher spread and thereby the asset has a lower market value, even in the case of no default. Accordingly, the spread is essentially the market price of credit risk.

Additional risks, stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by (i) a single issuer of securities or (ii) a group of related issuers not captured by the spread risk or counterparty default risk, is measured as concentration risk.

RISK MANAGEMENT AND CONTROL

Credit risk in the investment operations is managed by specific limits stipulated in If's Investment Policy. In the policy, limits are set for maximum exposures towards single issuers, type of debt category and per rating class. The spread risk is further limited by sensitivity restrictions for instruments sensitive to spread changes.

Before investing, potential investments are analyzed thoroughly. The creditworthiness and future outlook of the issuer are assessed together with any collateral as well as structural details of the potential investment. Internal risk indicators are important factors in the assessment, although macroeconomic environment, current market trends and external opinions of analysts and credit ratings by rating agencies are also taken into account. In addition, portfolio performance and the counterparties' credit standings are monitored continuously.

The development of the portfolios with respect to credit risk is monitored at company level, as well as at Group level, and is reported to the Investment Control Committee on a regular basis. Credit exposures are reported by ratings, instrument types and industry sector.

RISK EXPOSURE

If's most significant credit risk exposures arise from fixed income investments. The exposures are shown by sector, asset class and rating category in Table 12.

TABLE 12 – Exposures by sectors, asset classes and rating category 2018

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total [1]	Equities	Properties	Derivatives (Counter-party Risk)	Total [2]	Change compared with Dec 31, 2017
Basic Industry			323	638			318	**1,280**	362			**1,642**	-160
Capital Goods			330	680			771	**1,781**	3,886			**5,667**	-1,163
Consumer Products		578	1,484	3,388	220		924	**6,594**	2,126			**8,720**	-1,291
Energy		517			647		1,764	**2,929**	260			**3,188**	390
Financial Institutions		9,943	13,177	5,503	560		332	**29,516**			14	**29,530**	2,520
Governments	1,366							**1,366**				**1,366**	462
Government Guaranteed	98	269						**368**				**368**	-814
Health Care	72	109	264	580			79	**1,104**	594			**1,698**	67
Insurance			484	774	263		424	**1,945**				**1,945**	448
Media							218	**218**				**218**	4
Packaging							53	**53**				**53**	2
Public Sector, Other	6,082	1,250						**7,332**				**7,332**	-824
Real Estate		56	804	1,649	447		5,064	**8,019**		122		**8,141**	1,312
Services			23	733	560		534	**1,850**				**1,850**	109
Technology and Electronics	89		26		96		805	**1,017**				**1,017**	201
Telecommunications				1,708	487		57	**2,252**	651			**2,903**	648
Transportation		591	286	328			1,564	**2,769**	11			**2,781**	-230
Utilities			367	2,258	704		445	**3,774**				**3,774**	193
Others		269					154	**422**	4			**426**	41
Covered Bonds	26,957	554						**27,511**				**27,511**	-2,845
Funds								**-**	3,717			**3,717**	-437
Clearing Houses								**-**				**-**	-
Total	**34,665**	**14,137**	**17,568**	**18,241**	**3,982**	**-**	**13,506**	**102,099**	**11,611**	**122**	**14**	**113,847**	**-1,370**
Change compared with Dec 31, 2017	-3,179	-874	-741	3,253	2,207	-	914	1,578	-2,831	-74	-43	**-1,370**	

[1] Total fixed income exposure differs by MSEK 89 from the corresponding financial assets and liabilities in Table 5 because other derivatives and collaterals are excluded.
[2] Total exposure differs by MSEK 103 from the corresponding financial assets and liabilities in Table 5 because derivatives and collaterals are excluded except for OTC derivatives, for which only the counterparty risk is taken into account.

CREDIT RISK IN REINSURANCE OPERATIONS

In addition to the credit risk associated with investment assets, credit risk arises from insurance operations, most importantly through ceded reinsurance. Credit risk related to reinsurers arises through reinsurance receivables and through the reinsurers' portion of claims outstanding. Credit risk exposure towards policyholders is very limited, since non-payment of premiums generally results in the cancellation of insurance policies.

RISK MANAGEMENT AND CONTROL

To limit and control credit risk associated with ceded reinsurance, If has a Reinsurance Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to determine the creditworthiness of reinsurance companies.

RISK EXPOSURE

The distribution of recoverables concerning ceded reinsurance is presented in Table 13. In the table, MSEK 1,453 (1,570) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 13 – Reinsurance recoverables

MSEK Rating (S&P)	2018	%	2017	%
AAA	-	-	-	-
AA	534	62.8	378	63.9
A	309	36.3	200	33.8
BBB	6	0.7	11	1.9
BB - CCC	-	-	-	-
Not rated	1	0.1	3	0.5
Total	**851**	**100**	**593**	**100**

The distribution of ceded treaty and facultative premiums per rating category is presented in Table 14.

TABLE 14 – Ceded treaty and facultative reinsurance premiums per rating category

MSEK Rating (S&P)	2018	%	2017	%
AAA	-	-	-	-
AA	327	61.4	303	58.9
A	206	38.6	212	41.1
BBB	-	-	-	-
BB - CCC	-	-	-	-
Not rated	-	-	-	-
Total	**532**	**100**	**515**	**100**

ASSET AND LIABILITY MANAGEMENT RISK

Asset and Liability Management (ALM) risk means the risk of loss, or of adverse change in the financial situation resulting from a mismatch between the assets and the liabilities' sensitivity to fluctuations in the level or in the volatility of market rates.

RISK MANAGEMENT AND CONTROL

The ALM risk in If is managed in accordance with Sampo's Group-wide principles. ALM is taken into account through the risk appetite framework and is governed by If's Investment Policy.

In the accounts, most of the technical provisions are nominal, while a significant portion, namely the annuity and annuity IBNR reserves, is discounted using interest rates in accordance with the regulatory rules. Accordingly, from an accounting perspective, If is mainly exposed to changes in inflation and regulatory discount rates.

From an economic perspective, wherein the technical provisions are discounted using prevailing interest rates, If is exposed to changes in inflation and nominal interest rates.

To maintain the ALM risk within the overall risk appetite, the technical provisions may be matched by investing in fixed income instruments and by using currency derivatives.

LIQUIDITY RISK

Liquidity risk is the risk that insurance undertakings may be unable to realize investments and other assets in order to settle their financial obligations when they fall due.

RISK MANAGEMENT AND CONTROL

In P&C insurance, premiums are collected in advance and large claims payments are usually known long before they fall due, thus limiting the liquidity risk.

The Cash Management unit is responsible for liquidity planning. To identify liquidity risk, expected cash flows from investment assets and technical provisions are analyzed regularly, taking both normal market conditions and stressed conditions into consideration. Liquidity risk is reduced by having investments that are readily marketable in liquid markets. The available liquidity of financial assets, meaning the part of the assets that can be converted into cash at a specific point in time, is analyzed and reported continuously.

RISK EXPOSURE

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 15. In the table, financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. The table also shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

TABLE 15 – Maturities of cash flows for financial assets and liabilities and net technical provisions

				Cash flows						
2018 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	2019	2020	2021	2022	2023	2024-2033	2034-
Financial assets	129,337	*14,581*	*114,756*	30,459	20,759	26,830	20,717	13,122	8,787	-
Financial liabilities	11,474	*82*	*11,392*	7,383	152	3,286	36	1,009	-	-
Net technical provisions	89,481			30,897	10,877	6,115	4,214	3,446	19,964	19,340

				Cash flows						
2017 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	2018	2019	2020	2021	2022	2023-2032	2033-
Financial assets	129,104	*18,538*	*110,566*	27,912	20,650	22,851	22,858	14,040	6,323	-
Financial liabilities	9,249	*147*	*9,249*	7,102	120	124	3,211	-	-	-
Net technical provisions	87,612			29,716	10,318	6,180	4,963	3,055	20,057	18,551

CONCENTRATION RISK

Concentration risk is all risks towards a single counterparty, industry sector or geographic region with a material loss potential that is not captured by any other risk type.

RISK MANAGEMENT AND CONTROL

In If's Underwriting Policy, Investment Policy and Reinsurance Policy, limits are set for maximum exposures towards single issuers and per rating class. Risk concentrations are actively monitored and controlled by the respective committee and reported quarterly to the ORSA committee.

RISK EXPOSURE

Investments are mainly concentrated to the financial sector in the Scandinavian countries.

The ten largest individual reinsurance recoverable balances amounted to MSEK 1,529 (MSEK 1,627), representing 66% (72%) of the total reinsurance recoverable. Of If's non-captive reinsurers, Munich Re (AA-) is the largest and accounts for 32% (39%) of such recoverables.

The largest market and credit risk concentrations related to individual counterparties and asset classes are shown in Table 16.

TABLE 16 Concentration of market and credit risks in individual counterparties and asset classes 2018

MSEK **Fair value**	**Equities**	**Covered bonds**	**Other long-term fixed income**	**Short-term fixed income**	**Positive fair values of derivatives**	**Total**
Nordea Bank Oyj	-	4,744	2,258	1,758	-	**8,759**
Svenska Handelsbanken AB	-	5,362	709	-	-	**6,072**
Swedbank AB	-	2,921	1,929	22	-	**4,872**
Kingdom of Sweden	-	-	4,452	-	-	**4,452**
Kingdom of Norway	-	-	4,085	-	-	**4,085**
DnB ASA	-	1,573	1,454	9	-	**3,036**
Skandinaviska Enskilda Banken, Stockholm	-	2,125	646	61	-	**2,832**
Danske Bank A/S, Copenhagen	-	1,211	1,294	59	-	**2,563**
Landshypotek Bank AB	-	2,105	408	-	-	**2,513**
Volvo AB	1,072	-	866	-	-	**1,938**
Total top ten exposures	**1,072**	**20,041**	**18,101**	**1,908**	**-**	**41,122**

The ten largest exposures amount to MSEK 41,122 (44,407), representing 36 percent (34) of the investment assets under active management.

OPERATIONAL RISKS

Operational risk is the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events (expected or unexpected).

The definition includes legal risk that can be described as the risk of loss due to (i) disputes not related to insurance claims, (ii) breach of contract or entry into illegal contracts or (iii) breach of intellectual property rights.

RISK MANAGEMENT AND CONTROL

Operational risks are identified and assessed through the Operational and Compliance Risk Assessment (OCRA) process. Self-assessments to identify, measure, monitor and manage operational risks are performed and reported by the line organization periodically. Identified risks are assessed from a likelihood and impact perspective. The residual risk for each risk is assessed using a traffic light system. The process is supported by an operational risk coordinator network and the results are challenged and aggregated by the Risk Management function. The most significant risks are reported to the Operational Risk Committee (ORC), the ORSA committee and to the Boards of Directors.

A system is implemented for incident reporting procedures and follow up. Incident data is used to analyse risk and severe incidents are tracked to ensure proper actions are taken.

If has issued a number of steering documents which are relevant for the management of operational risk. These include but are not limited to the Operational Risk Policy, Business Continuity Policy and Information Security Policy. If also has processes and instructions in place to manage the risk of external and internal fraud. Internal training on ethical rules and guidelines is provided to employees on a regular basis. Policies and other internal steering documents are reviewed and updated on a regular basis.

OTHER RISKS

STRATEGIC RISK

Strategic risk is the risk of losses due to changes in the competitive environment, changes in the overall economic climate or internal inflexibility.

RISK MANAGEMENT AND CONTROL

Strategic risk relates to changes in the operational environment and the capability to adjust to the changes in relation to the strategy and financial planning process. For If, the most likely strategic risks are related to competition, economic, regulatory and other external factors. These risks are controlled and mitigated through continuous monitoring of peers, as well as the market and regulatory environment.

The Corporate Control and Strategy unit is responsible for coordinating and facilitating strategic risk assessments within the Group. If's strategy process takes place annually and includes setting high-level objectives and translating these into detailed short-term business plans. The strategy process also includes a risk assessment update whenever larger changes occur. An overall assessment by the Corporate Control and Strategy unit is reported to ORSA committee at least twice a year.

COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanctions, material financial losses or loss to reputation as a result of not complying with applicable rules.

RISK MANAGEMENT AND CONTROL

A long-term strategic objective is to achieve a fully integrated compliance culture. The Compliance function is responsible for ensuring that there are effective processes for identifying, assessing, monitoring and reporting compliance risk exposure. Compliance risks identified by the business areas and corporate functions are reported to the Compliance function via business area leaders and IT function twice a year and by Corporate functions once a year. Compliance risks are also reported when deemed necessary. The risks are signed off by the Head of business areas/corporate functions in accordance with the OCRA process.

REPUTATIONAL RISK

Reputational risk is often a consequence of a materialized operational or compliance risk and is defined as potential damage to the company through deterioration of its reputation among customers and other stakeholders.

A good reputation is vital for an insurance company, which means that trust is an important factor in If's relationship with its customers, investors, employees and other stakeholders. If's reputation is determined by how stakeholders perceive the company in all aspects.

RISK MANAGEMENT AND CONTROL

When assessing operational and compliance risks, the reputational consequence of a materialized risk is taken into account. Reputational risk is assessed from an overall view by the Head of Communication Department. An aggregated reputational risk assessment is reported to the ORC twice a year.

Some processes are especially sensitive to reputational risk, such as marketing and claims handling. Individual incidents can also receive high attention in media. Professional handling and communication are key to mitigate the risk. There are established procedures for customer complaints and incident reporting. The company also provides training for employees in ethical guidelines and how potential reputational risks should be handled. What is written about If in media is continuously monitored.

EMERGING RISK

Emerging risks are newly developing or changing risks that are difficult to quantify and which may have a major impact on the undertaking.

RISK MANAGEMENT AND CONTROL

The main principle is that each business area is responsible for identifying and taking action with regard to potential emerging risk exposures in its portfolios. Due to the large accumulation of potential emerging risks and thus the risk to the long-term solvency of the company, Risk Management has established the Emerging Risk Core Team, consisting of key persons from the various business areas who meet regularly. This group follows up and analyzes important emerging risks factors for If and suggests possible actions. The risks assessed as being most serious are reported twice a year to the ORSA committee by the Emerging risk coordinator.

RISK EXPOSURE

The risks that are under extra observation are cyber risks, lack of adaptation to climate changes and electromagnetic fields.

GROUP-SPECIFIC RISKS

Group-specific risks are:

- Present at individual level, but whose impact is significantly different at Group level; and
- Only present at Group level.

RISK MANAGEMENT AND CONTROL

To a limited extent, If is exposed to risks arising from the complexity of the Group structure and internal transactions. The internal transactions consist of internal reinsurance, internal outsourcing and other services provided under service agreements.

If has processes in place for handling these risks and the risks are generally managed through the risk management system.

RISK EXPOSURE

Sources of Group-specific risk for the If Group are intra-Group transactions and the Group structure. Examples of Group-specific risks are contagion risk due to intra-Group transactions and currency risk due to the Group structure.

The only Group-specific risk that is material is the translation risk. The translation risk refers to the risk that arises when consolidating the financial statements of foreign operations that have a different base currency than the Parent Company into the Group's financial statements. The translation risk is not hedged.

NOTE 6 – Result per business area

Group operations are controlled and reported primarily in accordance with If's customer groups and other operations, which consist of private individuals, small and medium sized corporate customers, large sized corporates, as well as asset management.

The Private, Commercial and Industrial business areas conduct operations in Sweden, Norway, Denmark and Finland on a pan-Nordic business platform.

The operations in the Baltic countries constitute a separate business area. The business area consists of insurance operations conducted in Estonia, Latvia and Lithuania.

The asset management unit provides centralized management of the Group's investment assets and bank balances. The asset management unit has earnings responsibility for its operations within the investment restrictions regulated by means of the Group's investment policy. An estimated return on the assets that correspond to technical provisions is transferred from the non-technical account to the technical result for each business area.

Within segment reporting, a separate account is provided in terms of the Group-wide operations that If has chosen not to allocate to the Group's established business areas. Within Other, If reports its run-off operations and other Group-wide operations.

Business area consolidation is implemented, with the exception of asset management, in accordance with the same policies as those applied by the Group. The income statement items, assets and liabilities that are attributed to the various business areas are of a technical nature and constitute the principal operating items. Internal sales among the business areas had only a marginal impact on income and expenses for the various business segments.

Income statement and balance sheet per business area

MSEK	Private	Com-mercial	Industrial	Baltic	Asset manage-ment	Other [1]	Adjustment to consolidated policies [2]	2018 Total	2017 Total
Premiums earned, net of reinsurance	26,493	11,896	4,151	1,479		0		44,019	41,376
Allocated investment return transferred from the non-technical account	62	52	15	-		0		130	180
Other technical income	195	68	22	1		19		304	260
Claims incurred, net of reinsurance	-18,019	-8,252	-3,167	-933		63		-30,307	-28,516
Operating expenses in insurance operations, net of reinsurance	-4,152	-2,081	-664	-380		76		-7,200	-6,796
Other operating expenses	-236	-72	-21	-		-15		-345	-334
Technical result from property and casualty insurance	**4,344**	**1,611**	**336**	**167**	**-**	**142**	**-**	**6,601**	**6,171**
Investment result, net					-838		3,485	2,648	2,389
Allocated investment return transferred to the technical account						-450		-450	-497
Interest expense on net pension liability						-12		-12	-18
Interest expense etc., subordinated debt						-132		-132	-175
Income from associates						44		44	14
Result before income taxes								**8,699**	**7,884**
Assets on December 31									
Intangible assets	209	21	-	-	-	715		945	892
Investment assets	-	-	-	-	110,535	-		110,535	110,975
Reinsurers' share of technical provisions	32	211	1,863	32	-	-		2,138	2,163
Deferred tax assets	-	-	-	-	-	111		111	172
Debtors arising out of insurance operations	10,698	2,098	822	300	-	-87		13,830	12,300
Deferred acquisitions costs	786	333	36	34	-	-		1,190	1,166
Other assets [3]	-	-	-	-	1,532	4,184		5,716	6,590
Total assets	**11,725**	**2,664**	**2,721**	**366**	**112,067**	**4,922**	**-**	**134,465**	**134,258**
Shareholders' equity, provisions and liabilities on December 31									
Shareholders' equity	-	-	-	-	-	27,809		27,809	30,414
Subordinated debt	-	-	-	-	-	4,107		4,107	3,067
Technical provisions, gross	49,820	24,663	15,368	1,765	-	3		91,618	89,775
Provisions for other risks and charges	42	35	3	300	7	2,447		2,834	3,618
Deposits received from reinsurers	-	-	-	-	-	-		-	-
Creditors arising out of insurance operations	804	257	335	54	0	668		2,117	2,104
Other creditors [3]	-	-	-	-	141	5,838		5,979	5,280
Total shareholders' equity, provisions and liability	**50,667**	**24,955**	**15,706**	**2,118**	**148**	**40,871**	**-**	**134,465**	**134,258**

[1] Including Run Off and other operations not allocated to the business areas.
[2] Business area reporting includes all value changes on investment assets in the Investment result. As explained in Note 1 Accounting policies, the main principle is not to include value changes in the consolidated income statement but to include them in other comprehensive income until being realized.
[3] Other debtors and creditors are not divided on the basis of business areas except for those related to asset management.

OPERATIONS PER GEOGRAPHICAL AREA

Revenue by geographic area below is distributed among the countries in which If has companies or branches and corresponds in all material respects with the customers' geographic domicile.

Long-term investments have been distributed directly to the countries where they belong in terms of physical or business domicile.

	Sweden		Norway		Denmark		Finland		Baltic		Total	
Geographical area segment information	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Premiums earned, net of reinsurance	15,273	14,419	13,616	12,684	4,169	3,833	9,482	9,149	1,479	1,291	44,019	41,376
Non-current assets [1)]	200	139	132	107	139	135	979	1,060	8	6	1,457	1,447

[1)] Non-current assets refer to goodwill, other intangible assets, land and buildings, investments in associates and tangible assets.

BUSINESS AREA PRIVATE

DEVELOPMENT DURING THE YEAR

The technical result improved during the year to MSEK 4,344 (4,014), corresponding to a combined ratio of 83.7% (84.0).

Gross written premiums increased by 2.4% excluding currency effects, largely due to continued good customer loyalty in all countries.

Total claims costs were relatively stable compared with the preceding year and the risk ratio amounted to 61.8% (62.0).

Further efforts to streamline processes and working methods resulted in an improved cost ratio of 21.9% (22.1), despite a continuously high investment pace in new IT solutions. Total operating expenses increased by 1.9% excluding currency effects.

MARKETS AND OUTLOOK

During the year, the Nordic non-life insurance market was characterized by a continued low interest rate environment, moderate inflation and positive macroeconomic growth. Overall, the competitive situation remained relatively unchanged with some variation across countries and product lines.

The Private business area remains committed to strengthening If´s market position as the uncomplicated insurer. The basis for this position is that an insurance policy should be easy to understand, buy and use, and that it should be smooth to be a customer of If. New digital solutions that simplify the customer's everyday life as well as dedicated and reliable customer service are important prerequisites for achieving this.

MSEK **Income statement and insurance-related balance sheet items**	**2018**	**2017**
Premiums earned, net of reinsurance	26,493	25,009
Allocated investment return transferred from the non-technical account	62	94
Other technical income	195	151
Claims incurred, net of reinsurance	-18,019	-17,092
Operating expenses in insurance operations, net of reinsurance	-4,152	-3,926
Other operating expenses	-236	-221
Technical result of property and casualty insurance	**4,344**	**4,014**
Intangible assets	**209**	**104**
Debtors arising out of direct insurance operations	10,693	9,375
Debtors arising out of reinsurance operations	4	4
Debtors arising out of insurance operations	**10,698**	**9,379**
Deferred acquisition costs	786	770
Reinsurers' share of deferred acquisition costs	1	0
Deferred acquisition costs, net	**785**	**769**
Technical provisions, gross	49,820	49,084
Reinsurers' share of technical provisions	32	35
Technical provisions, net	**49,788**	**49,049**
Creditors arising out of direct insurance operations	800	719
Creditors arising out of reinsurance operations	4	3
Creditors arising out of insurance operations	**804**	**722**

BUSINESS AREA COMMERCIAL

DEVELOPMENT DURING THE YEAR

The technical result increased during the year to MSEK 1,611 (1,404), corresponding to an improved combined ratio of 86.9% (88.0).

Gross written premiums grew by 2.6% excluding currency effects, largely due to a continued strong focus on customer satisfaction, which contributed to good customer loyalty in all countries. The premium development also benefited from new partner agreements.

The risk ratio improved to 64.4% (65.4), partly resulting from a lower large claims outcome compared with the preceding year.

Continued efficiency improvements contributed to a cost ratio of 22.5% (22.6). Total operating expenses increased by 2.0% excluding currency effects.

MARKET AND OUTLOOK

The market situation was relatively stable in the Nordic countries during the year with continued low interest rates, moderate inflation and positive macroeconomic growth. Competition remained intense in most segments.

Safe, easy and efficient insurance solutions based on the customers' needs and expectations are the strategic cornerstones of the Commercial business area. This means continuous efforts towards better and more straightforward insurance offerings underpinned by a strong focus on underwriting and new digital solutions.

MSEK **Income statement and insurance-related balance sheet items**	**2018**	**2017**
Premiums earned, net of reinsurance	11,896	11,176
Allocated investment return transferred from the non-technical account	52	65
Other technical income	68	76
Claims incurred, net of reinsurance	-8,252	-7,863
Operating expenses in insurance operations, net of reinsurance	-2,081	-1,969
Other operating expenses	-72	-81
Technical result of property and casualty insurance	**1,611**	**1,404**
Intangible assets	**21**	**73**
Debtors arising out of direct insurance operations	2,086	1,991
Debtors arising out of reinsurance operations	12	7
Debtors arising out of insurance operations	**2,098**	**1,999**
Deferred acquisition costs	333	337
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**333**	**337**
Technical provisions, gross	24,663	24,284
Reinsurers' share of technical provisions	211	204
Technical provisions, net	**24,452**	**24,080**
Creditors arising out of direct insurance operations	251	303
Creditors arising out of reinsurance operations	6	5
Creditors arising out of insurance operations	**257**	**307**

BUSINESS AREA INDUSTRIAL

DEVELOPMENT DURING THE YEAR

The technical result decreased during the year to MSEK 336 (463) and the combined ratio was 92.3% (88.7).

Gross written premiums grew in all countries by a total of 5.0% excluding currency effects, mainly due to new customers and good customer loyalty as well as increased cross-selling.

Compared with 2017, which was a relatively favorable year from a claims perspective, total claims cost increased, resulting in a deteriorated risk ratio of 71.2% (67.0).

Continued streamlining of operations supported by new IT solutions kept total operating expenses stable with a minor increase of 0.1% excluding currency effects. This resulted in an improved cost ratio of 21.1% (21.7).

MARKET AND OUTLOOK

The overall economic development in the Industrial business area's main markets remained somewhat more positive than in previous years. The markets were also characterized by a continued low interest rate environment and moderate inflation as well as intense competition.

If maintains its position as the main insurer of large Nordic corporations, with a focus on supporting the customers' business operations through risk assessment, risk management and claims handling as well as an international network for global customers. As some risks are becoming more complex and unpredictable, such as cyber risks, close cooperation with the customer is required. Thus, the Industrial business area constantly evaluates new and evolving risks together with its customers, to be at the forefront when it comes to claims prevention and customized insurance coverage.

MSEK **Income statement and insurance-related balance sheet items**	**2018**	**2017**
Premiums earned, net of reinsurance	4,151	3,893
Allocated investment return transferred from the non-technical account	15	22
Other technical income	22	22
Claims incurred, net of reinsurance	-3,167	-2,785
Operating expenses in insurance operations, net of reinsurance	-664	-667
Other operating expenses	-21	-22
Technical result of property and casualty insurance	**336**	**463**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	394	433
Debtors arising out of reinsurance operations	428	444
Debtors arising out of insurance operations	**822**	**877**
Deferred acquisition costs	36	30
Reinsurers' share of deferred acquisition costs	30	27
Deferred acquisition costs, net	**6**	**2**
Technical provisions, gross	15,368	14,974
Reinsurer' share of technical provisions	1,863	1,874
Technical provisions, net	**13,505**	**13,100**
Creditors arising out of direct insurance operations	106	160
Creditors arising out of reinsurance operations	229	225
Creditors arising out of insurance operations	**335**	**385**

BUSINESS AREA BALTIC

DEVELOPMENT DURING THE YEAR

The technical result improved during the year to MSEK 167 (144), corresponding to a combined ratio of 88.8% (88.9).

Gross written premiums increased by 6.5% excluding currency effects. All countries had positive growth, with particularly strong development in Lithuania.

The risk ratio amounted to 60.0% (59.9). The outcome, especially for frequency claims, benefited from relatively stable weather conditions with no larger weather-related events.

Due to continued efficiency enhancements and solid cost control, the cost ratio improved to 28.8% (29.0). Total operating expenses increased by 6.9% excluding currency effects, mainly due to relatively high salary cost development in the Baltic countries.

MARKET AND OUTLOOK

The premium development in the Baltic non-life insurance market has benefited from the positive macroeconomic growth of recent years, while the competitive situation has stabilized due to increased market consolidation. Claims cost inflation remains relatively high, especially for motor insurance, which is expected to result in additional increases in market premium rates during 2019.

The shift towards digital channels for distribution, service and claims handling continues and the Baltic insurance industry is investing increasingly in digitalization of processes and customer interactions. Thus, developing smooth digital solutions that simplify the customer's everyday life remains a primary focus for the Baltic business area in the years to come.

MSEK **Income statement and insurance-related balance sheet items**	**2018**	**2017**
Premiums earned, net of reinsurance	1,479	1,291
Allocated investment return transferred from the non-technical account	-	-
Other technical income	1	1
Claims incurred, net of reinsurance	-933	-814
Operating expenses in insurance operations, net of reinsurance	-380	-333
Other operating expenses	0	-
Technical result of property and casualty insurance	**167**	**144**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	295	123
Debtors arising out of reinsurance operations	5	1
Debtors arising out of insurance operations	**300**	**125**
Deferred acquisition costs	34	29
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**33**	**29**
Technical provisions, gross	1,765	1,430
Reinsurers' share of technical provisions	32	50
Technical provisions, net	**1,733**	**1,379**
Creditors arising out of direct insurance operations	49	41
Creditors arising out of reinsurance operations	4	4
Creditors arising out of insurance operations	**54**	**45**

ASSET MANAGEMENT

At full market value, profit from asset management decreased to MSEK -838 (2,995), corresponding to a total return of -0.8% (2.6).

Year 2018 was an eventful year on the financial markets across the world. It started off with the same momentum as the previous year, but as we entered February the volatility increased significantly. Then the markets calmed down even though the US increased its interest rate several times and a global trade war was still escalating. At the end of the summer the selloff accelerated in number of emerging markets at the same time as both the US and the Swedish stock markets reached new all-time highs.

As we entered October markets were in for a reality check that started a downward trend, which continued until the year end. This was due to the ongoing trade war and a continuation of increased interest rates in the US at the same time as the market started to incorporate a higher likelihood of a recession in the US by 2020. To summarize, the last quarter of the year resulted in an overall bad year for equities, but also interest-bearing assets due to widened credit spreads and a continued low interest rate environment in Europe.

Interest-bearing assets returned 1.0% (2.2%) for the year. The continued low interest rate environment in Europe and higher credit spreads especially during the fourth quarter , made the return lower for the year. The duration of the interest-bearing assets was unchanged at 1.4 (1.4) at the end of the year.

The total return on equities was negative for the year, -10,4% compared to 9,3% the year before.

The strongest contributors to the negative return were the East Asian and European stock markets.

Alternative Investments constitute only a very small part of total investment assets but showed positive returns for the year.

Returns for interest-bearing assets were almost in line with their benchmark indices while equities underperformed theirs.

If's investment assets are mainly managed by the asset management unit within the Group's Parent Company, Sampo.

Return on investment assets [1]	Fair value Dec 31, 2018 MSEK	%	Fair value Dec 31, 2017 MSEK	%	Return 2018 MSEK	%	Return 2017 MSEK	%
Interest-bearing securities	102,010	90	100,383	87	1,060	1.0	2,231	2.2
Shares	11,611	10	14,445	13	-1,364	-10.4	1,358	9.3
Currency (active positions)	-4	0	6	0	102	-	-23	-
Currency (other) [2]	71	0	149	0	-38	-	-22	-
Properties	122	0	196	0	0	-	9	-
Other	0	0	0	0	-598	-	-557	-
Total investment assets excl. associates [1]	**113,810**	**100**	**115,180**	**100**	**-838**	**-0.8**	**2,995**	**2.6**

[1] The table above has the same format and is based on the same calculation methods as those used internally by If for the valuation of investment operations. The valuation does not include associates. Accrued interest and the investment operations' bank balances are reported above as part of interest-bearing securities. Derivatives and securities settlement claims/liabilities have been reported under the relevant asset category above. The return on active investments has been calculated using a daily time-weighted calculation method. Properties and Other have been calculated using a monthly time-weighted calculation method. The return on investment assets according to the other comprehensive income statement amounts to MSEK -3,485 in 2018.

[2] In the asset category Currency (other), the current value of held currency derivatives is presented. The reported return on the same line also includes, in addition to the return from currency derivatives, currency exchange effects recognized in the income statement from the revaluation of items in the income statement and balance sheet.

OTHER OPERATIONS

Other operations primarily comprise effects of certain Group-wide measures and items not allocated to the other business areas, such Group adjustments due to reporting of defined-benefit pension plans and interest expenses for the Group's subordinated debt. Other operations also include run-off operations.

The technical result for the year amounted to MSEK 142 (146).

NOTE 7 – Premiums written

MSEK	Gross[1]	2018 Ceded	Net	Gross[1]	2017 Ceded	Net
Premiums written	46,191	-1,810	44,381	43,610	-1,616	41,994

[1] Of which insurance agreements for direct property and casualty insurance written in:

	2018	2017
Sweden	15,851	15,299
Rest of EEA	29,198	27,329
Total	**45,048**	**42,628**

NOTE 8 – Allocated investment income transferred from the non-technical account

The estimated return on the assets that correspond to the technical provisions is transferred from the finance operations (non-technical account) to the technical result. The return is calculated on the basis of net technical provisions. Interest rates corresponding to current discount rates in each country are used for calculating return on annuities. For other technical provisions, interest rates used in the calculation for each currency match the interest rate for government bonds with a maturity that approximates with the technical provisions. Negative interest rates are not used. The transferred investment return is divided into two parts; one part that adds the annuity result by means of a reduction of costs for the upward adjustment of the annuity provision and one part that is reported separately as the allocated investment return.

The following average calculated interest rates have been used for the principal countries/currencies:

	2018 Annuities	2018 Other provisions	2017 Annuities	2017 Other provisions
Sweden/SEK	1.7%	0.0%	1.7%	0.1%
Norway/NOK	2.3%	0.7%	2.1%	0.8%
Denmark/DKK	0.9%	0.0%	0.8%	0.0%
Finland/EUR	1.2%	0.0%	1.3%	0.0%

NOTE 9 – Claims incurred

MSEK	Gross	2018 Ceded	Net	Gross	2017 Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-17,856	183	-17,673	-16,048	155	-15,893
Operating expenses for claims adjustment	-2,437	-	-2,437	-2,327	-	-2,327
Change in claims reserve for incurred and reported losses	-7,177	331	-6,846	-6,407	326	-6,082
Change in claims reserve for incurred but not reported losses (IBNR)	-5,184	43	-5,141	-5,399	116	-5,283
Change in provision for annuities	-82	-	-82	-45	-	-45
Change in reserves for claims adjustment	98	-	98	48	-	48
			-32,081			**-29,582**
Claims costs attributable to prior-year operations						
Claims paid	-10,455	413	-10,043	-10,460	720	-9,739
Annuities	-1,214	0	-1,214	-1,527	0	-1,527
Claims portfolios	-	-	-	0	-	0
Change in claims reserve for incurred and reported losses	6,113	-212	5,901	6,258	-329	5,929
Change in claims reserve for incurred but not reported losses (IBNR)	7,465	-336	7,129	6,523	-119	6,404
			1,774			**1,067**
Total insurance claims	**-30,730**	**423**	**-30,307**	**-29,384**	**868**	**-28,516**

MSEK	2018 Gross	2018 Ceded	2018 Net	2017 Gross	2017 Ceded	2017 Net
Paid insurance claims						
Claims paid	-28,311	596	-27,716	-26,507	875	-25,632
Annuities paid	-1,358	-	-1,358	-1,266	-	-1,266
Claims portfolio	-	-	-	0	-	0
Operating expenses for claims adjustment	-2,437	-	-2,437	-2,327	-	-2,327
	-32,106	**596**	**-31,511**	**-30,101**	**875**	**-29,226**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	-1,064	120	-944	-149	-3	-152
Change in claims reserve for incurred but not reported losses (IBNR)	2,194	-293	1,901	583	-4	579
Change in claims provision for annuities	149	0	149	235	0	235
Change in reserves for claims adjustment	98	-	98	48	-	48
	1,377	**-173**	**1,203**	**717**	**-7**	**710**
Total claims incurred	**-30,730**	**423**	**-30,307**	**-29,384**	**868**	**-28,516**

The general valuation principles for technical provisions are unchanged.

The provision for annuities is valued in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to annuity results (see Note 8). Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions in If amounted to MSEK 2,696 (2,710). The undiscounted value was MSEK 3,210 (3,434). The currency effect on the discounted reserves was an increase of MSEK 113 and real decrease amounted to MSEK 127.

NOTE 10 – Operating expenses

MSEK	2018	2017
Specification of income statement item operating expenses		
External acquisition costs [1]	-1,565	-1,554
Internal acquisition costs	-3,396	-3,171
Change in deferred acquisition costs, gross	-8	6
Administrative expenses, insurance	-2,357	-2,191
Total operating expenses in property and casualty insurance, gross	**-7,325**	**-6,909**
Reinsurance commission and profit participation in ceded reinsurance	127	110
Change in deferred acquisition costs, ceded	-1	3
Total reinsurance commission and profit participation in ceded reinsurance	**125**	**113**
Other operating expenses	-345	-334
Total	**-7,545**	**-7,129**
[1] Of which, provisions in direct insurance	*-1,500*	*-1,491*
Summary of total operating expenses		
Salaries and remuneration	-3,999	-3,825
Social costs	-842	-819
Pension costs	-572	-568
Other personnel costs	-225	-193
Total personnel costs	**-5,638**	**-5,405**
Premises costs	-446	-434
Depreciation/amortization	-165	-135
External acquisition costs	-1,565	-1,554
Other administrative costs	-2,499	-2,266
Total	**-10,312**	**-9,794**

MSEK	2018	2017
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in Claims paid	-2,437	-2,327
External and internal acquisition costs included in Operating expenses in insurance operations	-4,961	-4,725
Joint administrative costs for insurance operations included in Operating expenses in insurance operations	-2,357	-2,191
Administrative costs pertaining to other technical operations included in Other operating expenses	-345	-334
Asset-management costs included in Investment costs	-213	-217
Total	**-10,312**	**-9,794**

NOTE 11 – Average number of employees

	2018 Average number of employees	2018 of whom women %	2017 Average number of employees	2017 of whom women %
Parent Company				
Sweden	1	*0*	1	*0*
Total in Parent Company	**1**	***0***	**1**	***0***
Subsidiaries				
Sweden [1]	2,096	*50*	1,912	*48*
Denmark	606	*48*	571	*48*
Estonia	356	*77*	352	*76*
Finland	1,742	*62*	1,739	*62*
France	6	*33*	6	*33*
Latvia	314	*45*	273	*45*
Lithuania	157	*69*	153	*68*
Netherlands	6	*51*	6	*53*
Norway	1,309	*48*	1,341	*48*
United Kingdom	6	*51*	6	*54*
Germany	6	*33*	6	*38*
Total in subsidiaries	**6,602**	***54***	**6,366**	***54***
Group total	**6,603**	***54***	**6,367**	***54***

[1] Agents are not included. If has 16 (30) spare-time agents in Sweden.

	Parent Company		Group total	
Percentage of women in executive management	**2018**	**2017**	**2018**	**2017**
Board of Directors	0%	0%	10%	10%
Other senior executives	0%	0%	17%	15%

NOTE 12 – Salaries and other remuneration for senior executives and other employees

MSEK **Expensed salaries, remuneration, pension and social security fees**	2018 Salaries and remuneration	2018 Pension costs[1]	2018 Social fees	2017 Salaries and remuneration	2017 Pension costs	2017 Social fees
Parent Company [1]	13	4	8	26	4	7
Subsidiaries	3,986	568	834	3,799	564	812
Group total	**3,999**	**572**	**842**	**3,825**	**568**	**819**

MSEK **Expensed salaries and remuneration**	2018 Senior executives [2]	2018 of which incentive schemes and other variable compensation [3]	2018 Other employees	2017 Senior executives[3]	2017 of which incentive schemes and other variable compensation [3]	2017 Other employees
Parent Company [1]	13	6	-	26	19	-
Subsidiaries and branches in Sweden	28	10	1,134	65	47	1,094
Subsidiaries and branches outside Sweden	33	12	2,791	67	42	2,573
Group total	**74**	**28**	**3,925**	**158**	**108**	**3,667**

[1] Refers to the Chief executive officer Torbjörn Magnusson who is employed in If P&C Insurance Holding Ltd, the salary is paid from If P&C Insurance Ltd.
[2] Senior executives in the Parent Company and subsidiaries are defined as
Board members, presidents, vice precidents and members of the Parent Company and subsidiaries' executive management groups. The amounts for salary and remuneration also include severance pay of MSEK - (2).
[3] Regardless of the earnings year.

PRINCIPLES FOR DETERMINING REMUNERATION OF SENIOR EXECUTIVES

Director fees are not paid to Board members employed in If or other companies within the Sampo Group. Remuneration of the CEO and other members of Group Management consist in most cases of fixed salary, annual variable compensation, units in long-term incentive schemes, pension and other benefits. The maximum annual variable compensation payable to the CEO is 75 % of the annual fixed salary. The maximum annual variable compensation payable to other members of Group Management is 25-75 % of the annual fixed salary. The annual variable compensation is based on the If Group results, business unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the annual variable compensation is also based on Sampo Group results. A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Board shall evaluate and, if needed, risk adjust the deferred compensation before any payment is made.

KSEK Remuneration paid and other benefits during the year	Basic salary	Variable payments	Payment pertaining to incentive programs [1]	Other benefits	Pension cost	2018 Total	2017 Total
Chairman of the Board	-	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-	-
President/CEO	6,646	4,785	12,716	18	3,748	27,913	24,400
Deputy CEO	4,111	2,854	7,630	19	2,321	16,935	17,259
Other members of Group Management [2]	26,059	12,306	47,573	1,504	8,550	95,992	86,347
Total	**36,816**	**19,945**	**67,919**	**1,541**	**14,619**	**140,840**	**128,006**

[1] For more information, refer to Long-term incentive schemes below.
[2] Group Management consists of 12 individuals during 2018, 12 individuals during 2017.

KSEK Provisions expensed for disbursement during future years	Variable compensation	Incentive programs	2018 Total	2017 Total
Chairman of the Board	-	-	-	-
Other Members of the Board	-	-	-	-
President/CEO	4,404	-352	4,052	14,873
Deputy CEO	2,693	-306	2,387	8,745
Other members of Group Management [1]	11,448	-3,348	8,100	50,862
Total	**18,545**	**-4,006**	**14,539**	**74,480**

[1] Group Management consists of 12 individuals during 2018, 12 individuals during 2017.

PENSIONS

Alongside statutory retirement pension benefits, the Swedish, Norwegian and Danish members of Group Management are covered by local occupational retirement pension plans. A description of the pension plans can be found below. For more information on pensions, see note 34.

SWEDEN

Swedish members are entitled to a Defined Contribution pension plan, with an annual premium corresponding to 38% of the annual fixed salary and 25% of paid annual variable compensation.

The retirement age is 65.

NORWAY

Norwegian members are covered by defined contribution pension plans, with an annual contribution corresponding to:

- 7% of pensionable salary up to 7.1 G (G = National Insurance basic amount)
- 25.1% between 7.1 and 12 G.

For pensionable salary exceeding 12 G, the Norwegian members are covered by a temporary pension between 67 and 82 years of age and the contribution corresponds to 24 % of the annual fixed salary.

Norwegian pension legislation allows for a flexible retirement age between 62 and 75.

DENMARK

The Danish member is covered by a defined contribution pension plan. The contribution corresponds to 21.7 % of the annual fixed salary and 25% of paid annual variable compensation.

The retirement age is flexible.

LATVIA

No retirement pension is paid apart from statutory earnings-based retirement pension.

SEVERANCE PAY

In the event of a termination of the employment by the company, the CEO will be entitled to salary during a 12-month period of notice and severance pay amounting to 24 months' fixed salary.

In the event of a termination of employment by the company, other members of Group Management are entitled to salary during a period of notice of 1 to 12 months, and severance pay amounting to a minimum of 9 months' and a maximum of 24 months' fixed salary.

LONG-TERM INCENTIVE SCHEMES

A number of senior executives are covered by incentive schemes issued by Sampo Group. There are currently two schemes in force, issued in September 2014 and September 2017 respectively, both covering 70-80 employees. The schemes are subject to performance thresholds and ceilings that cap the size of the payment. The outcome of the schemes is determined over a period of three to five years starting from the issue of the respective scheme and is based on Sampo plc's share-price performance, If's insurance margin and Sampo Group's return on risk-adjusted capital. A number of incentive units have been allocated to each participant in the respective scheme. The incentive unit carries an entitlement to a cash payment, provided that threshold levels are reached. Given that the targets regarding If's insurance margin and Sampo Group's return on risk-adjusted capital have been met, the payment equals the increase in Sampo plc's share price from the issue of the respective scheme up until three defined payment dates. According to the terms and conditions of the schemes, identified staff must buy Sampo A shares with 50 or 60 % of the net amount of the reward. The shares are subject to a formal disposal restriction for three years from the date of payment.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter. The fair value of the units has been estimated using the Black-Scholes pricing model. The terms regarding If's insurance margin and Sampo Group's return on risk-adjusted capital are monitored on an ongoing basis by forecasting the number of units that are expected to vest. The provision recognized in the balance sheet is the vested value on the balance sheet date and any changes in the fair value are recognized in the profit and loss.

For further information on the long-term incentive schemes and full terms and conditions, see http://www.sampo.com/governance/remuneration/long-term-incentives.

KSEK **Outstanding units and values**	**Number of units**	**Maximum amount**	**Reserved amount**
President/CEO	437,500	102,651	8,805
Deputy CEO	200,000	47,746	4,945
Other members of Group Management (10 individuals)	1,008,750	244,755	29,355
Others covered by the incentive schemes	1,665,750	387,004	34,658
Total	**3,312,000**	**782,156**	**77,763**

The expensed cost of the incentive program during the year amounted to MSEK 18 (143).

NOTE 13 – Auditors' fees

MSEK	2018	2017
Ernst & Young AB		
Audit fees	1	18
Audit fees outside the audit assignment	0	0
Tax consultancy fees	1	1
Other consultancy fees	0	0
Total fee to Ernst & Young AB	**2**	**19**

MSEK	2018	2017
KPMG		
Audit fees	14	-
Audit fees outside the audit assignment	0	-
Tax consultancy fees	0	-
Other consultancy fees	0	-
Total fee to KPMG	**14**	**-**

NOTE 14 – Performance analysis per class of insurance

2018 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	8,099	5,657	13,727	1,085	12,632	2,192	24
Premiums earned, gross	8,007	5,751	13,491	1,091	12,570	2,151	24
Claims incurred, gross	-5,134	-3,380	-10,006	-680	-9,013	-1,974	-4
Operating expenses, gross [1]	-1,420	-1,256	-1,990	-182	-1,847	-317	-3
Profit/loss from ceded reinsurance	-27	-6	-5	-104	-629	80	-
Technical result before investment income transferred from the non-technical account	**1,426**	**1,109**	**1,490**	**125**	**1,081**	**-60**	**17**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations and undistributed cost items	Total
Premiums written, gross	491	-	1,141	45,048	1,143		46,191
Premiums earned, gross	489	-	1,132	44,706	1,119		45,825
Claims incurred, gross	-289	-	-1,051	-31,531	763	38	-30,730
Operating expenses, gross [1]	-68	-	-169	-7,252	-187	73	-7,366
Profit/loss from ceded reinsurance	-1	-	-41	-733	-525		-1,258
Technical result before investment income transferred from the non-technical account	**131**	**-**	**-129**	**5,190**	**1,170**	**111**	**6,471**

Investment income transferred from the non-technical account	**130**
Technical result of insurance operations	**6,601**

[1] The item Operating expenses, gross includes other technical income of MSEK 304 (260) and other technical expense of MSEK -345 (-334).

2017 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	7,411	5,683	12,850	1,051	12,021	2,075	25
Premiums earned, gross	7,234	5,773	12,489	1,054	11,988	2,043	24
Claims incurred, gross	-4,585	-4,016	-9,194	-876	-7,622	-1,141	0
Operating expenses, gross [1]	-1,214	-1,325	-1,760	-170	-1,861	-323	-3
Profit/loss from ceded reinsurance	-60	-	-7	-64	-662	-162	0
Technical result before investment income transferred from the non-technical account	**1,375**	**432**	**1,528**	**-56**	**1,843**	**417**	**21**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations and undistributed cost items	Total
Premiums written, gross	459	-	1,053	42,628	982		43,610
Premiums earned, gross	452	-	1,025	42,082	934		43,016
Claims incurred, gross	-250	-	-983	-28,667	-762	45	-29,384
Operating expenses, gross [1]	-69	-	-200	-6,925	-152	94	-6,983
Profit/loss from ceded reinsurance	-1	-	-10	-966	308		-658
Technical result before investment income transferred from the non-technical account	**132**	**-**	**-168**	**5,524**	**328**	**139**	**5,991**

Investment income transferred from the non-technical account	**180**
Technical result of insurance operations	**6,171**

[1] The item Operating expenses, gross includes other technical income of MSEK 260 (251) and other technical expense of MSEK -334 (-316).

NOTE 15 – Investment result

MSEK	Direct income 2018	Direct income 2017	Value changes 2018	Value changes 2017	Total 2018	Total 2017
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	-405	-290	-4	-5	-409	-295
Financial assets, available for sale						
Interest bearing securities						
Interest income	1,620	1,623			1,620	1,623
Realized gains and losses			171	447	171	447
Impairment losses			155	-465	155	-465
Shares						
Dividends	483	443			483	443
Realized gains and losses			1,104	1,132	1,104	1,132
Impairment losses			-368	-259	-368	-259
Total from financial assets at fair value	**1,698**	**1,776**	**1,058**	**850**	**2,756**	**2,626**
Loans						
Interest income	66	54			66	54
Realized gains and losses			15		15	
Total from Other financial investment assets	**1,765**	**1,830**	**1,074**	**850**	**2,838**	**2,680**
Properties and Other assets						
Result from properties	4	8	12	1	16	9
Interest income	31	35			31	35
Currency result			64	-45	64	-45
Total Investment income	**1,800**	**1,872**	**1,150**	**807**	**2,950**	**2,679**
Investment costs						
Allocated operating expenses					-213	-217
Other financial expenses					-90	-73
Investment result					**2,648**	**2,389**

Impairment losses in the income statement refer to holdings where there is objective evidence that the asset is impaired, in respect of interest-bearing securities defined as issuer default and in respect of shares generally when there is a significant and/or prolonged decline in the value. The carrying amount is reduced to current market value.

MSEK **Reconciliation of value changes of financial assets available for sale**	**2018**	**2017**
Opening balance, value changes of financial assets available for sale	6,537	5,909
Changes in value during the year	-2,423	1,492
Changes in value recognized in income statement	-1,062	-886
Translation difference	21	22
Closing balance, value changes of financial assets available for sale	**3,073**	**6,537**
Net value change, financial assets available for sale	-3,464	628

NOTE 16 – Interest expense etc., subordinated debt

MSEK	Interest rate	2018	2017
Subordinated loan, issued in 2011	6.00%	-69	-65
Subordinated loan, issued in 2013	4.70%	-	-31
Subordinated loan, issued in 2016	3-month STIBOR + 2.25%	-29	-29
Subordinated loan, issued in 2016	2.415%	-13	-13
Subordinated loan, issued in 2018	3-month STIBOR + 2.75%	-20	-
The subordinated loan issued in 2013 was subject to early redemption 2017, which entailed a charge for interest compensation.		-	-38
Total		**-132**	**-175**

NOTE 17 – Income from associates

MSEK	2018	2017
Share of result	10	14
Sales gain [1)]	35	-
Total	**44**	**14**

[1)] Of which Autovahinkokeskus Oy MSEK 27, and Contemi Holding AS MSEK 8.

NOTE 18 – Taxes

MSEK	2018	2017
Current tax	-1,822	-2,288
Deferred tax	-93	552
Total tax in the income statement	**-1,915**	**-1,736**
Specification of current taxes		
Swedish entities	-775	-513
Non-Swedish entities	-1,058	-1,790
Current taxes pertaining to prior years	11	15
Total current tax	**-1,822**	**-2,288**

For specification of deferred tax, see Note 33.

MSEK	2018	2017
Specification of taxes related to other comprehensive income		
Related to remeasurements of net pension liability	13	-9
Related to financial assets, available-for-sale	765	-144
Other	-72	-118
Total current and deferred tax	**706**	**-271**

MSEK	2018	2017
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	8,699	7,884
Tax according to current tax rate, 22%	-1,914	-1,735
Currency related tax effects	0	0
Permanent differences, net	-38	-38
Share of associates' result	2	3
Capital gains and impairment loss, associates	8	-
Adjustment of prior-year taxes	10	9
Reassessments of deferred tax assets/liabilities	0	-7
Different tax rates in foreign units	22	33
Changes in tax rates	-5	0
Reported tax in the income statement	**-1,915**	**-1,736**

NOTE 19 – Intangible assets

MSEK	Consolidated goodwill 2018	Consolidated goodwill 2017	Other intangible assets 2018	Other intangible assets 2017
Accumulated acquisition value	715	715	395	305
Accumulated amortization and impairments	-	-	-165	-128
Closing planned residual value	**715**	**715**	**230**	**177**

Consolidated goodwill MSEK 715 pertains to the goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations. To ensure that this item is not booked at an excessive carrying amount, an impairment test was conducted to determine the item's recoverable amount calulated as the value in use in December 2018. In this calculation, a cash flow model was used whereby the recoverable amount was set at the present value of future forecast profits/cash flow from this operation. The main basis for the calculation consisted of financial plans for the years 2019-2021. For subsequent years, the calculation is based on normalized earnings, with a combined ratio established at 95%.

In the calculation, the following parameters were used:

	2018	2017
Long-term premium growth	2.0%	2.0%
Return on investment assets	2.2%	2.1%
Discount interest rate (CAPM)	4.8%	5.6%

Other intangible assets include capitalized costs for the development of various insurance systems. During 2018, MSEK 105 (81) was capitalized. Amortization according to plan and scrappings amounted to MSEK -57 (-52).

NOTE 20 – Land and buildings

	Carrying amount MSEK	Carrying amount per leasable sq.m., SEK	Total area sq.m.	Vacancy rate	Direct yield
Office and commercial properties	121	6,477	18,684	19.2 %	5.8%
Industrial properties and warehouses	1	225	2,890	-	76.0%
Other properties	0	1,783	230	-	5.8%
Total	**122**	**5,599**	**21,804**	**16.5 %**	**6.2 %**
Preceding year	196	5,719	34,340	35.2%	5.0%

MSEK Geographical distribution, carrying amount	2018	2017
Finland	121	195
Norway	1	1
Total	**122**	**196**

MSEK	2018	2017
Carrying amount, opening balance	**196**	**206**
Supplementary capitalizations	-	-
Sales and scrappage	-95	-16
Net changes in current value	12	1
Translation differences	9	6
Carrying amount, closing balance	**122**	**196**

MSEK	2018	2017
Rental income during the fiscal year	**23**	**25**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	14	11
Operating expenses pertaining to premises that did not generate income during the fiscal year	4	6

Total future minimum rents	2018	2017
<1 year	12	13
1–5 years	9	10
> 5 years	-	-

NOTE 21 – Investments in associates

MSEK	Country	Number of shares	Holding %[1]	Carrying amount 2018	Carrying amount 2017
CAB Group AB	Sweden	1,209	22.0	31	27
SOS International A/S	Denmark	539,600	25.2	78	74
Autovahinkokeskus Oy	Finland	-	-	-	26
Contemi Holding AS	Norway	-	-	-	0
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	14	14
Boligselskapenes Service Senter AS	Norge	34,000	34.0	7	-
Digiconsept AS	Norge	68,000	34.0	14	-
Total				**144**	**140**

[1] All of the associates have only one share class, therefore the participating share and voting rights are the same.

CHANGES IN INVESTMENTS IN ASSOCIATES 2018

MSEK	Total
Opening balance	**140**
Investments	21
Share of associates' result	10
Dividends from associates	-6
Effects of exchange rates, foreign associates	1
Sales [1]	-21
Closing balance	**144**

[1] Consists of the sales of Autovahinkokeskus Oy and Contemi Holding AS.

CHANGES IN INVESTMENTS IN ASSOCIATES 2017

MSEK	Total
Opening balance	**128**
Share of associates' result [1]	14
Dividends from associates	-3
Effects of exchange rates, foreign associates	1
Closing balance	**140**

NOTE 22 – Other financial investment assets and derivative liabilities

THE CLASSIFICATION OF OTHER FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES

The recognition of financial assets and liabilities depends on their classification. The classification of assets and liabilities categorized in accordance with IAS 39 is shown below.

	Acquisition value		Fair value		Carrying amount	
MSEK	2018	2017	2018	2017	2018	2017
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	13	6	94	242	94	242
Financial assets, designated by If as at fair value through profit or loss						
Bonds and other interest-bearing securities	-	-	-	-	-	-
Financial assets available for sale						
Shares and participations	10,256	10,472	11,557	14,423	11,557	14,423
Bonds and other interest-bearing securities	98,026	94,878	97,616	94,935	97,616	94,935
Total financial assets, at fair value	**108,295**	**105,357**	**109,267**	**109,599**	**109,267**	**109,599**
Loans [1]						
Deposits with credit institutions	-	221	-	221	-	221
Other loans	995	811	1,001	815	995	811
Total Other financial investment assets	**109,290**	**106,389**	**110,268**	**110,635**	**110,262**	**110,631**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	-	46	107	46	107
Total financial liabilities, at fair value	**-**	**-**	**46**	**107**	**46**	**107**

[1] Loans are in accordance with the If's application of IAS 39 accounted for at amortized cost. The fair value is only shown for information. Financial instruments with fair value given for information are classified in three different hierarchy levels depending on their liquidity and valuation methods. All loans are classified in level 3 and the fair value of these loans are based on cash-flow valuations.

THE CLASSIFICATION OF OTHER FINANCIAL INVESTMENT ASSETS IN ACCORDANCE WITH IFRS 9

In accordance with the requirements of IFRS 4, insurance companies that have decided to delay the implementation of IFRS 9 until 2022 must provide certain disclosures regarding fair value and changes in fair values. These disclosures are to be divided into two groups of financial assets.

Since such a grouping presupposes that an assessment of the company's future business model for the administration of financial assets is to be anticipated, If has chosen to assume for this purpose that the business model will be such that nearly all assets are measured at fair value through profit or loss. This does not rule out the possibility that another assessment may be made upon the initial application of IFRS 9.

Based on these circumstances, the following presents the fair value of financial assets at the end of the reporting period and the change in fair value during the period, which according to IFRS 9, have been classified in one of the following categories; financial assets measured at fair value through profit or loss or financial assets measured at amortized cost.

	Fair value		Change in
MSEK	2018	2017	fair value
Financial assets, at fair value through profit or loss			
Shares and participations	11,557	14,423	-2,866
Bonds and other interest-bearing securities	97,616	94,935	2,681
Derivative assets	94	242	-148
Total	**109,267**	**109,599**	**-333**
Financial investment assets at amortized cost			
Deposits with credit institutions	-	221	-221
Other loans	1,001	815	187
Total	**1,001**	**1,036**	**-35**
Total financial investment assets	**110,268**	**110,635**	**-367**

If has only minor holdings in financial investment assets at amortized cost. These holdings are assessed to have a credit rating of between B and BB.

SPECIFIKATION OF OTHER FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES

BONDS AND OTHER INTEREST-BEARING SECURITIES

If's bonds and other interest-bearing securities by type of issuer at December 31, 2018 are shown below.

MSEK Type of issuer	Nominal value		Fair value		Carrying amount	
Swedish government	724	1%	912	1%	912	1%
Swedish public sector, other	4,210	4%	4,237	4%	4,237	4%
Swedish mortgage companies	5,398	6%	5,564	6%	5,564	6%
Swedish financial companies	18,306	19%	18,681	19%	18,681	19%
Other Swedish companies	11,264	12%	11,245	12%	11,245	12%
Foreign governments	780	1%	815	1%	815	1%
Foreign public sector, other	3,314	3%	3,375	3%	3,375	3%
Foreign financial companies	29,431	30%	29,243	30%	29,243	30%
Other foreign companies	23,822	24%	23,544	24%	23,544	24%
Total	**97,249**	**100%**	**97,616**	**100%**	**97,616**	**100%**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-30	Total
Fair value %, 2018	13	20	26	20	13	4	2	1	0	-	**100**
Fair value %, 2017	13	19	23	23	14	3	2	1	0	-	**100**

[1] The maturity period is not adjusted to take into account the possibility of premature redemption of bonds.

DERIVATIVES

	2018			2017		
MSEK Derivative assets	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount	Nominal amount
Equity derivatives						
Options	0	0	4	3	3	4
Total equity derivatives	**0**	**0**	**4**	**3**	**3**	**4**
of which, cleared by clearing house	-	-	-	-	-	-
Total fixed income derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives						
Options	2	2	195	1	1	108
Futures	92	92	19,937	238	238	22,033
Total currency derivatives	**94**	**94**	**20,131**	**239**	**239**	**22,141**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**94**	**94**		**242**	**242**	
Derivative liabilities						
Equity derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Fixed income derivatives						
Swaps	18	18	500	23	23	500
Total fixed income derivatives	**18**	**18**	**500**	**23**	**23**	**500**
of which, cleared by clearing house	*18*	*18*	*500*	*23*	*23*	*500*
Currency derivatives						
Options	-	-	-	-	-	-
Futures	27	27	19,911	84	84	21,810
Total currency derivatives	**27**	**27**	**19,911**	**84**	**84**	**21,810**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**46**	**46**		**107**	**107**	

FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES AT FAIR VALUE

A careful process is followed and controls are performed in order to ensure correct fair values of financial assets and liabilities. For example, controls are made by several different external sources and assessments of abnormal price changes are performed when necessary.

Different valuation methods are used to determine the fair value depending on the type of financial instruments and to what extent they are traded on active markets. In order to evaluate the activity in a market with respect to frequency and volume If mainly uses information compiled by Bloomberg. Quoted shares are valued on the basis of latest trade price on stock markets and are obtained by Bloomberg. The valuation of bonds is also usually based on prices from Bloomberg. Quoted bonds are valued on the basis of last bid price. For model-valued interest bearing instruments, yield curves based on last mid prices are used.

If's financial instruments, which are measured at fair value, are classified in three different hierarchy levels depending on their valuation methods as well as how active the market is. The control of the classification in hierarchy levels is done quarterly. If conditions have changed for the existing level, the holding in question is moved to the correct hierarchy level in consent with the Risk Control unit.

Level 1 – Financial assets and liabilities with values based on quoted prices in active markets for identical assets or liabilities.

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. An active market is typically characterized by quoted prices that are easily and regularly available and that represent actual and regularly occurring transactions at arm's length distance.

Assets and liabilities in the category include shares, listed funds (ETF), equity- and interest rate funds and interest bearing assets that have quoted prices in an active market at the time of valuation. The category also includes derivatives with a daily fixing.

Level 2 – Financial assets and liabilities with values based on quoted prices or valuation based on directly or indirectly observable market data.

In the level 2 hierarchy, all essential inputs are observable either directly or indirectly. The large majority of the instruments in level 2 are traded in a market with daily quoted prices and regularly occurring market transactions but where the market is not considered to be active enough regarding frequency and volume and/or when the standard deviation of the prices is high. A very limited part of the instruments are model valued with the help of market data that is indirectly observable, meaning that prices can be derived from observable markets where market interest rates and underlying rates normally are updated daily or, in exceptional cases, at least on a monthly basis.

Instruments which are valued at level 2 include interest bearing assets where the market is not active enough. Most OTC derivatives, standardized derivatives as well as currency derivatives are also included in this level.

Level 3 – Financial assets and liabilities that are traded on an illiquid market, with non-observable market data or indications of trading levels without any actual trade.

When neither quoted prices in active markets nor observable market data is available, the fair value of financial instruments is based on valuation techniques which are based on non observable market data.

Level 3 comprises private equity, unlisted shares, certain high-yield assets and distressed assets encountering financial difficulties where the trade has more or less ceased to exist.

The types of financial instruments classified as level 3 in the valuation hierarchy are discussed below with reference to type of securities and valuation method:

- Private equity is classified as level 3. The majority of If's investment in Private Equity is made in mutual funds. The fair values are based on prices and share-values obtained from the funds administrators. These quotations are based on the value in the underlying assets in accordance with market practice. The last obtained value is used;
- For some unlisted shares external evaluations are obtained, which are used for valuation. The external valuations are based on models that contain non-observable assumptions; and
- Other assets in level 3 are normally valued at least yearly and the valuation is based either on external estimates, cash-flow analyses or last market transactions.

For more information on the valuation of financial instruments, see Note 1.

FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES IN FAIR VALUE HIERARCHY

MSEK	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total fair value	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	3	-	3
Fixed income derivatives	-	-	-	-	-	-	-	-
Foreign exchange derivatives	-	94	-	94	-	239	-	239
Financial assets, available for sale								
Shares and participations [1]	11,359	-	198	11,557	14,233	-	189	14,423
Bonds and other interest-bearing securities	70,370	27,246	0	97,617	70,946	23,988	-	94,935
Total financial assets, at fair value	**81,729**	**27,340**	**198**	**109,266**	**85,180**	**24,230**	**189**	**109,599**
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	18	-	18	-	23	-	23
Foreign exchange derivatives	-	27	-	27	-	84	-	84
Total financial liabilities, at fair value	**-**	**46**	**-**	**46**	**-**	**107**	**-**	**107**

[1] Mutual equity funds recognized in the above balances totaled MSEK 3,711 (4,151) of which MSEK 3,517 (3,965) was allocated to level 1 and MSEK 194 (186) to level 3.

FINANCIAL INVESTMENT ASSETS IN LEVEL 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2018, the assets presented in level 3 amounted to MSEK 198 (189). These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

MSEK 2018	Carrying amount Jan 1	Net gains/losses recorded in income-statement	Net gains/losses recorded in other comprehensive income	Purchases	Sales/ maturities	Transfers into/ out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	189	0	-18	25	-6	-	8	198	-18
Bonds and other interest-bearing securities	0	-	0	-	-	-	-	0	0
	189	**0**	**-18**	**25**	**-6**	**-**	**8**	**198**	**-18**
Total financial assets, at fair value	**189**	**0**	**-18**	**25**	**-6**	**-**	**8**	**198**	**-18**

MSEK 2017	Carrying amount Jan 1	Net gains/losses recorded in income-statement	Net gains/losses recorded in other comprehensive income	Purchases	Sales/ maturities	Transfers into/ out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	219	0	-18	16	-23	-	-4	189	-
Bonds and other interest-bearing securities	0	17	0	0	-17	-	0	0	-
	219	**17**	**-18**	**16**	**-41**	**-**	**-4**	**189**	**-**
Total financial assets, at fair value	**219**	**17**	**-18**	**16**	**-41**	**-**	**-4**	**189**	**-**

SENSITIVITY ANALYSIS OF THE FAIR VALUES OF FINANCIAL INVESTMENT ASSETS IN LEVEL 3

The sensitivity of the fair value of level 3 instruments to changes in key assumptions, by category and financial instrument is shown below.

The following changes in key assumptions have been used:
- a 1% increase in the yield curve for bonds and other interest-bearing securities;
- a 20% decrease in prices for equity related securities and real estate.

MSEK	2018 Carrying amount	2018 Effect of reasonably possible alternative assumptions	2017 Carrying amount	2017 Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations [1]	198	-40	189	-38
Bonds and other interest-bearing securities	0	0	-	-
Total financial assets, at fair value	**198**	**-40**	**189**	**-38**

[1] Includes holding in equity funds.

NOTE 23 – Financial instruments set off in the balance sheet or subject to netting agreements

MSEK Assets	2018	2017
Derivatives		
Gross amount of recognized assets	94	242
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**94**	**242**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-27	-46
Cash collateral received	12	34
Net amount	**79**	**230**

MSEK Liabilities	2018	2017
Derivatives		
Gross amount of recognized liabilities	46	107
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**46**	**107**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-27	-46
Cash collateral pledged	107	182
Net amount	**126**	**244**

[1] Subject to a legally binding offsetting agreement, enforceable master netting arrangement or similar agreements. If has ISDA agreements with all derivative counterparties. Offsetting take place in case of the counterparty's bankruptcy but not in running business.

NOTE 24 – Reinsurers' share of technical provisions

MSEK Change during the year	2018 Provision for unearned premiums and unexpired risks	2018 Provision for claims outstanding	2017 Provision for unearned premiums and unexpired risks	2017 Provision for claims outstanding
Opening balance	**393**	**1,770**	**423**	**1,832**
Change in provision	4	-173	-23	-7
Translation differences	36	107	-7	-55
Closing balance	**433**	**1,704**	**393**	**1,770**

Supplementary information regarding the reinsurers' portion of technical provisions is presented in Note 32.

NOTE 25 – Debtors arising out of direct insurance

MSEK	2018	2017
Receivables from policyholders	13,576	12,027
Receivables from insurance brokers	9	22
Receivables from insurance companies	73	70
Bad-debt provision	-283	-279
Total [1]	**13,375**	**11,839**

[1] Of which, MSEK 7 (1) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	13,126	532	13,658
Of which, provision	-13	-270	-283
Total	**13,113**	**262**	**13,375**

Generally, provision is made on a standard computation base, the amount includes individual provision of negative MSEK -11 (-7).

NOTE 26 – Debtors arising out of reinsurance

MSEK	2018	2017
Receivables from reinsurers	459	464
Bad-debt provisions	-4	-4
Total [1]	**455**	**460**

[1] Of which, MSEK 0 (4) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	432	27	459
Of which, provision	0	-4	-4
Total	**432**	**23**	**455**

Bad-debt provisions are entirely calculated on an individual basis.

NOTE 27 – Other debtors

MSEK	2018	2017
Debtor, patient-insurance pool for the public sector	1,224	1,125
Bad-debt provisions	0	0
Other debtors	120	104
Total [1]	**1,344**	**1,229**

[1] Of which, MSEK 1,167 (1,069) is expected to be received later than 12 months after the closing date.

NOTE 28 – Tangible assets

MSEK	2018	2017
Accumulated acquisition value	657	588
Accumulated depreciation	-411	-371
Closing planned residual value	**246**	**217**

Operational leasing where If acts as lessee mainly pertains to costs for premises, vehicles and office equipment.

Operational leasing where If acts as lessor pertains to income from the leasing out of premises and was only insignificant amounts. The carrying amount of leased-out land and buildings is MSEK 121 (195).

MSEK Operational leasing agreements (lessee)	Total future minimum lease payments	
Due dates	**2018**	**2017**
< 1 year	274	271
1–5 years	811	913
> 5 years	360	481
Total	**1,445**	**1,665**
Total lease payments during the period	**316**	**320**
Of which, minimum lease payments	*306*	*315*
Of which, contingent rents	*11*	*6*

MSEK Effects on the opening balance per January 1, 2019, due to the initial application of IFRS 16 Leases	
Tangible assets	
Right-of-use asset premises [1]	1,299
Other liabilities	
Lease liabilities	1,250
Net effect on shareholders' equity	**-**

[1] The item includes MSEK 49 previously recognized as deferred costs.

NOTE 29 – Deferred acquisition costs

MSEK	2018	2017
Opening balance	**1,166**	**1,178**
Net change during the year	-8	6
Translation difference	31	-18
Closing balance	**1,190**	**1,166**

Acquisition expenditure during the year amounted to MSEK 4,961 (4,725). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

NOTE 30 – Other deferred costs and accrued income

MSEK	2018	2017
Accrued income	340	327
Deferred costs	231	209
Total	**571**	**536**

NOTE 31 – Subordinated debt

				2018		2017	
MSEK	Original nominal value	Maturity	Interest rate	Fair value [1]	Carrying amount	Fair value [1]	Carrying amount
Subordinated loan, issued in 2011	MEUR 110	30 years	6.00%	1,200	1,124	1,165	1,078
Subordinated loan, issued in 2016	MSEK 1,500	30 years	3-month STIBOR + 2.25%	1,501	1,494	1,487	1,492
Subordinated loan, issued in 2016	MSEK 500	30 years	2.415%	498	498	499	497
Subordinated loan, issued in 2018	MSEK 1,000	perpetual	3-month STIBOR + 2.75%	991	991	-	-
Total				**4,190**	**4,107**	**3,151**	**3,067**

[1] According to If´s application of IAS 39, subordinated debt is carried at amortized cost. Fair value is only given for information purposes. Financial instruments with fair value given for information purposes are classified in three different hierarchy levels depending on their liquidity and valuation methods. All subordinated loans are classified in level 3 and the fair value is based on cash-flow valuations.

The loan issued in 2011 is issued with fixed interest rate terms for the first 10 years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time. The loan is listed on the Luxembourg Stock Exchange (BdL Market) and is approved by the supervisory authority as being utilizable for solvency purposes in If P&C Insurance Ltd.

The loan of MSEK 1,500 issued in 2016 is issued with variable interest rate terms. After ten years, the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 500 issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan issued in 2018 is issued with variable interest rate terms. The loan includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

MSEK Changes in liabilities arising from financing activities	2018	2017
Opening balance	**3,067**	**3,889**
Cash flows - Repayment, subordinated loan	-	-867
Cash flows - Issuance, subordinated loan	993	-
Non-cash changes - Translation difference	45	40
Non-cash changes - Other	3	5
Closing balance	**4,107**	**3,067**

NOTE 32 – Technical provisions, gross

	2018		2017	
MSEK Changes during the year	Provision for unearned premiums and unexpired risks	Provisions for claims outstanding	Provision for unearned premiums and unexpired risks	Provisions for claims outstanding
Opening balance	**19,960**	**69,815**	**19,501**	**70,095**
Unwinding of discounted annuities	-	321	-	317
Change in provision	366	-1,377	594	-717
Translation differences	692	1,841	-136	120
Closing balance	**21,018**	**70,600**	**19,960**	**69,815**

MSEK Technical provisions and reinsurers' share	2018	2017
Technical provisions, gross		
Unearned premiums and unexpired risks	21,018	19,960
Provision for incurred and reported claims	16,717	15,240
Provision for incurred but not reported claims	28,849	30,451
Provision for annuities	22,577	21,626
Provision for claims-settlement costs	2,457	2,498
Total	**91,618**	**89,775**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	433	393
Provision for incurred and reported claims	1,262	1,081
Provision for incurred but not reported claims	441	688
Provision for annuities	1	1
Provision for claims-settlement costs	-	-
Total	**2,138**	**2,163**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	20,585	19,567
Provision for incurred and reported claims	15,456	14,159
Provision for incurred but not reported claims	28,407	29,763
Provision for annuities	22,576	21,625
Provision for claims-settlement costs	2,457	2,498
Total	**89,481**	**87,612**

VALUATION OF TECHNICAL LIABILITIES

Technical liabilities must reflect the liability If has for its insurance undertakings, meaning the insurance contracts underwritten. This may be divided into two parts: firstly, provisions for unearned premiums and, secondly, provisions for unsettled claims. The provision for unearned premiums pertain to current contracts for which the contractual period has not expired. The dominant component, provisions for unsettled claims, pertains to future claims payments for the claims associated with all insurance contracts underwritten by If.

PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISK

Provisions for unearned premiums correspond to the value of If's aggregate liability for current insurance policies and are calculated using a generally accepted method. This involves taking into consideration how large a share of the premium is attributable to the period following the accounting period. The provision is subsequently tested to ensure it is sufficient to cover anticipated claims and operating expenses. If the provision is deemed to be insufficient, a provision is made for the unexpired risk corresponding to the calculated deficit.

PROVISIONS FOR UNSETTLED CLAIMS

The provisions for unsettled claims correspond to the value of all anticipated claims payments and related claims settlement costs, including those reported to If and those that have probably occurred but not yet been reported.

The provisions for unsettled claims are calculated using statistical methods and/or individual assessment. Usually, the cost of major claims is estimated individually. Minor claims that occur more frequently (frequent claims) as well as the provisions for claims that have yet to be reported are assessed using statistical methods.

Apart from provisions for claims-related annuities and provisions for unknown but probable claims that pertain to Finnish annuities, the provisions for unsettled claims are not discounted. Provisions for claims-related annuities are discounted in accordance with current practice, taking into account inflation and mortality.

DESCRIPTION OF METHOD

If uses a number of statistical methods to determine the final claims cost that If must pay.

The most common methods are Chain-ladder and Bornhuetter-Ferguson. The Chain-ladder method may be based on various types of data such as outgoing payments, claims costs or the number of claims. Historical claims trend factors and a selection of estimates of future development factors are analyzed. The selection of development factors are subsequently applied to the known costs to date for claims for each claims year (which are not yet fully developed) that is to be estimated. This provides an estimate of the anticipated claims costs for each claims year. The Chain-ladder methodology is most suitable for insurance portfolios that have a relatively stable progression. The method is less applicable in cases that lack sufficient historical data, such as in the case of new insurance products or portfolios with a long lag in claims reporting. In the case of such portfolios, the Bornhuetter-Ferguson method is most frequently used. This is based partly on a combination of claims history and partly on exposure data, such as the numbers of insured parties or premiums written. The actual claims history is given greater weight for older developed claims years while for more recent years, the known exposure is weighted to a greater degree towards experience from similar portfolios and product areas.

ASSUMPTIONS AND SENSITIVITY

The assumptions and parameters used in determining the provisions to be posted are adjusted each quarter. A more in-depth analysis is implemented on an annual basis.

If is exposed to personal claims arising primarily from obligatory Motor Third-party Liability and Workers' Compensation policies. Of the total claims provision, almost 70% is attributable to these two insurance categories. If issues Motor Third-party Liability insurance in the Nordic region and in the Baltic countries. Workers' Compensation is issued in Norway, Denmark and Finland. From a customer perspective, the scope of the obligatory insurance provided is essentially similar. However, the portion covered by personal insurance and the portion financed through the state social security system differs among the various countries.

There are a number of factors affecting provisions and their uncertainty. The most important assumptions for portfolios dominated by personal claims are:

- inflation
- discount rate
- mortality
- effect of legislative amendments and court practices

INFLATION

The anticipated inflation trend is observed in all provisions, but is primarily important in claims settled over a long period of time. For long-term business, such as Motor Third-party Liability and Workers' Compensation, assessments are made in-house regarding the future cost trend. This is based on external assessments of the future inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of compensation. Compensation costs can rise due to new or amended legislation or practices, for example. Various national rules mean that the sensitivity implications of the assumptions underlying inflation differ quite substantially between countries.

A large share of the claims cost in obligatory insurance consists of compensation for loss of income, which in terms of legislation is usually associated with a pre-defined index for the value adjustments of compensation. In Finland, compensation is paid out in the form of vested annuities and value adjustments are dealt with off the balance sheet in a non-funded pool system. This limits the inflation risk. In Sweden, compensation is also paid out in the form of vested annuities over a long period and provisions must cover future value adjustments. The same also applies to Danish Workers Compensation insurance. This entails substantial sensitivity to changes in inflation.

In Norway and in Danish Motor Third-party Liability insurance, compensation is paid as a lump sum. Since in this case the duration is relatively short, the inflation risk is reduced. Refer to Note 5, Risks and risk management, for a sensitivity analysis of inflation.

DISCOUNT RATE

With the exception of the compensation to be paid in the form of vested annuities, provisions for claims and premium reserves are presented as nominal values (undiscounted).

The rates given below are the weighted averages for If's annuities.

The presentation below shows discounted provisions and discount rate by country for countries with significant claims-related annuity portfolios:

MSEK	2018	2017
Denmark		
Amount vested annuities	1,360	1,183
Discount rate	0 .77%	0.83%
Finland		
Amount vested annuities	15,830	15,269
Amount IBNR	2,696	2,710
Discount rate	1.20%	1.20%
Sweden		
Amount vested annuities	5,132	4,977
Discount rate	1.57%	1.70%

Refer to Note 5, Risks and risk management, for a sensitivity analysis of the discount interest rate.

MORTALITY

The provision risk for mortality is also related to claims-related annuities, since actual mortality may be lower than the mortality assumptions made in conjunction with the assessment of provision. The model used for mortality complies with the practices observed in the various countries. It is usually based on population death rates and/or specific joint-company analyses. The assumptions for mortality are generally differentiated in terms of age and gender. Refer to Note 5, Risks and risk management, for a sensitivity analysis of mortality.

EFFECTS OF LEGISLATIVE AMENDMENTS AND COURT PRACTICES

When setting provisions, it is virtually impossible to take into account amendments to legislation and practices that affect future costs. However, there are methods for managing this uncertainty. Firstly, as noted earlier, the inflation assumptions are adjusted somewhat to take into account historical experience of the various insurance categories. In cases where individual claims issues are subject to legal examination and for which there is a risk of a prejudicial decision that will affect other claims, the provisions for similar claims are adjusted.

CHANGES IN 2018

No significant changes in methods were implemented during the year.

During the year, the reported increase in gross claims provisions amounted to SEK 0.8 billion. Effects of exchange rate changes amounted to an increase of 1.8 billion, while the real change in gross claims reserves adjusted for currency effects amounted to a decrease of SEK 1.0 billion. By geographical area, the major reserve changes were as follows:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, decreased by more than SEK 0.5 billion. The largest decrease was seen in reserves for Motor third party liability insurance, which were reduced by more than SEK 0.9 billion. Reserves for Property insurance increased by SEK 0.4 billion while reserves in other lines of business showed only modest changes;
- Claims provisions in the Norwegian operation decreased by SEK 0.5 billion. Reserve reductions were seen in all lines of business except Accident insurance, but the largest decreases were in reserves for Liability insurance by almost SEK 0.2 billion and reserves for Workers' Compensation insurance by more than SEK 0.1 billion;
- Claims provisions in the Danish operation increased by SEK 0.2 billion. Reserves increased for all lines of business except Workers' Compensation, but the largest increases were seen in reserves for Property insurance and Marine insurance;
- Claims provisons in the Finnish operation decreased by almost SEK 0.3 billion, of which SEK 0.2 billion in reserves for Workers' Compensation insurance and SEK 0.1 billion in reserves for Liability insurance. Other lines showed less changes; and
- Claims provisions in the Baltic operation increased by SEK 0.1 billion, mostly as a result of an increase in claims reserves for Motor Third Party Liability insurance in Lithuania and Estonia.

The reinsured share of the claims provision decreased by less SEK 0.1 billion; the real change adjusted for currency was a decrease in total ceded claims reserves of close to SEK 0.2 billion and the effect of currency exchange rates amounted to an increase of SEK 0.1 billion. The main driver was a decrease in ceded reserves for Liability insurance and to a lesser extent also a decrease in ceded reserves for Workers' Compensation insurance.

SIGNIFICANT EVENTS

This year's outcome for large claims was significantly worse than expected on a Nordic level. The largest single claim in 2018 was a fire claim in Sweden estimated at more than SEK 0.2 billon.

CLAIMS COSTS TREND

In addition to the sensitivity analysis, prior-year estimates of the claims costs for individual claims years also represent a measure of If´s ability to foresee final claims costs. The tables below show the cost trend for the claims years 2009-2018, before and after reinsurance. For claims years 2008 and earlier, the information is aggregated to one column and includes only payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002 as well as the complete claims years 2003-2008.

The upper part of the table 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. Since If has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate on December 31, 2018. Consequently, the table is not directly comparable to corresponding tables reported in previous years or with the income statement, since all claims years include translated information and closing rates are used throughout.

MSEK Claims costs, gross Claims year	2008 and prior years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimated claims cost												
at the close of the claims year	193,074	26,198	27,280	28,124	28,558	27,585	27,385	27,646	28,082	28,466	29,952	
one year later	192,387	25,718	27,669	29,227	28,435	27,847	27,311	27,828	28,420	28,854		
two years later	191,456	25,451	27,136	29,182	28,587	27,864	27,383	27,707	28,405			
three years later	189,848	25,068	27,119	29,063	28,493	27,915	27,503	27,455				
four years later	188,419	24,889	27,062	28,799	28,186	27,972	27,559					
five years later	188,184	24,669	27,037	28,651	27,849	27,847						
six years later	188,000	24,649	26,883	28,425	27,658							
seven years later	189,209	24,383	26,812	28,370								
eight years later	188,501	24,271	26,647									
nine years later	188,093	24,121										
ten years later	186,718											
Current estimate of total claims costs	186,718	24,121	26,647	28,370	27,658	27,847	27,559	27,455	28,405	28,854	29,952	
Total disbursed	158,788	22,381	24,624	26,173	25,484	25,043	24,170	24,074	24,059	23,066	17,583	
Provisions reported in the balance sheet	27,931	1,740	2,023	2,197	2,173	2,804	3,389	3,381	4,346	5,788	12,370	68,143
Of which annuities	*16,287*	*645*	*776*	*766*	*781*	*880*	*903*	*681*	*517*	*260*	*82*	*22,577*
Provisions for claims-settlement costs												2,457
Total provisions reported in the balance sheet												**70,600**

MSEK Claims cost, net of reinsurance Claims year	2008 and prior years	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimated claims cost												
at the close of the claims year	180,944	25,096	25,974	26,614	26,661	27,106	27,005	27,196	27,496	27,860	29,399	
one year later	180,104	24,786	26,425	27,329	26,512	27,369	26,895	27,343	27,595	28,296		
two years later	179,367	24,503	26,005	27,196	26,662	27,404	26,813	27,189	27,562			
three years later	178,013	24,246	25,941	27,145	26,672	27,469	26,927	27,030				
four years later	176,777	24,078	25,922	26,850	26,417	27,497	26,937					
five years later	176,625	23,852	25,900	26,744	26,083	27,386						
six years later	176,565	23,839	25,737	26,506	25,923							
seven years later	177,658	23,603	25,654	26,388								
eight years later	176,919	23,491	25,496									
nine years later	176,571	23,341										
ten years later	175,450											
Current estimate of total claims costs	175,450	23,341	25,496	26,388	25,923	27,386	26,937	27,030	27,562	28,296	29,399	
Total disbursed	147,772	21,633	23,519	24,307	23,766	24,662	23,696	23,711	23,579	22,718	17,406	
Provisions reported in the balance sheet	27,678	1,708	1,978	2,081	2,156	2,724	3,241	3,319	3,982	5,578	11,993	66,439
Of which annuities	*16,285*	*645*	*776*	*766*	*781*	*880*	*903*	*681*	*517*	*260*	*82*	*22,576*
Provisions for claims-settlement costs												2,457
Total provisions reported in the balance sheet												**68,895**

COMMENTS

In 2018 If had reinsurance with self-retention of MSEK 250 per event and between MSEK 100 and 250 per risk depending on line of business.

Provisions for fixed claims-related annuities and related payments are included in the distribution by claims year above. The Finnish discounted preliminary claims-related annuities are reported as annuities in the balance sheet. Of the total net provision for claims-related annuities of MSEK 22,576, MSEK 16,285 applies to 2008 and previous years.

NOTE 33 Deferred tax

MSEK Changes in deferred tax 2018	Opening balance 2018	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2018
Deferred tax assets					
Tax losses carried forward	0	-	-	0	-
Provisions	201	-63	2	15	155
Goodwill [1]	91	-2	4	-4	89
Accumulated depreciation	7	-3	0	-	4
Other temporary differences	7	1	0	8	16
Total deferred tax asset	**306**	**-67**	**7**	**19**	**264**
Netted deferred tax asset against deferred tax liability	**-134**				**-153**
Deferred tax asset according to balance sheet	**172**				**111**
Deferred tax liability					
Equalization reserve and other similar provisions	1,711	-3	25	-	1,733
Valuation of investment assets at fair value	900	-2	5	-655	248
Other temporary differences	258	30	11	-	299
Total deferred tax liability	**2,869**	**26**	**41**	**-655**	**2,280**
Netted deferred tax liability against deferred tax asset	**-134**				**-153**
Deferred tax liability according to balance sheet	**2,735**				**2,127**
Deferred tax expense according to income statement 2018		**-93**			

[1] Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

MSEK Changes in deferred tax 2017	Opening balance 2017	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2017
Deferred tax assets					
Tax losses carried forward	0	0	0	-	0
Provisions	267	-54	-2	-9	201
Goodwill [1]	91	0	-5	5	91
Accumulated depreciation	10	-3	0	-	7
Other temporary differences	6	1	0	-	7
Total deferred tax asset	**374**	**-57**	**-7**	**-5**	**306**
Netted deferred tax asset against deferred tax liability	**-141**				**-134**
Deferred tax asset according to balance sheet	**233**				**172**
Deferred tax liability					
Equalization reserve and other similar provisions	2,305	-567	-27	-	1,711
Valuation of investment assets at fair value	884	-30	6	40	900
Other temporary differences	261	-12	9	-	258
Total deferred tax liability	**3,450**	**-609**	**-13**	**40**	**2,869**
Netted deferred tax liability against deferred tax asset	**-141**				**-134**
Deferred tax liability according to balance sheet	**3,309**				**2,735**
Deferred tax income according to income statement 2017		**552**			

[1] Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

NOTE 34 Provision for pensions and similar obligations

MSEK	2018	2017
Estimated present value of obligation, including social costs etc.	2,750	2,639
Fair value of plan assets	2,224	2,082
Net liability recognized in balance sheet	**526**	**558**

If applies IAS 19 Employee Benefits (issued in 2011) and recognizes defined-benefit pension plans in Sweden and Norway. Other pension plans existing in the Group have either been classified as defined-contribution plans or have been classified as defined-benefit plans but recognized as defined-contribution plans, either because If lacks the information necessary to recognize them as defined-benefit plans or because they have been deemed as insignificant.

The main Swedish defined-benefit pension plan is closed to new employees born in 1972 or later. The corresponding Norwegian pension plan consists solely of active people employed prior to 2006 and born 1957 and earlier.

For both countries, the pension benefits referred to are old-age pension and survivors' pension. A common feature of the defined-benefit plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

The retirement age for receiving early retirement pension is normally 62 years in Sweden and normally 65 years in Norway. In Sweden, premature old-age pension following a complete service period is payable at a rate of approximately 65% of the pensionable salary and applies to all employees born in 1955 or earlier and who were covered by the insurance sector's collective bargaining agreement of 2006. In Norway, premature old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary and applies to all employees born in 1957 or earlier and who were employed by If in 2013.

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary up to 12 National Insurance base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise or fall. If is not responsible for indexation of paid-up policies and/or pension payments from the Norwegian insured plans.

The pensions are primarily funded through insurance whereby the insurers establish the premiums and disburse the benefits. If's obligation is primarily fulfilled through payment of the premiums. Should the assets that are attributable to the pension benefits not be sufficient to enable the insurers to cover the guaranteed pension benefits, If could be forced to pay supplementary insurance premiums or secure the pension obligations in some other way. In addition to insured pension plans, there are also unfunded pension benefits in Norway for which If is responsible for ongoing payment.

To cover the insured pension benefits, the related capital is managed as part of the insurers' management portfolios. In such management, the characteristics of the investment assets are analyzed in relation to the characteristics of the obligations, in a process known as Asset Liability Management. New and existing asset categories are evaluated continuously in order to diversify the asset portfolios with a view to optimizing the anticipated risk-adjusted return. Any surplus that arises from management of the assets normally accrues to If and/or the insured and there is no form of transfer of the asset value to other members of the insurance collective.

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, the investment risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated obligation is discounted to the present value using interest rates based on the extrapolated yield-curves in Sweden and in Norway for AAA and AA corporate bonds, including mortgage-backed bonds, as at November 30, approximately updated to reflect market conditions mid-December. The discount rate chosen takes into account the duration of the company's pension obligations. After a deduction for the plan assets, a net asset or net liability is recognized in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. The carrying amounts have been stated including special payroll tax in Sweden (24.26%) and a corresponding fee in Norway (14.1%-19.1%).

MSEK Distribution by country	2018 Sweden	 Norway	 Total	2017 Sweden	 Norway	 Total
Income statement and other comprehensive income						
Current service cost	49	18	67	53	21	74
Past service cost	1	-	1	-	-	-
Total cost, defined benefit pensions in technical result	**50**	**18**	**68**	**53**	**21**	**74**
Interest expense on net pension liability	4	8	12	9	9	18
Remeasurements of the net pension liability in other comprehensive income	92	-28	64	-90	43	-47
Net cost (income), defined benefit pensions in comprehensive income	**146**	**-2**	**144**	**-28**	**72**	**44**
In addition, defined contribution pension cost excl. social costs			**517**			**510**
Balance sheet						
Estimated present value of obligation, including social costs	2,153	597	2,750	1,955	684	2,639
Fair value of plan assets	1,911	314	2,224	1,740	342	2,082
Net liability recognized in balance sheet	**243**	**283**	**526**	**215**	**342**	**558**
Distribution by asset class						
Bonds, level 1	44%	51%		39%	52%	
Bonds, level 2	0%	13%		0%	13%	
Equities, level 1	23%	14%		27%	11%	
Equities, level 3	9%	2%		10%	2%	
Properties, level 3	11%	14%		11%	14%	
Other, level 1	0%	6%		0%	6%	
Other, level 2	6%	1%		7%	2%	
Other, level 3	7%	0%		5%	0%	
Significant actuarial assumptions, etc.						
Discount rate	2.50%	2.75%		2.75%	2.50%	
Future salary increases	2.75%	3.00%		2.75%	3.00%	
Price inflation	2.00%	2.00%		1.75%	2.00%	
Mortality table	FFFS 2007:31 +1 year	K2013		FFFS 2007:31 +1 year	K2013	
Average duration of pension liabilities	21 years	12 years		21 years	13 years	
Expected contributions to the defined benefit plans during 2019 and 2018	89	19		90	32	
Sensitivity analysis						
Discount rate, +0.50%	-260	-37	-297	-233	-45	-278
Discount rate, -0.50%	300	41	341	268	51	319
Future salary increases, +0.25%	77	4	81	73	5	79
Future salary increases, -0.25%	-70	-4	-74	-68	-5	-73
Expected longevity, +1 year	92	14	106	77	17	95

MSEK Distribution of obligations on funded and unfunded plans	Funded plans 2018	 2017	Unfunded plans 2018	 2017
Estimated present value of obligation, including social costs	2,458	2,357	292	283
Fair value of plan assets	2,224	2,082	-	-
Net liability recognized in balance sheet	**234**	**275**	**292**	**283**

MSEK Specification of change in net liability	2018	2017
Pension obligations		
On Jan 1	2,639	2,804
Current service cost	67	74
Past service cost	1	-
Interest expense	70	75
Actuarial gains (-)/losses (+) on financial assumptions	148	11
Actuarial gains (-)/losses (+) on demographic assumptions	-	-
Actuarial gains (-)/losses (+), experience adjustments	2	-15
Translation differences on foreign plans	25	-36
Benefits paid and social costs paid	-203	-273
Settlements	-	-
Present value of obligations on Dec 31	**2,750**	**2,639**

	2018	2017
Fair value of plan assets		
On Jan 1	2,082	2,048
Interest income	59	57
Difference between actual return and calculated interest income	85	44
Contributions paid	158	156
Translation differences on foreign plans	12	-19
Benefits paid	-171	-204
Settlements	-	-
Fair value of plan assets on Dec 31	**2,224**	**2,082**

NOTE 35 Other provisions

MSEK Change in other provisions	2018	2017
Opening balance	**326**	**333**
Provisions utilized during the fiscal year	-256	-63
Unutilized provisions reversed during the fiscal year	-1	-5
Provisions added during the fiscal year	110	63
Translation difference	2	-1
Closing balance[1]	**181**	**326**

[1] Of which MSEK 104 (255) to be settled later than 12 months after the closing date.

Other provisions consist of funds amounting to MSEK 91 (93) reserved for future expenses attributable to previously implemented or planned future organizational changes. The development of more efficient administrative and claims-adjustment processes and structural changes in distribution channels are resulting in organizational changes affecting all business areas. In addition to the provisions attributable to restructuring measures, the item includes employer contributions of MSEK 30 (28) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 59 (205).

NOTE 36 Creditors arising out of direct insurance

MSEK	2018	2017
Payables to policyholders	1,773	1,758
Payables to insurance brokers	85	92
Payables to insurance companies	18	19
Total [1]	**1,876**	**1,869**

[1] Of which MSEK - (-) to be settled later than 12 months after the closing date.

NOTE 37 Other creditors

MSEK	2018	2017
Tax debt (current)	598	1,122
Accounts payable	68	75
Collaterals and settlement liabilities	81	147
Creditor, patient-insurance pool for the public sector	1,200	1,103
Premium Tax	1,786	491
Employee withholding taxes	121	117
Other Tax	48	49
Other creditors	229	218
Total [1]	**4,131**	**3,323**

[1] Of which MSEK 1,157 (1,079) matures later than 12 months after the closing date.

NOTE 38 – Other accruals and deferred income

MSEK	2018	2017
Accrued interest expense, subordinated debt	8	7
Accrued interest expense, other	1	1
Other accrued expense	1,662	1,763
Deferred income	99	50
Total	**1,770**	**1,821**

Other accrued expense consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commission and other variable compensations but also reserves for uninvoiced other operating expenses.

NOTE 39 – Pledged assets

MSEK **Pledged assets and equivalent securities for own liabilities and for commitments reported as provisions, each type individually**	**2018**	**2017**
Other financial investment assets	2,275	2,309
Cash and bank	23	3
Total	**2,298**	**2,313**

MSEK **Pledged assets and the pledging purposes were distributed as follows:**	**2018**	**2017**
Financial investment assets		
Collateral for insurance undertakings	2,143	2,164
Collateral for futures trading	132	145
Total	**2,275**	**2,309**
Cash and bank balances		
Collateral for insurance undertakings	1	1
Collateral for permission to conduct insurance operations	1	1
Security for rent	21	1
Total	**23**	**3**
Total	**2,298**	**2,313**

The following assets are registered as assets covering technical provisions. In the event of an insolvency situation, policyholders have a beneficiary right in assets registered for coverage of technical provisions. In normal operating circumstances, If has the right to transfer assets in and out of the register as long as all insurance commitments are covered in accordance with the Insurance Business Act.

MSEK **Policyholders´ beneficiary rights**	**2018**	**2017**
Assets covered by policyholders' beneficiary rights	102,407	104,726
Technical provisions, net	-72,076	-72,343
Surplus of registered securities	**30,331**	**32,383**

NOTE 40 – Contingent liabilities and other commitments

MSEK	**2018**	**2017**
Surety and guarantee undertakings	25	32
Other commitments	165	111
Total	**190**	**143**

The subsidiary If P&C Insurance Ltd provides insurance with mutual undertakings within the Nordic Nuclear Insurers pool, within the Norwegian Natural Perils Pool and the Dutch Terror Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group, as of March 1, 1999, If P&C Insurance Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ), whereby, the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into agreements with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikring AS, whereby, Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (UK) Ltd (changed name to Marlon Insurance Company Ltd, company dissolved in July 2017), in favor of the Institute of London Underwriters. The company was sold during 2007, and the purchaser issued a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

With respect to certain IT- systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur, in relation to the owners of the IT- systems.

If P&C Insurance Ltd has outstanding commitments to private equity funds totalling MEUR 11, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments. In addition, If P&C Insurance Ltd has outstanding commitments to borrowers totalling approximately MSEK 88.

NOTE 41 – Events after the balance date

Torbjörn Magnusson resigned as President and CEO on February 7, 2019 and was elected as new Chairman of the Board after Kari Stadigh. On the same day, Morten Thorsrud was appointed new President and CEO.

NOTE 1 – Income from associates

MSEK	2018	2017
Dividend	2	1
Gain/loss on sale	8	-
Total	**10**	**1**

NOTE 2 – Interest income and similar income items

MSEK	2018	2017
Interest income, Group companies	14	17
Other interest income	39	8
Other	0	0
Total	**53**	**25**

NOTE 3 – Interest expense and similar expense items

MSEK	2018	2017
Interest expense, Group companies	-7	-5
Interest expense, other	-77	-57
Other	-8	-39
Total	**-91**	**-101**

NOTE 4 – Taxes

MSEK	2018	2017
Current tax	0	-1
Deferred tax	-	-
Total tax in the income statement	**0**	**-1**

MSEK	2018	2017
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	7,205	6,056
Tax according to current tax rate, 22%	-1,585	-1,332
Non-taxable dividend from Group companies, associates and other holdings	1,583	1,331
Non-taxable/non-deductible capital gain/loss and impairment loss	2	-
Reported tax in the income statement	**0**	**-1**

NOTE 5 – Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2018	2017
If P&C Insurance Ltd (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	16,515	16,515
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
If Services AB, corp. reg. no. 559058-0824 [1)]	Sweden	50,000	100	7	7
If IT Services A/S	Denmark	501	100	1	1
If P&C Insurance AS	Estonia	6,391,165	100	442	442
Total				**17,039**	**17,039**

1) During the financial year, the company changed its name from Nordic Assistance AB.

NOTE 6 – Shares in associates

	Country	Number of shares	Holding %	Carrying amount, MSEK 2018	2017
CAB Group AB, corp.reg.no. 556131-2223	Sweden	1,209	22.0	7	7
SOS International A/S [1]	Denmark	219,450	10.2	51	51
Contemi Holding AS [2]	Norway	-	-	-	0
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	13	13
Boligselskapenes Service Senter AS	Norway	34,000	34.0	7	-
Digiconsept AS	Norway	68,000	34.0	14	-
Total				**92**	**70**

[1] Besides the holding in If P&C Insurance Holding Ltd, the subsidiary If P&C Insurance Ltd owns 320,150 shares, corresponding to 15.0%.
[2] The company was sold during the year.

NOTE 7 – Bonds

THE CLASSIFICATION AND SPECIFICATION OF SHORT-TERM INVESTMENTS

	Acquisition value		Fair value		Carrying amount	
MSEK	2018	2017	2018	2017	2018	2017
Financial assets available for sale						
Bonds	4,143	1,657	4,105	1,656	4,105	1,656
Other interest-bearing securities	-	1,275	-	1,276	-	1,276
Total	**4,143**	**2,932**	**4,105**	**2,932**	**4,105**	**2,932**

BONDS

Bonds and other interest-bearing securities by type of issuer, are shown below.

MSEK	Nominal value		Fair value		Carrying amount	
Type of issuer	2018	2017	2018	2017	2018	2017
Swedish municipalities	600		604		604	
Swedish financial companies	1,036	595	1,045	599	1,045	599
Other Swedish companies	1,203	1,620	1,181	1,618	1,181	1,618
Foreign financial companies	785	475	778	480	778	480
Other foreign companies	505	234	496	235	496	235
Total	**4,129**	**2,924**	**4,105**	**2,932**	**4,105**	**2,932**

The sensitivity to changes in interest rates, calculated as the effect on the unrealized result of 1 percentage point shift up of the interest rate, amounted to MSEK -55 as of December 31, 2018. The duration of the portfolio was 1,3 at year-end 2018.

SHORT-TERM INVESTMENTS IN FAIR VALUE

A careful process is followed and controls are performed in order to ensure correct fair values of financial assets and liabilities. For example, controls are made by several different external sources and assessments of abnormal price changes are performed when necessary.

Different valuation methods are used to determine the fair value depending on the type of financial instruments and to what extent they are traded on active markets. In order to evaluate the activity in a market with respect to frequency and volume If mainly uses information compiled by Bloomberg. The valuation of bonds is also usually based on prices from Bloomberg. Quoted bonds are valued on the basis of last bid price.

If's financial instruments, which are measured at fair value, are classified in three different hierarchy levels depending on their valuation methods as well as how active the market is. The control of the classification in hierarchy levels is done quarterly. If conditions have changed for the existing level, the holding in question is moved to the correct hierarchy level in consent with the Risk Control unit.

Level 1 – Financial assets and liabilities with values based on quoted prices in active markets for identical assets or liabilities.

Quoted prices in active markets are considered the best estimate of an asset/liability's fair value. An active market is typically characterized by quoted prices that are easily and regularly available and that represent actual and regularly occurring transactions at arm's length distance.

Assets and liabilities in the category include interest-bearing assets that have noted prices on an active market at the time of valuation.

Level 2 – Financial assets and liabilities with values based on quoted prices or valuation based on directly or indirectly observable market data.

In the level 2 hierarchy all essential inputs are observable either directly or indirectly. The large majority of the instruments in level 2 are traded in a market with daily quoted prices and regularly occurring market transactions but where the market in not considered to be active enough regarding frequency and volume and/or when the standard deviation of the prices is high.

Instruments which are valued at level 2 include interest-bearing assets where the market is not active enough.

Level 3 - Financial assets and liabilities that are traded on an illiquid market, with non-observable market data or indications of trading levels without any actual trade.

When neither quoted prices in active markets nor observable market data is available, the fair value of financial instruments is based on valuation techniques which are based on non-observable market data.

There are no assets that are valued as level 3-assets.

SHORT-TERM INVESTMENTS IN FAIR VALUE HIERARCHY

	2018				2017			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets available for sale								
Bonds	2,844	1,261	-	4,105	711	945	-	1,656
Other interest-bearing securities	-	-	-	-	-	1,276	-	1,276
Total	**2,844**	**1,261**	**-**	**4,105**	**711**	**2,221**	**-**	**2,932**

NOTE 8 – Subordinated debt

				2018		2017	
MSEK	Original nominal value	Maturity	Interest rate	Fair value [1]	Carrying amount	Fair value [1]	Carrying amount
Subordinated loan, issued in 2016	MSEK 1,500	30 years	3-month STIBOR + 2,25%	1,501	1,494	1,487	1,492
Subordinated loan, issued in 2016	MSEK 500	30 years	2,415%	498	498	499	497
Subordinated loan, issued in 2018	MSEK 1,000	perpetual	3-month STIBOR + 2,75%	991	991	-	-
Total				**2,990**	**2,983**	**1,986**	**1,989**

[1] According to If´s application of IAS 39, subordinated debt is carried at amortized cost. Fair value is only given for information purposes. Financial instruments with fair value given for information purposes are classified in three different hierarchy levels depending on their liquidity and valuation methods. The subordinated loans are classified in level 3 and the fair value is based on cash-flow valuations.

The loan of MSEK 1,500 issued in 2016 is issued with variable interest rate terms. After ten years, the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 500 issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan issued in 2018 is issued with variable interest rate terms. The loan includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

NOTE 9 – Deferred tax

MSEK Changes in deferred tax 2018	Opening balance 2018	Recognized in income statement	Recognized in other comprehensive income	Closing balance 2018
Deferred tax assets				
Other temporary differences	-	-	8	8
Deferred tax asset according to balance sheet	**-**	**-**	**8**	**8**
Deferred tax liability				
Short term investment at fair value	0	-	0	-
Deferred tax liability according to balance sheet	**0**	**-**	**0**	**-**
Deferred tax according to income statement 2018		**-**		

MSEK Changes in deferred tax 2017	Opening balance 2017	Recognized in income statement	Recognized in other comprehensive income	Closing balance 2017
Deferred tax liability				
Short term investment at fair value	-	-	0	0
Deferred tax liability according to balance sheet	**-**	**-**	**0**	**0**
Deferred tax according to income statement 2017		**-**		

NOTE 10 – Contingent liabilities and other commitments

MSEK	2018	2017
Surety and guarantee undertakings	-	-
On behalf of Group companies	-	-

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Insurance Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into agreements with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikring AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (UK) Ltd (changed name to Marlon Insurance Company Ltd, company dissolved in July 2017) in favor of the Institute of London Underwriters. Marlon was sold during 2007, and the purchaser issued a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

With respect to certain IT-systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur in relation to the owners of the IT-systems.

NOTE 11 – Appropriation of earnings

Unrestricted funds in the company, including the Fair value reserve, amounts to SEK 15,211,492,543. No allocation to statutory reserves is proposed.

Funds available for appropriation by the Annual General Meeting in accordance with the balance sheet amounts to SEK 15,211,492,543, of which the net profit accounts for SEK 7,204,893,084. The Board of Directors and the President propose that SEK 0 be paid as dividend, SEK 15,241,400,722 be carried forward and that SEK -29,908,179 be carried as Fair value reserve.

SIGNATURES

We hereby certify that the consolidated financial statements have been prepared in accordance with international accounting principles as adopted by the European Union and provides a true and fair view of the Group's financial position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the Parent Company's financial position and results. The Board of Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group and Parent Company's operations, financial position and result and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, Februay 26, 2019

Torbjörn Magnusson
Chairman of the Board

Knut Arne Alsaker
Board member

Patrick Lapveteläinen
Board member

Ricard Wennerklint
Board member

Morten Thorsrud
President and CEO

Our audit report was issued on February 26, 2019

KPMG AB

Mårten Asplund
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of If P&C Insurance Ltd (publ), corp. id 556241-7559

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of If P&C Insurance Ltd (publ) for the year 2018, except for the corporate governance statement on pages 6-7. The annual accounts and consolidated accounts of the company are included on pages 4-77 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies. Our opinions do not cover the corporate governance statement on pages 6-7. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OTHER MATTER

The audit of the annual accounts for year 2017 was performed by another auditor who submitted an auditor´s report dated 2 March 2018, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Technical provision

See Note 32 and accounting principles on 21 in the annual account and consolidated accounts for detailed information and description of the matter.

DESCRIPTION OF KEY AUDIT MATTER

Provision for claims outstanding, reported as part of technical provisions, amounts to 70.6 billion SEK as of December 31, 2018 which constitutes 53% of the company's total assets.

Provisions for claims outstanding involve significant judgement of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The company uses established actuarial valuation models to support the calculations of the technical provision. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data and/or incorrect assumptions made and/or incorrect actuarial calculations.

The company's provision for claims outstanding consist of a variety of different products, with different characteristics such as long settlement time, injury patterns, assumptions about morbidity, inflation, discount rate, mortality (life annuities) and overheads.

RESPONSE IN THE AUDIT

We have assessed the actuarial assumptions used by the company in calculating the provisions with the company's own investigations, those required for regulatory purposes as well as industry data.

We have by sample tested the internal controls implemented by management over the calculation of the claims provision includ-ing for example internal controls over the extraction of data used as input to the actuarial calculations.

We have involved our internal actuarial specialists in order to challenge the methods and assumptions used in the projections of future cash flows and valuation of the provision. We have also performed recalculations to verify that the provision is reasonable as compared to the expected future claims.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the annual report and assessed whether the information is sufficient to provide an understanding of the methods and assumptions used by management.

Other financial investment asset

See Note 22 and accounting principles on page 20 in the annual account and consolidated accounts for detailed information and description of the matter.

DESCRIPTION OF KEY AUDIT MATTER

The company's financial instruments in Levels 2 and 3 amounted to 27.5 billion SEK, as of December 31, 2018, which constitutes 25 percent of the company's financial investment assets.

The valuation of financial assets classified in level 2 according to the IFRS valuation hierarchy is based on observable market data such as not included in level 1. Because representative transactions for those current assets only to a limited extent are available, the estimated value of these assets are difficult to assess.

The valuation of financial assets classified in Level 3 according to the IFRS valuation hierarchy includes significant management judgment as they are valued based on inputs that are not observable by external parties.

The company's assets as described above consist of shares and participations, bonds and other interest-bearing securities.

RESPONSE IN THE AUDIT

We have tested key controls in the valuation process including management's determination and approval of assumptions and methods used in model-based calculations, data quality control, change management regarding internal valuation models, as well as management's review of valuations conducted by external specialists.

We have involved our internal valuation specialists to challenge the methods and assumptions used in the valuation of unlisted financial assets as well as performed an independent valuation.

We have assessed the methods of valuation models against industry practices and valuation guidelines.

We have compared assumptions used with appropriate reference values and price sources as well as investigated possible deviations.

We have also verified the completeness of the underlying facts and circumstances presented in the disclosures in the annual report and assessed whether the information is sufficiently comprehensive to understand management's assessments as well as applied methods.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-3 and 82-85. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors and the President are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and the Annual Accounts Act for Insurance Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts the Board of Directors and the President are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President.
- Conclude on the appropriateness of the Board of Directors' and the President's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Ltd (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's

situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.
As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 6-7 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act and the Annual Accounts Act for Insurance Companies.

KPMG AB, Box 382, 101 27 Stockholm, was appointed auditor of If P&C Insurance Ltd (publ) by the general meeting of the shareholders on the April 9, 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm 26 February 2019

KPMG AB

Mårten Asplund
Authorized Public Accountant

GROUP MANAGEMENT

Morten Thorsrud [2)]
Born 1971
President and Chief Executive Officer
Employed 2002
Resident in Nesbru

Johan Börjesson
Born 1967
Head of Human Resources
Employed 2005
Resident in Lidingö

Katarina Mohlin
Born 1961
Head of Corporate Communications
Employed 2004
Resident in Stockholm

Måns Edsman [1)]
Born 1974
Chief Financial Officer
Employed 2002
Resident in Stockholm

Andris Morozovs
Born 1977
Head of Baltic business area
Employed 1999
Resident in Ozolnieki

Karin Friberg
Born 1959
Chief Risk Officer
Employed 1999
Resident in Stockholm

Dag Rehme
Born 1970
Chief Legal Counsel
Employed 2006
Resident in Stockholm

Ingrid Janbu Holthe [3)]
Born 1982
Head of Private business area
Employed 2014
Resident in Oslo

Poul Steffensen
Born 1964
Head of Industrial business area
Employed 1999
Resident in Birkerød

Ivar Martinsen
Born 1961
Head of Commercial business area
Employed 1999
Resident in Oslo

Kjell Rune Tveita
Born 1963
Head of IT and Group Services
Employed 1999
Resident in Lørenskog

[1)] Entered at January 1, 2019.
[2)] Entered at February 7, 2019, former Head of Private business area.
[3)] Entered at February 7, 2019.

GLOSSARY AND DEFINITIONS

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT
Net return on average technical provisions, with deductions for deferred acquisition costs, the technical result before allocated interest and average outstanding balances. The allocated investment return is based on risk-free interest.

ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT
Allocated investment return transferred from the non-technical account excluding the part added to the annuity result by means of a reduction of costs for the upward adjustment of the annuity provision.

CAPITAL BASE (SOLVENCY I)
Reported shareholders' equity after proposed dividend less intangible assets and surplus in funded pensions plans, plus untaxed reserves, subordinated debt (within some limits) and deferred tax liabilities. Major holdings of securities in financial institutions shall also be deducted when these securities constitute risk capital in the institution. The capital base must satisfy the solvency requirement.

CAPTIVE
An insurance company, owned by a non-insurance company, whose principal function is to insure and reinsure part of the parent's risk, or risks of other units within the same Group.

CLAIMS FREQUENCY
The observed relationship during a specific period between the number of claims and the number of policies in a certain category of insurance (a certain insurance portfolio). Does not include major claims.

CLAIMS RATIO
Total sum of claims incurred on own account including claims-adjustment costs in relation to premiums earned, expressed as a percentage.

COMBINED RATIO
Total sum of claims incurred and operating expenses on own account in insurance operations in relation to premiums earned on own account, expressed as a percentage.

COST OF INSURANCE OPERATIONS
Total sum of operating expenses in insurance operations on own account and claims-adjustment costs.

COST RATIO[1)]
Total sum of operating expenses in insurance operations on own account and claims-adjustment costs in relation to premiums earned on own account, expressed as a percentage.

CREDIT RISK
Credit risk is the risk of loss or of an adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and other debtors to which the insurance undertakings are exposed in the form of counterparty risk, spread risk or market risk concentrations. Credit risk pertains to both reinsurance operations and derivative instruments.

DIRECT INSURANCE
Insurance business that relates to contracts concluded between insurers and insured. The insurance company is directly responsible in relation to the insured.

DIRECT INVESTMENT RETURN
Total sum of operating surplus from land and buildings, dividends on shares and participations and interest income.

DURATION
The concept of duration has different definitions within the asset management and insurance operations.

Within asset management, duration is the same as the interest-rate risk and denotes how sensitive a fixed-income portfolio is to changes in average interest-rates. Duration may be expressed as number of years, in which case it shows the weighted average maturity of the portfolio, meaning the remaining time until invested capital plus interest is returned to the investor.

Within insurance operations, duration represents the period that starts when an insurance contract becomes effective and ends when it expires.

ECONOMIC CAPITAL
If uses Economic capital in internal management. It is an internal measure describing the amount of capital required in order to bear different kinds of risk. Economic Capital is defined as the amount of capital required to protect the economic solvency over a one-year time horizon with a probability of 99.5%.

EXPENSE RATIO
Operating expenses in insurance operations on own account in relation to net premiums earned, expressed as a percentage.

GROSS PREMIUMS WRITTEN
Total premiums received during the financial year or taken up as a receivable at the end of the year. In contrast to premiums earned, premiums written are not capitalized; i.e. they are unaffected by opening and closing provisions for unearned premiums.

IBNR PROVISION
Provision for the estimated value of the company's liability for claims that have occurred but are unknown or, in view of the extent of the claim, are insufficiently known. The provision is included in Provision for claims outstanding. IBNR = incurred but not reported.

IMPACT OF CHANGES IN EXCHANGE RATES
Changes in amounts and percentages between the current year and the preceding year adjusted for the impact of changes in exchange rates, whereby amounts in foreign currency have been recalculated using the same exchange rates for the particular years.

INSURANCE MARGIN [1)]
Technical result less other technical income and other operating expense in relation to premiums earned on own account, expressed as a percentage.

INVESTMENT ASSETS
Assets that resemble a capital investment, including real estate and securities, such as shares and participations, bonds and other interest-bearing securities, loans and derivatives as well as all investments in Group and associates.

INVESTMENT RETURN
Net of following income and costs: interest income/expense, dividend on shares and participations, surplus/deficits from own properties, management costs, realized and unrealized

[1)] Refers to alternative performance measurements.

changes in fair value of real estate, shares and participations and interest-bearing securities, and exchange-rate gains/losses. Return pertaining to associates is not included. If recognizes the main part of unrealized value changes on shares and participations and interest-bearing securities in other comprehensive income.

LIQUIDITY RISK
Liquidity risk is the risk that insurance undertakings are unable to realize investments and other assets in order to settle their financial obligations when they fall due.

MARKET RISK
Market risk is the risk of loss, or of an adverse change in financial position, resulting directly or indirectly from fluctuations in the level or volatility of market prices of assets, liabilities and financial instruments.

NET PREMIUMS WRITTEN
Gross premiums written less ceded reinsurance premiums.

OPERATING EXPENSES IN INSURANCE OPERATIONS
Expenses related to the acquisition or renewal of insurance contracts plus corporate administration costs.

OWN FUNDS (CAPITAL BASE) (SOLVENCY II)
In Solvency II, the solvency capital requirements should be covered with “own funds,” which consist of capital items and financial resources of a certain quality in terms of ability to absorb losses. An undertaking’s available own funds may consist of basic own funds and ancillary own funds. The part of the undertaking’s capital which is eligible to cover the solvency and minimum capital requirements is called eligible own funds. An insurance undertaking must have eligible own funds at least equal to the solvency capital requirement (SCR).

PREMIUMS EARNED
That portion of gross premiums written that pertains to the fiscal year, meaning premiums written adjusted for changes in the provision for unearned premiums.

PRIOR-YEAR CLAIMS RESULT
Profit or loss that arises when claims originating from a prior year are either finally settled or revalued.

PROPERTY AND CASUALTY INSURANCE
Collective term for property insurance, liability insurance and reinsurance. Property insurance involves the type of insurance that covers the economic value of one or several objects (such as movable property in a home, car, boat, horse, factory building or warehouse). Other types of property and casualty insurance mainly cover various interests (such as, business interruption insurance or liability insurance), where only a specific economic interest is covered, not the economic value of one or several objects.

PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS
Liability item in the balance sheet corresponding to the portion of premiums written that, in the financial accounts, pertains to forthcoming periods, and that covers anticipated claims costs and operating expenses for policies in force at the accounting date and up to their next due date.

PROVISION FOR CLAIMS OUTSTANDING
Liability item in the balance sheet consisting of the estimated value of claims incurred but not yet paid and the expected operating expenses for the settlement of the claims.

REINSURANCE
A method of distributing risks whereby an insurance company purchases coverage for a part of its liability based on insurance or reinsurance contracts, so-called ceded reinsurance. Reinsurance accepted pertains to the business one insurance company accepts from other insurance companies in the form of reinsurance.

RETENTION
The highest insured or claims amount relating to the same risk that an insurer retains for its own account, meaning without reinsurance.

RETURN ON EQUITY [1)]
Result for the year, adjusted for unrealized gains and losses on investments assets recognized in other comprehensive income, less full tax in relation to average shareholders’ equity.

RISK RATIO [1)]
Total sum of insurance claims on own account, excluding claims-adjustment costs, in relation to premiums earned on own account, expressed as a percentage.

RISK SELECTION
The insurer’s intentional selection of the type of risks to be included in the portfolio.

RUN-OFF BUSINESS
The liquidation of an insurance company or portfolio of insurance business which has been transferred to a separate administrative unit.

SOLVENCY CAPITAL
Shareholders’ equity less deferred tax assets plus untaxed reserves, subordinated debt and deferred tax liability.

SOLVENCY RATIO
Key ratio representing the relative size of solvency capital. The solvency ratio is calculated as solvency capital in relation to premiums written, net excluding portfolio premiums.

SOLVENCY CAPITAL REQUIREMENT (SCR)
The Solvency Capital Requirement corresponds to a level of eligible own funds that enables an undertaking to absorb significant losses and that provides policyholders and beneficiaries with reasonable certainty to receive their benefits when they fall due. The Solvency Capital Requirement is calculated on the basis of all the quantifiable risks to which the insurance company is exposed. As a minimum, the Solvency Capital Requirement is to cover: insurance risk, market risk, counterparty default risk, and operational risk.

SOLVENCY REQUIREMENT (SOLVENCY I)
The lowest permissible capital required for insurance operations from the viewpoint of the supervisory authorities according to Solvency I-regulations. The requirement is based on the historical claims outcome or premiums written, gross where the highest value is used.

TECHNICAL PROVISIONS
Provisions for unearned premiums, unexpired risks and claims outstanding.

TECHNICAL RESULT
Premiums earned on own account less claims costs and operating expenses on own account, plus the allocated investment return transferred to the technical accounts and other technical income.

[1)] Refers to alternative performance measurements.

TECHNICAL RESULT BEFORE INVESTMENT RETURN
Item in the technical accounts comprising premiums earned on own account less claims and operating expenses on own account in the insurance operations.

TOTAL INVESTMENT RETURN
Investment return in relation to other financial investment assets, land and buildings, cash and bank balances, accrued financial income, securities settlement claims/liabilities and derivative liabilities, expressed as a percentage. The return has been calculated using a daily time-weighted return calculation method.

UNDERWRITING
Includes the risk assessment and pricing conducted when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.

UNDERWRITING RISK
Underwriting risk is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

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