ANNUAL REPORT 2017

Relax, we'll help you.

CONTENTS

COMMENTS BY THE PRESIDENT AND CEO

TORBJÖRN MAGNUSSON

When If was formed at the turn of the millennium, stable underwriting was crucial to everything we did. Risk awareness is and will remain the most important foundation for insurance and has been a key to If's success. We are now taking this with us when we build a stronger company for the future.

In recent years, we have devoted considerable effort to ensuring customer focus in all of its forms. We have invested heavily in new technology and modern distribution, and have also focused on our everyday culture in terms of always prioritizing customer work. In 2017, these efforts generated favorable results.

We saw last year that even more people chose to be customers with us. We measure everything we do and surveys of our four Nordic countries showed that the customers that had been in contact with our customer service were more satisfied than in 2016. At the same time, satisfaction among customers who have reported claims has become better than before. In the Private business area, we celebrated that we recently passed three million Nordic customers. That is an achievement that shows that we are on the right track.

2017 was a strong year for If. In Sweden we continued to grow steadily, in Norway and Denmark we maintained our market position and even though it was a turbulent year in Finland, If's strategy of replacing discounts with favorable and stable prices proved to be the right way to go. The Baltic markets also performed well after the consolidation, and growth has gained momentum there.

Last winter was uncommonly mild and there were no major claims in any of our countries, which has not been the case in any of my years at If. This also had a positive impact on our earnings.

The year ended with a combined ratio of 85.3% (84.4) and a technical result of MSEK 6,171 (6,228). The financial return was favorable and contributed to the strong earnings.

During the year, we renewed important agreements that ensure exciting development in the three business areas: Private, Commercial and Industrial. I would particularly like to draw attention to our comprehensive cooperation with the automotive industry, where vehicles are being registered like never before. For the third consecutive year, there were record numbers of vehicles on Nordic roads, with more than 885,000 new registrations, an increase of 2% compared with 2016. Of the new vehicles, 40% were registered with insurance from If.

Adaptation to a digital age continues. We are building better online services and IT solutions for the future and believe that we are well positioned to cope with the competition in the market. Parallel with this, we are also changing our customer service in all countries and concentrating service functions in larger, more powerful units. By so doing, our competencies will be of even greater value to our customers.

If is the leading insurance company in the Nordic region. In two years, we will celebrate our 20th anniversary. One of our strengths is that we do not stagnate with age, but work hard to face the future with market leading products and services.

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 2017 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.

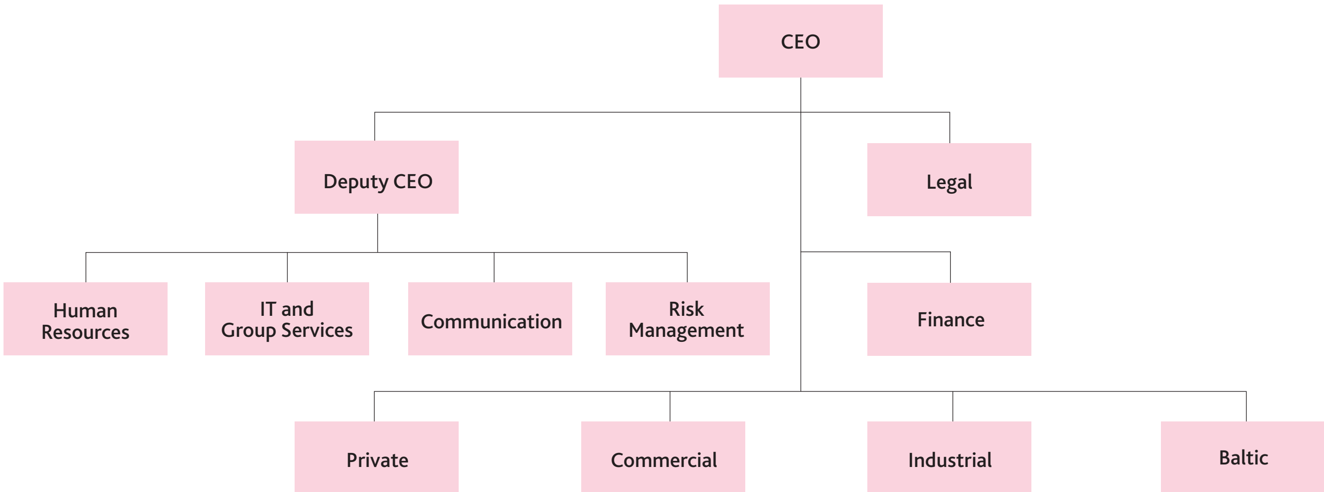
The Parent Company of the If Group, If P&C Insurance Holding Ltd (publ), is a wholly owned subsidiary of Sampo plc, a Finnish listed company, whose registered office is in Helsinki. The Sampo Group conducts property and casualty insurance operations within If and in Topdanmark A/S, life insurance operations in the Mandatum Group and has a substantial shareholding in Nordea Bank AB (publ). If's property and casualty insurance operations constitute an own segment within Sampo.

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.

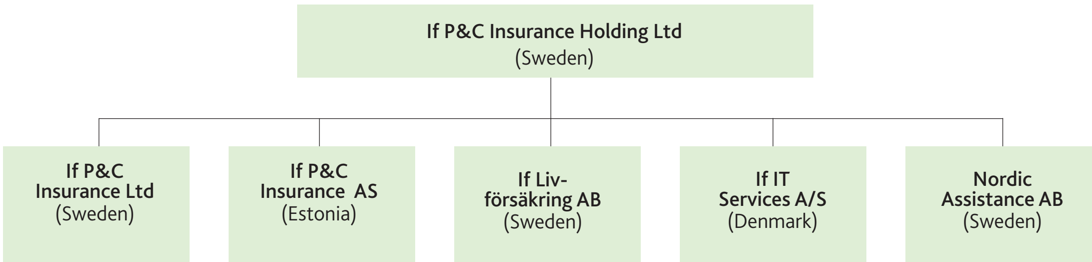
The holding company owns the Swedish companies, If P&C Insurance Ltd, Nordic Assistance AB and If Livförsäkring AB the Danish company If IT Services A/S and the Estonian company If P&C Insurance AS. If's operations in Denmark, Norway, Finland and Latvia, are conducted via branches of If P&C Insurance 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 7,884 (12,386). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 6,171 (6,228).

PREMIUMS WRITTEN

Gross written premiums for the year amounted to MSEK 43,610 (42,207). Adjusted for exchange-rate effects, the underlying change in premium volumes was growth of 1.8%. The increase was mainly in the Private and Baltic business area.

CLAIMS INCURRED AND OPERATING EXPENSES

Net claims incurred amounted to MSEK 28,516 (27,503). Adjusted for exchange-rate effects, claims expenses increased by 2%.

The claims ratio amounted to 68.9% (67.8). Compared with 2016, the change was mainly due to a reversal of claims reserves for Motor Third party liability.

The expense ratio improved and amounted to 16.4% (16.6). Operating expenses in the insurance operation totaled to MSEK 6,796 (6,754). Adjusted for exchange-rate effects operating expenses in the insurance business decreased by 1%.

The combined ratio amounted to 85.3% (84.4). Compared with 2016, the change was mainly due to the above reversal of reserves in 2016, adjusted for this effect the combined ratio was slightly better in 2017.

INVESTMENT RESULT

At full market value, profit from asset management decreased to MSEK 2,995 MSEK (3,186), corresponding to a total return of 2.6% (2.9).

Net investment return amounted to MSEK 2,389 (1,893) in the income statement and MSEK 606 (1,293) in other comprehensive income.

Prior to 2017, there was anxiety in financial markets as to the national elections in Europe would turn out over the course of the year. Nevertheless, the financial markets started on a positive note, but they became more cautious during the spring with the presidential election in France at hand. After that, the markets have moved on from federal elections in Germany and concern over destabilization on the Korean peninsula. When summing up the year it has been characterized by historically low volatility, in the US especially. The low volatility combined with a continuation of the supportive monetary policy from several central banks meant another very strong year for most asset classes and markets.

In general, market interest rates remained low during 2017 apart from in the US, which noted a large increase in short-term rates above all. However, the absolute majority of If's interest-bearing investments are made in Europe and Scandinavia which, together with lower credit spreads gave a return of 2.2% (2.4) on the interest-bearing securities.

Additional information is presented in Note 6.

Consolidated results per quarter and full-year

MSEK	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 Jan-Dec	2016 Jan-Dec
Premiums earned, net of reinsurance	10,501	10,378	10,341	10,156	41,376	40,575
Allocated investment return transferred from the non-technical account	30	38	49	62	180	-25
Other technical income	68	65	65	61	260	251
Claims paid, net of reinsurance	-6,992	-7,149	-7,156	-7,219	-28,516	-27,503
Of which, Claims-adjustment costs	*-617*	*-562*	*-573*	*-575*	*-2,327*	*-2,227*
Operating expenses for insurance operations, net of reinsurance	-1,784	-1,649	-1,709	-1,654	-6,796	-6,754
Other operating expenses	-86	-75	-91	-82	-334	-316
Technical result from property and casualty insurance	**1,738**	**1,608**	**1,500**	**1,326**	**6,171**	**6,228**
Investment result	495	519	795	580	2,389	1,893
Allocated investment return transferred to the technical account	-108	-115	-125	-148	-497	-242
Interest expense, net pension liability	-4	-4	-4	-4	-18	-20
Interest expense etc., subordinated debt	-27	-76	-37	-36	-175	-108
Income from associates	10	0	8	-3	14	4,635
Result before income tax	**2,104**	**1,931**	**2,135**	**1,714**	**7,884**	**12,386**
Claims ratio	66.6%	68.9%	69.2%	71.1%	68.9%	67.8%
Expense ratio	17.0%	15.9%	16.5%	16.3%	16.4%	16.6%
Combined ratio	83.6%	84.8%	85.7%	87.4%	85.3%	84.4%
Risk ratio [1)]	60.7%	63.5%	63.7%	65.4%	63.3%	62.3%
Cost ratio [1)]	22.9%	21.3%	22.1%	22.0%	22.0%	22.1%
Insurance margin [1)]	16.7%	15.6%	14.8%	13.2%	15.1%	15.5%

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

NET PROFIT AND TAX COSTS
Net profit was MSEK 6,148 (10,703). The effective tax rate for the year was 22.0% (13.6). Of total taxes, current tax expenses amounted to MSEK 2,288 (1,548) and deferred tax income was MSEK 552 (expense 135).

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 85.8% (90.3) at year-end. Solvency capital decreased to MSEK 36,044 (36,714). Cash flow from operating activities amounted to MSEK 6,629 (neg: 66) and cash flow from investing activities to MSEK 3 (7,397). The sale of the holding in Topdanmark A/S is included in the item investing activities in 2016. During the year a subordinated loan was repaid and affected cash flow negatively by MSEK 867 (2016: new subordinated loan 1,992) A total dividend of MSEK 6,000 (8,600) was paid. Proposed appropriation of the company's net result is presented in Note 11 in the Parent Company.

TECHNICAL PROVISIONS (RESERVES)
Gross provisions at year-end increased to MSEK 89,775 (89,596). Currency effects arising from the conversion of provisions in foreign currencies reduced the provision by MSEK 16. After adjustments for exchange-rate effects, the premium reserve increased by MSEK 594. Correspondingly the claims reserve decreased by MSEK 400 after adjustments for exchange-rate effects.

Reinsurers' proportion of technical provisions decreased slightly to MSEK 2,163 (2,255). After adjustment for exchange-rate effects, reinsurers' share of technical provisions decreased by MSEK 30.

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 capital requirements. If P&C Insurance Ltd uses an approved partial internal model (PIM) to calculate the solvency capital requirement for insurance risk, while other risks are calculated using the standard formula. If P&C Insurance Ltd (publ) is in the process of extending the scope of the approval to also include insurance risk in the Finnish non-life operations merged into the company in October 2017. If Livförsäkring AB and If P&C Insurance AS (Estonia) use the Solvency II standard formula for calculating their solvency capital requirements.

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, up to the level of If P&C Insurance Holding Ltd (publ) is calculated, corresponding to what the regulatory requirement have been if Solvency II-regulations been enforced at the level of the If Group.

As per December 31, 2017, the standard formula, sub-group, SCR amounted to MSEK 19,079 (18,555) and eligible own funds to MSEK 37,579 (36,510).

PERSONNEL
During the year, the number of employees stayed stable and amounted to 6,452 (6,200) at year-end. The average number of employees during the year was 6,367 (6,180), of whom 54% (54) were women.

If recruits approximately 600 employees annually, in order to replace people who have retired or left the company and to add new competencies to the company.

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 2017 fiscal year, there were no new or amended standards that caused any for If's accounting significant changes or new requirements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR
The Group structure was consolidated through the merger of the subsidiary If P&C Insurance Company Ltd (Finland) with the subsidiary If P&C Insurance Ltd (publ) as of October 1, 2017.

OUTLOOK
The development of the global economy in 2018 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 long-term objective for the Group is to keep a combined ratio below 95% and a return on equity of at least 17.5%. For 2018, the objective is to achieve a combined ratio by a margin below 95%.

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.

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. Intra-Group transactions also arise in connection with payment of dividends from subsidiaries that are not passed on externally or invested externally.

Beginning in September 2017, parts of the cash surplus are managed in a dedicated investment portfolio.

The Parent Company's net profit increased to MSEK 6,055 (2,481), mainly as a result of increased dividends from subsidiaries.

The Parent Company's solvency capital at year-end amounted to MSEK 20,151 (20,093) and its total assets to MSEK 21,777 (21,752).

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

Sampo plc will issue a report on non-financial information for the Sampo Group in accordance with Finnish requirements that are equivalent to the sustainability report requirements introduced in Swedish accounting acts. The Sampo Corporate Responsibility Report 2017 will be published before the end of June 2018 and since it covers the business of If P&C Insurance Holding Ltd and its subsidiaries, a separate If report has not been prepared.

Group Five-year summary

MSEK	2017	2016	2015	2014	2013
Condensed income statement					
Premiums written, net of reinsurance	41,994	40,636	40,951	40,627	39,456
Premiums earned, net of reinsurance	41,376	40,575	40,629	40,568	38,977
Allocated investment return transferred from the non-technical account	180	-25	213	339	560
Other technical income	260	251	261	249	245
Claims incurred, net of reinsurance	-28,516	-27,503	-29,400	-28,781	-27,821
Of which, Claims-adjustment costs	*-2,327*	*-2,227*	*-2,333*	*-2,369*	*-2,332*
Operating expenses in insurance operations, net of reinsurance [1)]	-6,796	-6,754	-5,290	-6,778	-6,536
Other operating expenses	-334	-316	-660	-245	-225
Technical result from property and casualty insurance	**6,171**	**6,228**	**5,753**	**5,352**	**5,200**
Investment result	2,389	1,893	3,184	3,614	3,654
Allocated investment return transferred to the technical account	-497	-242	-564	-749	-1,036
Interest expense, net pension liability	-18	-20	-42	-64	-58
Interest expense etc., subordinated debt	-175	-108	-136	-169	-151
Income from associates	14	4,635	394	490	431
Results before income tax	**7,884**	**12,386**	**8,589**	**8,474**	**8,040**
Income taxes	-1,736	-1,683	-1,826	-1,733	-1,568
Net profit for the year	**6,148**	**10,703**	**6,763**	**6,741**	**6,472**

[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	2017	2016	2015	2014	2013
Balance sheet, December 31					
Assets					
Intangible assets	892	863	873	1,294	1,312
Investment assets	110,975	111,994	104,293	108,738	103,478
Reinsurers' share of technical provisions	2,163	2,255	2,196	2,230	3,718
Deferred tax assets	172	233	252	718	515
Debtors	13,529	12,978	11,970	11,894	11,010
Other assets, prepayments and accrued income	6,527	6,633	5,739	5,300	5,153
Total assets	**134,258**	**134,956**	**125,323**	**130,174**	**125,186**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	30,414	29,749	26,337	27,140	25,948
Subordinated debt	3,067	3,889	1,829	3,276	3,087
Deferred tax liability	2,735	3,309	2,881	3,591	3,379
Technical provisions	89,775	89,596	86,687	86,258	84,159
Creditors	5,534	5,648	4,634	5,024	4,622
Provisions, accruals and deferred income	2,734	2,765	2,955	4,885	3,991
Total shareholders' equity, provisions and liabilities	**134,258**	**134,956**	**125,323**	**130,174**	**125,186**
Key data, property and casualty operations					
Claims ratio	68.9%	67.8%	72.4%	70.9%	71.4%
Expense ratio [1]	16.4%	16.6%	13.0%	16.7%	16.8%
Combined ratio	85.3%	84.4%	85.4%	87.7%	88.1%
Risk ratio [2]	63.3%	62.3%	66.6%	65.1%	65.4%
Cost ratio [1] [2]	22.0%	22.1%	18.8%	22.5%	22.8%
Insurance margin [2]	15.1%	15.5%	15.1%	13.2%	13.3%
Key data, asset management					
Total investment return [3]	2.6%	2.9%	1.5%	4.1%	5.0%
Other key data					
Capital base [4]	-	-	29,142	31,435	29,872
Solvency requirement [4]	-	-	8,093	7,895	7,521
Solvency capital	36,044	36,714	30,795	33,289	31,899
Solvency ratio	85.8%	90.3%	75.2%	81.9%	80.8%
Return on equity [2]	19.6%	38.4%	18.8%	24.7%	28.3%

[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	2017	2016
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	7	43,610	42,207
Premiums ceded	7	-1,616	-1,571
Change in provision for unearned premiums and unexpired risks		- 594	- 38
Reinsurers' share of change in provision for unearned premiums and unexpired risks		- 23	- 23
		41,376	**40,575**
Allocated investment return transferred from the non-technical account	8	180	- 25
Other technical income		260	251
Claims incurred, net of reinsurance			
Claims paid			
Gross		-30,101	-29,005
Reinsurers' share		875	693
Change in provision for claims outstanding			
Gross		717	827
Reinsurers' share		- 7	- 18
	9	**-28,516**	**-27,503**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-6,909	-6,870
Commissions and profit participations in ceded reinsurance		113	116
		-6,796	**-6,754**
Other operating expenses		- 334	- 316
	10, 11, 12, 13	**-7,129**	**-7,070**
Technical result from property and casualty insurance	14	**6,171**	**6,228**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		1,872	2,039
Changes in value		807	85
Management costs		- 290	- 231
	15	**2,389**	**1,893**
Allocated investment return transferred to the technical account	8	-497	-242
Interest expense on net pension liability		-18	-20
Interest expense etc., subordinated debt	16	-175	-108
Income from associates	17	14	4,635
Result before income taxes		**7,884**	**12,386**
Taxes	18	-1,736	-1,683
Net profit for the year		**6,148**	**10,703**
Of which attributable to owners of the parent		*6,148*	*10,703*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2017	2016
Net profit for the year		**6,148**	**10,703**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurements of the net pension liability		47	-56
Taxes related to items which will not be reclassified	18	- 9	12
		38	**- 44**
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		92	751
Effects of changes in exchange rates, foreign associates		1	121
Exchange rate differences at realization, foreign operations		42	-
Exchange rate differences at realization, foreign associates		-	- 198
Remeasuring of financial assets available for sale		1,492	1,300
Value changes recognized in income statement on assets available for sale		- 886	- 7
Taxes related to items which will be reclassified when specific conditions are met	18	-262	-356
		478	**1,611**
Total comprehensive income		**6,664**	**12,270**
Of which attributable to owners of the parent		*6,664*	*12,270*

CONSOLIDATED BALANCE SHEET

Assets, December 31

MSEK	Note	2017	2016
Intangible assets			
Goodwill		715	715
Other intangible assets		177	148
	19	**892**	**863**
Investment assets			
Land and buildings	20	196	206
Investments in associated companies	21	140	128
Other financial investment assets	22, 23	110,631	111,653
Deposits with ceding undertakings		7	7
		110,975	**111,994**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		393	423
Provisions for claims outstanding		1,770	1,832
	24	**2,163**	**2,255**
Deferred tax assets	33	**172**	**233**
Debtors			
Debtors arising out of direct insurance operations	25	11,839	11,218
Debtors arising out of reinsurance operations	26	460	488
Other debtors	27	1,229	1,272
		13,529	**12,978**
Other assets			
Tangible assets	28	217	180
Cash and bank balances		4,082	4,217
Collaterals and settlement claims		54	22
		4,352	**4,419**
Prepayments and accrued income			
Accrued interest and rental income		473	529
Deferred acquisition costs	29	1,166	1,178
Other prepayments and accrued income	30	536	507
		2,175	**2,214**
Total assets		**134,258**	**134,956**

Shareholders' equity, provisions and liabilities, December 31

MSEK	Note	2017	2016
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		5,106	4,624
Profit carried forward		16,034	11,296
Net profit for the year		6,148	10,703
		30,414	**29,749**
Subordinated debt	31	**3,067**	**3,889**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		19,960	19,501
Provisions for claims outstanding		69,815	70,095
	32	**89,775**	**89,596**
Provisions for other risks and charges			
Deferred tax liability	33	2,735	3,309
Other provisions	34, 35	884	1,089
		3,618	**4,398**
Deposits received from reinsurers		**-**	**-**
Creditors			
Creditors arising out of direct insurance operations	36	1,869	1,692
Creditors arising out of reinsurance operations		235	279
Derivatives	22, 23	107	637
Other creditors	37	3,323	3,040
		5,534	**5,648**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		29	33
Other accruals and deferred income	38	1,821	1,643
		1,851	**1,676**
Total shareholders' equity, provisions and liabilities		**134,258**	**134,956**

PARENT COMPANY

Income statement

MSEK	Note	2017	2016
Other operating income		-	-
Other operating expenses		-	-
Operating result		**-**	**-**
Result from financial investments			
Dividends from Group companies		6,091	159
Result from associated companies	1	1	2,318
Interest income and similar income items	2	25	17
Interest expense and similar expense items	3	101	-22
Result after financial items		**6,016**	**2,472**
Group contributions, net		40	10
Result before income taxes		**6,056**	**2,482**
Tax on net profit for the year	4	-1	-1
Net profit for the year		**6,055**	**2,481**

Statement of comprehensive income

MSEK	Note	2017	2016
Net profit for the year		**6,055**	**2,481**
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		0	-
Taxes related to items which will be reclassified when specific conditions are met		0	-
		0	-
Total comprehensive income		**6,055**	**2,481**

Balance sheet, December 31

MSEK ASSETS	Note	2017	2016
Financial fixed assets			
Shares in Group companies	5	17,039	17,128
Shares in associated companies	6	70	71
		17,109	**17,199**
Debtors			
Debtors, Group companies		92	2,883
Accrued interest income		3	-
		95	**2,883**
Short-term investments			
Bonds and other interest-bearing securities	7	2,932	-
		2,932	**-**
Cash and bank balances		**1,641**	**1,670**
Total assets		**21,777**	**21,752**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		0	-
Profit carried forward		8,981	12,500
Net profit for the year		6,055	2,481
		18,162	**18,107**
Subordinated debt	8	**1,989**	**1,986**
Provisions			
Deferred tax liability	9	0	-
Current creditors			
Creditors, Group companies		1,622	1,649
Provision for taxes		1	1
Other accrued expenses and prepaid income		3	9
		1,625	**1,659**
Total shareholders' equity and liabilities		**21,777**	**21,752**

CHANGES IN SHAREHOLDERS' EQUITY

Group

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserves	Other reserves	Unrestricted equity: Fair value reserve	Unrestricted equity: Profit brought forward	Unrestricted equity: Net profit for the year	Total equity
Equity at beginning of 2016	**2,726**	**400**	**-**	**3,593**	**19,618**	**-**	**26,337**
Transfer between restricted and unrestricted equity	-	-	-496	-	496	-	-
Total comprehensive income	-	-	496	1,031	40	10,703	12,270
Share of associates' other changes in equity	-	-	-	-	-258	-	-258
Dividend to shareholder [1)]	-	-	-	-	-8,600	-	-8,600
Equity at end of 2016	**2,726**	**400**	**-**	**4,624**	**11,296**	**10,703**	**29,749**
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
Share of associates' other changes in equity	-	-	-	-	0	-	0
Dividend to shareholder [2)]	-	-	-	-	-6,000	-	-6,000
Equity at end of 2017	**2,726**	**400**	**-**	**5,106**	**16,034**	**6,148**	**30,414**

Parent Company

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserves	Unrestricted equity: Fair value reserve	Unrestricted equity: Profit brought forward	Unrestricted equity: Net profit for the year	Total equity
Equity at beginning of 2016	**2,726**	**400**	**-**	**21,100**	**-**	**24,226**
Dividend to shareholder [1)]	-	-	-	-8,600	-	-8,600
Total comprehensive income	-	-	-	-	2,481	2,481
Equity at end of 2016	**2,726**	**400**	**-**	**12,500**	**2,481**	**18,107**
Equity at beginning of 2017	**2,726**	**400**	**-**	**14,981**	**-**	**18,107**
Dividend to shareholder [2)]	-	-	-	-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**

There are a total of 136,350,000 shares with a quota 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 -40 (-174).

1) During 2016, dividends paid totaled approximately SEK 63.07 per share, of which dividends resolved by Extraordinary General Meetings accounted for about SEK 63.07 per share.
2) 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. The Board of Directors and the President propose that the 2018 Annual General Meeting resolve not to pay any dividend.

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	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance		43,077	42,114
Claim payments, direct insurance		-30,063	-28,941
Reinsurance flows		-779	-1,036
Costs of operations		-6,747	-7,004
		5,488	**5,133**
Cash flow from asset management			
Interest payments received		1,486	1,762
Dividends received, shares		443	382
Cash flow from properties		8	15
Net investments in financial investment assets		333	-5,828
		2,269	**-3,669**
Interest payments etc., subordinated debt		-177	-110
Realized foreign exchange transactions		1,310	39
Paid income tax		-2,261	-1,459
		6,629	**-66**
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend, sale of shares and repayment of loan, associates		3	7,448
Investments in associates		-	-51
		3	**7,397**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-6,000	-8,600
Issuance/repayment, subordinated debt	31	-867	1,992
		-6,867	**-6,608**
Cash flow for the year		**-236**	**723**
Cash and bank			
Cash and bank balances on January 1		4,217	3,382
Effect of exchange rate changes		100	112
Cash flow for the year		-236	723
Cash and bank balances on December 31		**4,082**	**4,217**

Parent company

MSEK	2017	2016
Net profit for the year	6,055	2,480
Non cash flow items/changes in operating activities	-57	-2,317
	5,998	**163**
Group internal flows, net	2,893	-173
Net investments in financial investment assets	-2,970	-
Investments		
Investments in Group companies	-	-7
Sale of shares and repayment of loan, associates	-	7,447
Investments in associates	-	-51
Liquidation Group companies	50	-
Financing		
Dividend	-6,000	-8,600
Issuance, subordinated debt	-	1,992
Cash flow for the year	**-29**	**771**
Change in cash and bank balances	**-29**	**771**

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 March 2, 2018 and will be presented to the 2018 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.

Issued, but not yet effective, international accounting standards 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, and to a certain extent, IFRS 16 Leases.

IFRS 9 has been adopted for use in the EU but in an adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that in certain circumstances insurance companies can delay their first application of IFRS 9. If fulfils these conditions since If has not previously applied IFRS 9 and the carrying amount of the liabilities connected to insurance is greater than 90% of the total carrying amount of the liabilities. If plans to implement the standard later than its ordinary effective date on January 1, 2018. The transition from IAS 39 to IFRS 9 is not expected to have any significant effects on If's accounts until 2021, although some expanded disclosures will be added in 2018. Since, among other considerations, the notion of business model will be important and the Financial Instruments standard includes some optionality, If believes that there will be significant cross-influences to the published, not yet adopted standard for Insurance Contracts that need to be carefully assessed.

IFRS 15 Revenue from Contracts with Customers has been adopted by the EU and took effect on January 1, 2018. The standard replaces existing standards and interpretations pertaining to revenue recognition, with the exception of the recognition of insurance contracts. 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. According to If's assessment, transitioning from revenue recognition in accordance with the existing IAS 18 standard to revenue recognition in accordance with IFRS 15 will not have any material impact on If's financial position or result.

IFRS 16 Leases has been adopted by the EU and will take effect on January 1, 2019, at which time If plans to apply the standard. The standard replaces the existing IAS 17. The current assessment is that the standard is expected to have a limited impact on If's financial position and result, although total assets will increase slightly since a portion of the Group's leases will be recognized in the balance sheet as fixed assets and interest-bearing liabilities, respectively. The Group's technical result may also improve slightly since current leasing costs, which are included in operating costs, are divided between depreciation/amortization and interest expense, respectively, which are included in the Investment result.

IFRS 17 Insurance Contracts was published in May 2017 and is expected to take effect on January 1, 2021. The standard has not yet been adopted by the EU. 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 income statement 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 22% 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 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:

	2017	2016
US dollars	8.21	9.06
Danish kroner	1.32	1.28
Euro	9.84	9.55
Norwegian kroner	1.00	1.05

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 according to plan. 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 planned 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 may 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 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 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 net 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 ASSOCIATED COMPANIES

Associated companies 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. Associated companies are reported in the consolidated accounts using the equity method. The equity method means that an associated company's carrying amount is continually adjusted for changes in the holding company's share of the associated company's net assets. If there is any indication that the carrying amount of an associated company is higher than its recoverable amount, a calculation is made of the associated company's recoverable amount. Recoverable amount refers to the higher of the associated company'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 associated company 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, calculated as a sales value without deduction for sales costs. 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 depreciation according to plan. 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 according to plan, 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 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 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 IAS 18 Revenue.

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 an insurance company 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 accounting 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 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 accrual 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 taxes are 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 Norway, the tax rate was 25%, in Denmark 22% and in Finland 20%.

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.

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, settlement 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 associated companies 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 2017 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

GOODWILL

If reports goodwill attributable to the acquisition of Sampo's Finnish property and casualty operations. In accordance with IFRS 3, goodwill is no longer amortized. To ensure that the carrying amount for this item is not reported at an excessively high value, a calculation of its recoverable amount has been done. Additional comments on the parameters used, conducted assessments and so forth are made in Note 19.

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 associated companies, 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 claim result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claim 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 Policy set limits for currency exposure.

MSEK **Exchange-rate effects in the technical result**	**2017**	**2016**	**Change**	***Of which exchange-rate effect***
Premiums earned, net of reinsurance	41,376	40,575	801	*429*
Allocated investment return transferred from the non-technical account	180	-25	205	*0*
Other technical income	260	251	9	*3*
Claims incurred, net of reinsurance	-28,516	-27,503	-1,013	*-332*
Operating expenses	-7,129	-7,070	-59	*-85*
Technical result from property and casualty insurance	**6,171**	**6,228**	**-57**	***15***

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 2017	Premiums earned	Total expenses	*Of which claims costs*	*Of which operating expenses*
SEK	33%	34%	*28%*	*6%*
NOK	31%	28%	*22%*	*6%*
DKK	9%	10%	*8%*	*2%*
EUR	22%	23%	*19%*	*4%*
USD	1%	1%	*1%*	*0%*
Other	4%	4%	*3%*	*1%*
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 2017, a net exchange-rate loss of MSEK 45 was recognized in the income statement. The loss arose 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**	**2017**	**2016**
Conversion of items in the income statement and balance sheet	-2,015	469
Realized effects of currency derivatives	1,326	42
Unrealized effects of currency derivatives	644	-506
Total exchange-rate result	**-45**	**5**

NOTE 4 – Information about related companies

RELATIONS WITH ASSOCIATED COMPANIES

The Parent Company If P&C Insurance Holding Ltd (publ) owns a share of 28.6% of Contemi Holding AS, a consultancy company within information technology.

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.

The subsidiary If P&C Insurance Ltd owns a share of 35.5% of the associated company Autovahinkokeskus Oy that commissions sales of vehicles redeemed by the If Group.

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.

RELATIONS WITH NORDEA

Nordea is an associated company 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, Finland and the Baltic countries 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	2017	2016	2017	2016	2017	2016	2017	2016
Associates	2	-	-101	-96	1	-	-3	-3
Owner								
Sampo plc	2	0	-26	-39	-	-	-3	-4
Other related parties								
Subsidiaries of Sampo [3)]	35	36	0	-36	159	2	-1	0
Nordea	195 [1)]	139 [1)]	-93 [2)]	-50 [2)]	8,964	9,324	-106	-18
Topdanmark A/S [3)]	-	-	-	-	-	-	-	-

1) Including interest income
2) Including interest expense
2) As of September 30, 2017 Topdanmark A/S is a subsidiary of Sampo

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, minimising 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. 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.

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 income statement and the balance sheet are identified, measured, monitored, managed, 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 financial values of Group companies.
- Ensure the overall efficiency, security and continuity of operations.

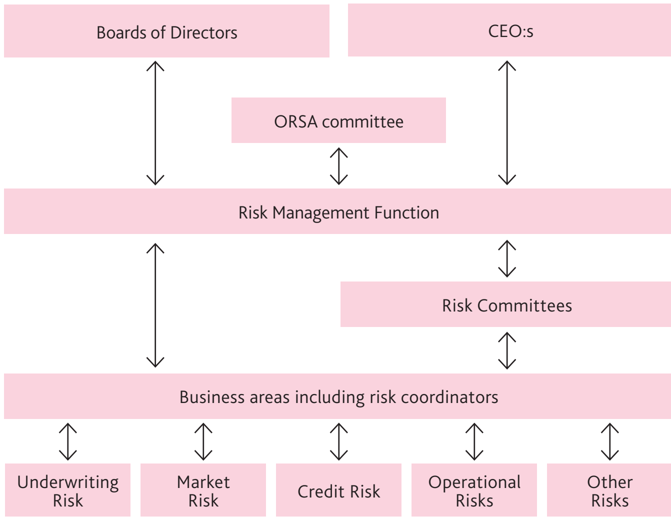
RISK MANAGEMENT PROCESS

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 below 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 1 – 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 the sound risk culture within If.

RISK 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, reviewing the effectiveness of If's internal control system and gives input to, and follows up on coordination of 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.

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 CRO, risk control unit as well as capital management unit. The function is responsible for coordinating the risk management activities on behalf of the Boards of Directors and the CEO:s.

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 issue 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 structure, enhancing the return to shareholders while maintaining reasonable financial flexibility.
- 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.
- 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 national rules for capital requirements and available capital. All insurance companies within the If Group that are required to meet regulatory solvency requirements under Solvency II met the requirements during 2017.

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 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.

FIGURE 2 – Risks encompassed in the Risk Management System

IF'S RISKS

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.

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 are 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 ratings 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.

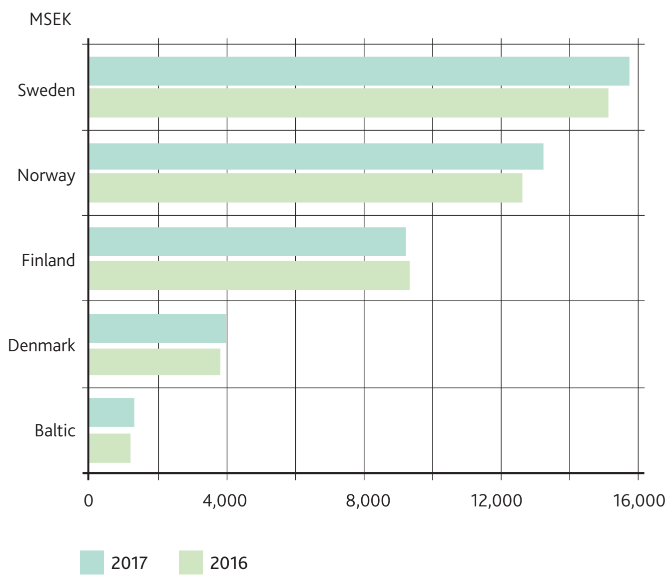
A Group-wide reinsurance program has been in place in If since 2003. In 2017, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

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, 2017	Change	2017	2016
Combined ratio, Business Area Private	84.0%	+/- 1 percentage point	+/- 250	+/- 245
Combined ratio, Business Area Commercial	88.0%	+/- 1 percentage point	+/- 112	+/- 110
Combined ratio, Business Area Industrial	88.7%	+/- 1 percentage point	+/- 39	+/- 38
Combined ratio, Business Area Baltic	88.9%	+/- 1 percentage point	+/- 13	+/- 12
Premium level	41,376	+/- 1%	+/- 414	+/- 406
Claims level	28,516	+/- 1%	+/- 285	+/- 275

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

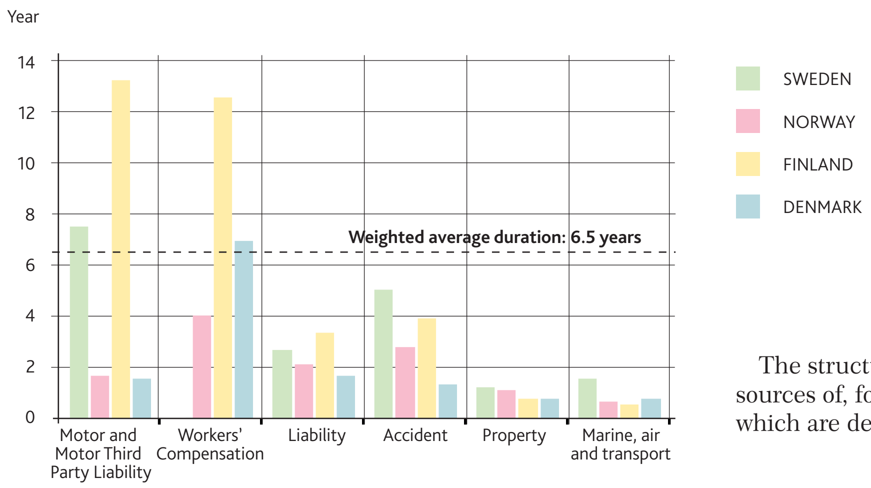
For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2017, the proportion of technical provisions related to MTPL and WC was 67%. 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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Motor and Motor Third Party Liability	24,765	24,198	5,277	5,840	10,167	9,803	1,575	1,504	852	734
Workers' compensation	-	-	2,144	2,643	11,801	11,277	2,482	2,468	-	-
Liability	2,634	3,032	1,255	1,300	1,202	1,259	726	638	202	177
Accident	3,214	2,898	3,657	3,701	1,537	1,487	925	876	56	53
Property & Other	4,007	4,039	4,672	5,021	2,227	2,178	971	990	242	226
Marine, air and transport	202	225	470	474	96	107	225	160	27	34
Total	**34,823**	**34,392**	**17,475**	**18,980**	**27,030**	**26,111**	**6,905**	**6,636**	**1,379**	**1,222**

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

FIGURE 4 – Duration of technical provisions 2017



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	2017 Effect MSEK	2016 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,810	1,736
			Denmark	115	100
			Norway	524	399
			Finland	368	375
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	652	642
			Denmark	130	134
			Finland	2,947	2,671
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	242	229
			Denmark	16	16
			Finland	652	588

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	2017	2016
Financial assets at fair value		
Financial assets, mandatory at fair value through profit and loss (trading)	242	135
Financial assets, designated by If as at fair value through profit and loss	-	0
Financial assets, available for sale	109,358	110,513
Loans and receivables [1]	19,504	19,053
Total financial assets	**129,104**	**129,701**
Financial liabilities, mandatory at fair value through profit and loss (trading)	107	637
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	9,143	9,642
Total financial liabilities	**9,249**	**10,279**

[1] Loans and receivables consists of the following balance sheet items: loans and receivables, deposits with ceding undertakings, debtors, cash and bank, collaterals and 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, collaterals and 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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Land and buildings	**196**	**206**	196	206					196	206
Investments in associated companies	**140**	**128**								
Financial assets, mandatory at fair value through profit and loss (trading)										
Derivatives [1]	242	135	242	135	-	-	3	11		
Financial assets, designated by If as at fair value through profit or loss										
Bonds and other interest-bearing securities	-	0	-	0	-	0				
Financial assets, available for sale										
Shares and participations	14,423	14,775	14,423	14,775			14,423	14,775		
Bonds and other interest-bearing securities	94,935	95,738	94,935	95,738	94,935	95,738				
Loans										
Deposits with credit institutions	221	210	221	210	221	210				
Other loans	811	795	811	795	811	795				
Total other financial investment assets	**110,631**	**111,653**								
Deposits with ceding undertakings	**7**	**7**								
Total Investment assets	**110,975**	**111,994**								
Other assets										
Cash and bank			4,082	4,217	4,082	4,217				
Collaterals and settlement claims			54	22	34	0	19	22		
Accrued income			473	529	473	529				
Assets under active management			**115,436**	**116,627**	**100,555**	**101,489**	**14,445**	**14,808**	**196**	**206**
Financial liabilities mandatory at fair value through profit and loss (trading)										
Derivatives [2]	107	637	107	637	23	34				
Total Derivative liabilities	**107**	**637**								
Financial liabilities valued at the amount expected to be settled										
Collaterals and settlement liabilities			147	0	147	0	-	-		
Accruals			1	-	1	-				
Liabilities under active management			**256**	**637**	**172**	**34**	**-**	**-**	**-**	**-**
Assets under active management, net			**115,180**	**115,990**	**100,383**	**101,455**	**14,445**	**14,808**	**196**	**206**

1) Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 239 (124).
2) Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 84 (603).

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 2.6% in 2017. Investment assets amounted to MSEK 115,025. The major market risks comprise 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	2017 Carrying amount	%	2016 Carrying amount	%
Fixed income	100,383	87.3	101,455	87.1
Equities	14,445	12.6	14,808	12.7
Properties	196	0.2	206	0.2
Total	**115,025**	**100**	**116,469**	**100**

In the allocation of assets under active management currency derivatives amounting to MSEK 155 (-479) are excluded.

During the year, the proportion of equity investments decreased from 12.7% to 12.6%. The proportion of fixed income investments increased from 87.1% to 87.3%. Other investment assets amounted to 0.2% at December 31, 2017.

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 value 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

	2017				2016			
	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	3	-3			22	-22		
Long-term fixed income	1,513	-1,461			1,578	-1,516		
Equities			-2,888				-2,959	
Other financial assets				-39				-41
Liabilities								
Subordinated loans	-76	73			-113	109		
Derivatives, net	-20	19	-1		-27	25		
Total change in fair value	**1,420**	**-1,372**	**-2,888**	**-39**	**1,460**	**-1,404**	**-2,959**	**-41**

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. The interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

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.

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 in Finland, Sweden and Denmark 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 years at year-end 2017 (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

	2017			2016		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Short-term fixed income	5,665	5.6	0.1	9,476	9.3	0.5
Scandinavia, long term government and corporate securities	69,552	69.3	1.3	67,980	67.0	1.3
Scandinavia, index-linked bonds	679	0.7	2.9	697	0.7	3.8
Europe, long term government and corporate securities	15,512	15.5	2.0	15,437	15.2	1.8
USA, long term government and corporate securities	6,673	6.6	2.2	6,145	6.1	2.6
Global, long term government and corporate securities	2,302	2.3	2.8	1,720	1.7	2.9
Total	**100,383**	**100**	**1.4**	**101,455**	**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 14,445 and the proportion of equities in the investment portfolio was 12.6%.

TABLE 9 – Breakdown of equity investments by industry sectors

	2017		2016	
MSEK	Carrying amount	%	Carrying amount	%
Industrials	5,056	49.1	5,130	46.8
Consumer Discretionary	2,810	27.3	3,390	30.9
Materials	661	6.4	663	6.0
Health Care	654	6.4	541	4.9
Telecommunication Services	588	5.7	591	5.4
Financials	282	2.7	344	3.1
Consumer Staples	132	1.3	155	1.4
Energy	62	0.6	94	0.9
Information Technology	46	0.4	64	0.6
Total	**10,291**	**100**	**10,972**	**100**

The sector allocation of equity excludes investments made through ETF:s, mutual and private equity funds of MSEK 4,154 (3,836).

TABLE 10 – Breakdown of equity investments by geographical regions

	2017		2016	
MSEK	Carrying amount	%	Carrying amount	%
Scandinavia	10,291	72.2	10,971	75.1
Europe	1,483	10.4	1,546	10.6
Far East	1,348	9.5	1,001	6.9
North America	860	6.0	845	5.8
Latin America	277	1.9	239	1.6
Total	**14,259**	**100**	**14,602**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 186 (206).

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), 2017	-991	781	-1	14	21	-2	-40
10% depreciation of foreign currency against SEK, 2017	99	-78	0	-1	-2	0	4
10% depreciation of foreign currency against SEK, 2016	37	-40	3	-4	2	0	-27

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 2017

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total 1)	Equities 2)	Properties	Derivatives (Counter-party Risk)	Total 3)	Change compared with Dec 31, 2016
Basic Industry			308	574	11		513	**1,406**	395			**1,802**	275
Capital Goods			878	522			299	**1,699**	5,131			**6,831**	167
Consumer Products		1,047	2,185	2,962			752	**6,947**	3,065			**10,012**	764
Energy		402	296		522		1,519	**2,739**	59			**2,799**	-1,227
Financial Institutions		9,530	12,303	4,367	220		254	**26,674**	279		58	**27,011**	-2,734
Governments	904							**904**				**904**	-269
Government Guaranteed	426	756						**1,182**				**1,182**	-308
Health Care	69	102	319	409			78	**977**	654			**1,631**	265
Insurance			394	619	270		213	**1,497**				**1,497**	435
Media							213	**213**				**213**	-121
Packaging							51	**51**				**51**	-1
Public Sector, Other	6,630	1,526						**8,156**				**8,156**	-937
Real Estate		58	902	786	78		4,809	**6,633**		196		**6,829**	1,072
Services				642	225		874	**1,741**				**1,741**	-60
Technology and Electronics	83		353				334	**770**	46			**816**	-175
Telecommunica-tions				1,186			481	**1,666**	588			**2,255**	243
Transportation		708	68	520			1,649	**2,945**	66			**3,011**	-605
Utilities			302	2,400	450		429	**3,581**				**3,581**	-631
Others		259					122	**381**	4			**385**	226
Covered Bonds	29,732	625						**30,356**				**30,356**	2,013
Funds								**-**	4,154			**4,154**	318
Clearing Houses								**-**				**-**	-
Total	**37,845**	**15,012**	**18,310**	**14,987**	**1,776**	**-**	**12,592**	**100,521**	**14,442**	**196**	**58**	**115,217**	**-1,290**
Change compared with Dec 31, 2016	961	-3,497	-1,001	3,060	-1,299	-	806	-970	-354	-9	44	**-1,290**	

1) Total fixed income exposure differs by MSEK 138 from the corresponding financial assets and liabilities in Table 5 because derivatives and collaterals are excluded.
2) Total equity exposure differs by MSEK -3 from the corresponding financial assets and liabilities in Table 5 because derivatives are excluded.
3) Total exposure differs by MSEK 192 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 reinsurance recoverables is presented in Table 13. In the table, MSEK 1,570 (1,242) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 13 – Reinsurance recoverables

MSEK Rating (S&P)	2017	%	2016	%
AAA	-	-	-	-
AA	378	63.9	769	75.8
A	200	33.8	204	20.2
BBB	11	1.9	23	2.3
BB - CCC	-	-	-	-
Not rated	3	0.5	17	1.7
Total	**593**	**100**	**1,013**	**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)	2017	%	2016	%
AAA	-	-	-	-
AA	303	58.9	277	52.4
A	212	41.1	253	47.6
BBB	-	-	-	-
BB - CCC	-	-	-	-
Not rated	-	-	-	-
Total	**515**	**100**	**530**	**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, whereby 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 to the ORSA committee.

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 2017

				Cash flows						
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 1.627, representing 72% of the total reinsurance recoverable. If's largest non-captive reinsurer is Munich Re (AA-), which accounts for 39% of the total non-captive reinsurance recoverable.

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 2017

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank AB	-	5,640	1,263	1,919	-	**8,822**
Svenska Handelsbanken AB	-	5,865	409	-	-	**6,275**
Swedbank AB	-	3,174	1,385	20	-	**4,578**
DnB ASA	-	1,983	2,008	1	-	**3,992**
Skandinaviska Enskilda Banken, Stockholm	-	2,443	609	123	-	**3,175**
Kingdom of Norway	-	-	3,080	-	-	**3,080**
Danske Bank A/S, Copenhagen	-	978	1,844	52	-	**2,873**
AB Volvo	1,503	-	1,015	-	-	**2,518**
Landshypotek Bank AB	-	1,836	211	-	-	**2,047**
Swedish National Housing Finance Corporation	-	1,219	716	-	-	**1,935**
Total top ten exposures	**1,503**	**23,138**	**12,540**	**2,114**	**-**	**39,295**

Exposure towards the Kingdom of Sweden amounting to MSEK 5,112 (5,323) is excluded.

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 analyze 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. 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

A 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 is key to mitigating the risk. There are established procedures for customer complaints and incident reporting. The company also provides training to 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 an Emerging Risk Core Team, consisting of key persons from the various business areas who meet regularly. This group follows up and analyses 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, nano-technology, lack of adaption to climate changes and electromagnetic fields.

GROUP-SPECIFIC RISKS

Group-specific risks are risks that are:

- Present at individual level, but whose impact is significantly different at Group level.
- 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 currency risk in the form of translation risk. The translation risk refers to currency 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	Commercial	Industrial	Baltic	Asset management	Other [1]	Adjustment to consolidated policies [2]	2017 Total	2016 Total
Premiums earned, net of reinsurance	25,009	11,176	3,893	1,291		8		41,376	40,575
Allocated investment return transferred from the non-technical account	94	65	22	-		0		180	-25
Other technical income	151	76	22	1		10		260	251
Claims incurred, net of reinsurance	-17,092	-7,863	-2,785	-814		38		-28,516	-27,503
Operating expenses in insurance operations, net of reinsurance	-3,926	-1,969	-667	-333		100		-6,796	-6,754
Other operating expenses	-221	-81	-22	-		-10		-334	-316
Technical result from property and casualty insurance	**4,014**	**1,404**	**463**	**144**	**-**	**146**	**-**	**6,171**	**6,228**
Investment result, net					2,995		-606	2,389	1,893
Allocated investment return transferred to the technical account						-497		-497	-242
Interest expense on net pension liability						-18		-18	-20
Interest expense etc., subordinated debt						-175		-175	-108
Income from associates						14		14	4,635
Result before income taxes								**7,884**	**12,386**
Assets on December 31									
Intangible assets	104	73	-	-	-	715		892	863
Investment assets	-	-	-	-	110,975	-		110,975	111,994
Reinsurers' share of technical provisions	35	204	1,874	50	-	0		2,163	2,255
Deferred tax assets	-	-	-	1	-	170		172	233
Debtors arising out of insurance operations	9,379	1,999	877	125	-	-79		12,300	11,706
Deferred acquisitions costs	770	337	30	29	-	0		1,166	1,178
Other assets [3]	-	-	-	-	2,385	4,205		6,590	6,727
Total assets	**10,288**	**2,613**	**2,781**	**206**	**113,360**	**5,011**	**-**	**134,258**	**134,956**
Shareholders' equity, provisions and liabilities on December 31									
Shareholders' equity	-	-	-	-	-	30,414		30,414	29,749
Subordinated debt	-	-	-	-	-	3,067		3,067	3,889
Technical provisions, gross	49,084	24,284	14,974	1,430	-	3		89,775	89,596
Provisions for other risks and charges	48	37	4	260	6	3,263		3,618	4,398
Deposits received from reinsurers	-	-	-	-	-	-		-	-
Creditors arising out of insurance operations	722	307	385	45	-	645		2,104	1,971
Other creditors [3]	-	-	-	-	265	5,015		5,280	5,353
Total shareholders' equity, provisions and liability	**49,854**	**24,628**	**15,363**	**1,735**	**271**	**42,407**	**-**	**134,258**	**134,956**

[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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Premiums earned, net of reinsurance	14,419	13,757	12,684	12,508	3,833	3,684	9,149	9,377	1,291	1,249	41,376	40,575
Non-current assets [1]	139	84	107	131	135	124	1,060	1,031	6	7	1,446	1,377

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

BUSINESS AREA PRIVATE

TREND DURING THE YEAR

The technical result was stable compared to the preceding year at MSEK 4,014 (4,079) and the combined ratio was 84.0% (83.2). The difference between the years is mainly attributable to a reversal of reserves in Swedish Motor third party liability insurance in 2016, following from updated mortality assumptions, which positively impacted the underwriting result.

Gross premium income increased during the year, with a growth rate excluding currency effects of 2.0%. Continued good customer loyalty and strong new car sales were among the main performance drivers.

The risk ratio was slightly higher at 62.0% (61.1) than in the preceding year. Mild weather during the winter period positively affected the claims outcome, while the overall deterioration in the risk ratio was due to the above-mentioned Motor third party liability reversal in 2016.

Continued efforts to streamline processes and work procedures kept operating costs excluding currency effects stable, with only a minor increase of 0.8%. This, together with positive premium growth, contributed to an improved cost ratio of 22.1% (22.2).

MARKETS AND OUTLOOK

The Nordic P&C market is characterized by a continued low interest rate environment and a positive macroeconomic development. The competitive situation is largely unchanged but varies somewhat across countries and product lines. To reinforce competitiveness, the Private business area remains committed to creating a superior customer experience of products and services, in part through continued digitalization initiatives targeting increasing customer demands and continuous improvement of If's offering.

MSEK **Income statement and insurance-related balance sheet items**	**2017**	**2016**
Premiums earned, net of reinsurance	25,009	24,465
Allocated investment return transferred from the non-technical account	94	41
Other technical income	151	147
Claims incurred, net of reinsurance	-17,092	-16,468
Operating expenses in insurance operations, net of reinsurance	-3,926	-3,898
Other operating expenses	-221	-208
Technical result of property and casualty insurance	**4,014**	**4,079**
Intangible assets	**104**	**18**
Debtors arising out of direct insurance operations	9,375	8,966
Debtors arising out of reinsurance operations	4	4
Debtors arising out of insurance operations	**9,379**	**8,970**
Deferred acquisition costs	770	765
Reinsurers' share of deferred acquisition costs	0	2
Deferred acquisition costs, net	**769**	**763**
Technical provisions, gross	49,084	48,376
Reinsurers' share of technical provisions	35	51
Technical provisions, net	**49,049**	**48,325**
Creditors arising out of direct insurance operations	719	696
Creditors arising out of reinsurance operations	3	15
Creditors arising out of insurance operations	**722**	**711**

BUSINESS AREA COMMERCIAL

TREND DURING THE YEAR

The technical result amounted to MSEK 1,404 (1,470) with a combined ratio of 88.0% (86.3), which mainly reflected the impact of higher large claims than in the preceding year.

Gross premium income increased, with a growth rate excluding currency effects of 1.1%.

The risk ratio deteriorated to 65.4% (63.9), largely due to the higher claims outcome, especially in Sweden and Norway.

Strong cost control and continuous efficiency enhancements kept operating costs relatively unchanged with an increase of 0.8% excluding currency effects. The cost ratio amounted to 22.6% (22.4).

MARKET AND OUTLOOK

The market situation was more stable in the Nordic countries as a whole compared with 2016. The markets are characterized by continued low interest rates, positive economic development and unchanged intensity in the competitive environment.

Customer satisfaction and digital exploration remain strategic focus areas. The aim of the initiatives will continue to be improving service processes by simplifying and digitalizing customer communication and interaction. Continued high investment levels in IT during the year are expected to further support If's customer focus and continuous improvement efforts.

MSEK **Income statement and insurance-related balance sheet items**	**2017**	**2016**
Premiums earned, net of reinsurance	11,176	11,028
Allocated investment return transferred from the non-technical account	65	-37
Other technical income	76	77
Claims incurred, net of reinsurance	-7,863	-7,563
Operating expenses in insurance operations, net of reinsurance	-1,969	-1,954
Other operating expenses	-81	-81
Technical result of property and casualty insurance	**1,404**	**1,470**
Intangible assets	**73**	**130**
Debtors arising out of direct insurance operations	1,991	1,903
Debtors arising out of reinsurance operations	7	6
Debtors arising out of insurance operations	**1,999**	**1,909**
Deferred acquisition costs	337	351
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**337**	**350**
Technical provisions, gross	24,284	24,578
Reinsurers' share of technical provisions	204	245
Technical provisions, net	**24,080**	**24,333**
Creditors arising out of direct insurance operations	303	336
Creditors arising out of reinsurance operations	5	6
Creditors arising out of insurance operations	**307**	**342**

BUSINESS AREA INDUSTRIAL

TREND DURING THE YEAR

The technical result improved during the year and amounted to MSEK 463 (404), while the combined ratio was stable at 88.7% (88.6).

Gross premium income grew by a rate of 1.6% excluding currency effects.

The risk ratio was slightly higher than in the preceding year at 67.0% (66.3), mainly an effect of the reduction in the Finnish discount rate early in the year.

Positive premium growth and solid cost control contributed to an improved cost ratio of 21.7% (22.3). The operating costs decreased by 1.6% excluding currency effects.

MARKET AND OUTLOOK

The market situation remains very competitive in a continued low interest rate environment. During the year, the overall macroeconomic trend was slightly more positive than in past years.

If maintains its position as the main insurer of large Nordic corporations, with a focus on supporting the customers' business operations through leading risk management and claims handling, a strong international network and underwriting excellence. Customer relationships are also based on solid understanding of the customers' business, risk exposure and insurance needs – not least in view of rising digitalization. Thus, the Industrial business area constantly evaluates new and evolving risk areas in the customers' business context, to be at the forefront when it comes to claims prevention and customized insurance coverage. An example of such a risk area is cyber risk, which is becoming increasingly tangible due to the growing threat of data crime.

MSEK **Income statement and insurance-related balance sheet items**	**2017**	**2016**
Premiums earned, net of reinsurance	3,893	3,806
Allocated investment return transferred from the non-technical account	22	-30
Other technical income	22	22
Claims incurred, net of reinsurance	-2,785	-2,704
Operating expenses in insurance operations, net of reinsurance	-667	-669
Other operating expenses	-22	-21
Technical result of property and casualty insurance	**463**	**404**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	433	289
Debtors arising out of reinsurance operations	444	471
Debtors arising out of insurance operations	**877**	**760**
Deferred acquisition costs	30	30
Reinsurers' share of deferred acquisition costs	27	30
Deferred acquisition costs, net	**2**	**0**
Technical provisions, gross	14,974	15,383
Reinsurer' share of technical provisions	1,874	1,934
Technical provisions, net	**13,100**	**13,449**
Creditors arising out of direct insurance operations	160	79
Creditors arising out of reinsurance operations	225	255
Creditors arising out of insurance operations	**385**	**334**

BUSINESS AREA BALTIC

TREND DURING THE YEAR

The technical result increased to MSEK 144 (127), corresponding to an improved combined ratio of 88.9% (89.8).

Gross premium income rose at a growth rate excluding currency effects of 6.1%.

The claims trend was favorable both with regards to large and frequency claims cost, which contributed to an improved risk ratio of 59.9% (60.4). Mild weather during the winter period positively affected the outcome.

Continuous efficiency improvements and tight cost control offset generally high cost inflation. The total operating costs were stable with only a minor increase of 0.2% excluding currency effects. This reflected positively on the cost ratio, which improved to 29.0% (29.4).

MARKET AND OUTLOOK

Profitability development in the Baltic non-life insurance market is still relatively weak in general and claims inflation levels are expected to remain high.

Consolidation in the Baltic insurance market has accelerated in recent years and overall competitive pressure is intense. To strengthen If's market position, the Baltic business area continues to invest in developing the digital customer experience and customer relationships, to meet increasing expectations of policyholders.

MSEK **Income statement and insurance-related balance sheet items**	**2017**	**2016**
Premiums earned, net of reinsurance	1,291	1,249
Allocated investment return transferred from the non-technical account	-	0
Other technical income	1	0
Claims incurred, net of reinsurance	-814	-794
Operating expenses in insurance operations, net of reinsurance	-333	-328
Other operating expenses	-	-
Technical result of property and casualty insurance	**144**	**127**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	123	100
Debtors arising out of reinsurance operations	1	2
Debtors arising out of insurance operations	**125**	**102**
Deferred acquisition costs	29	27
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**29**	**26**
Technical provisions, gross	1,430	1,248
Reinsurers' share of technical provisions	50	25
Technical provisions, net	**1,379**	**1,223**
Creditors arising out of direct insurance operations	41	31
Creditors arising out of reinsurance operations	4	5
Creditors arising out of insurance operations	**45**	**36**

ASSET MANAGEMENT

At full market value, profit from asset management decreased to MSEK 2,995 MSEK (3,186), corresponding to a total return of 2.6% (2.9).

Prior to 2017, there was anxiety in financial markets as to the national elections in Europe would turn out over the course of the year. Nevertheless, the financial markets started on a positive note, but they became more cautious during the spring with the presidential election in France at hand. After that, the markets have moved on from federal elections in Germany and concern over destabilization on the Korean peninsula. When summing up the year, it was characterized by historically low volatility, in the US especially. The low volatility combined with a continuation of the supportive monetary policy from several central banks meant another very strong year for most asset classes and markets.

In general, market interest rates remained low during 2017 apart from in the US, which noted a large increase in short-term rates above all. However, the absolute majority of If's interest-bearing investments are made in Europe and Scandinavia which together with lower credit spreads gave a return of 2.2% (2.4) on the interest-bearing securities.

The duration for the interest-bearing assets was unchanged at 1.4 years (1.4) at the end of the year.

The total return on equities was 9.3% compared with 8.5% the preceding year. The strongest contributors to the return were the North American and East Asia markets. All of the leading American stock indices reached new record highs during the year.

Alternative Investments constituted a very small part of the portfolio but properties showed a positive return for the year.

Interest-bearing securities had a better return than their benchmark indices while equities underperformed their benchmark.

The risk level in the Estonian company and the life company's portfolios remained low during the year.

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

	Fair value Dec 31, 2017		Fair value Dec 31, 2016		Return 2017		Return 2016	
Return on investment assets [1]	MSEK	%	MSEK	%	MSEK	%	MSEK	%
Interest-bearing securities	100,383	87	101,455	87	2,231	2.2	2,285	2.4
Shares	14,445	13	14,808	13	1,358	9.3	1,216	8.5
Currency (active positions)	6	0	-1	0	-23	-	48	-
Currency (other) [2]	149	0	-478	0	-22	-	-43	-
Properties	196	0	206	0	9	-	14	-
Other	-	-	0	0	-557	-	-334	-
Total investment assets excl. associated companies	**115,180**	**100**	**115,990**	**100**	**2,995**	**2.6**	**3,186**	**2.9**

[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 associated companies. 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 606 in 2017.

[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 146 (148).

NOTE 7 – Premiums written

	2017			2016		
MSEK	Gross[1]	Ceded	Net	Gross[1]	Ceded	Net
Premiums written	43,610	-1,616	41,994	42,207	-1,571	40,636

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

Sweden	15,299	14,662
Rest of EEA	27,329	26,652
Total	**42,628**	**41,314**

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 from 2017 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:

	2017 Annuities	2017 Other provisions	2016 All provisions
Sweden/SEK	1.7%	0.1%	0.3%
Norway/NOK	2.1%	0.8%	0.9%
Denmark/DKK	0.8%	0.0%	0.0%
Finland/EUR	1.3%	0.0%	0.0%

NOTE 9 – Claims incurred

	2017			2016		
MSEK	Gross	Ceded	Net	Gross	Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-16,048	155	-15,893	-15,559	100	-15,459
Operating expenses for claims adjustment	-2,327	-	-2,327	-2,227	-	-2,227
Change in claims reserve for incurred and reported losses	-6,407	326	-6,082	-6,304	380	-5,924
Change in claims reserve for incurred but not reported losses (IBNR)	-5,399	116	-5,283	-5,276	105	-5,171
Change in provision for annuities	-45	-	-45	-73	-	-73
Claims-adjustment costs	48	-	48	14	-	14
			-29,582			**-28,840**
Claims costs attributable to prior-year operations						
Claims paid	-10,460	720	-9,739	-9,985	530	-9,455
Annuities	-1,527	0	-1,527	-1,173	0	-1,173
Claims portfolios	0	-	0	12	63	75
Change in claims reserve for incurred and reported losses	6,258	-329	5,929	5,570	-189	5,381
Change in claims reserve for incurred but not reported losses (IBNR)	6,523	-119	6,404	6,823	-314	6,509
			1,067			**1,337**
Total insurance claims	**-29,384**	**868**	**-28,516**	**-28,178**	**675**	**-27,503**

MSEK	2017 Gross	2017 Ceded	2017 Net	2016 Gross	2016 Ceded	2016 Net
Paid insurance claims						
Claims paid	-26,507	875	-25,632	-25,544	630	-24,914
Annuities paid	-1,266	-	-1,266	-1,246	-	-1,246
Claims portfolio	0	-	0	12	63	75
Operating expenses for claims adjustment	-2,327	-	-2,327	-2,227	-	-2,227
	-30,101	**875**	**-29,226**	**-29,005**	**693**	**-28,312**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	-149	-3	-152	-734	191	-543
Change in claims reserve for incurred but not reported losses (IBNR)	583	-4	579	1,131	-209	922
Change in claims provision for annuities	235	0	235	416	0	416
Claims-adjustment costs	48	-	48	14	-	14
	717	**-7**	**710**	**827**	**-18**	**809**
Total claims incurred	**-29,384**	**868**	**-28,516**	**-28,178**	**675**	**-27,503**

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 2,710 (2,620). The undiscounted value was MSEK 3,434 (3,474). The currency effect on the discounted reserves was an increase of MSEK 81 and real increase amounted to MSEK 9.

NOTE 10 – Operating expenses

MSEK	2017	2016
Specification of income statement item operating expenses		
External acquisition costs [1]	-1,554	-1,545
Internal acquisition costs	-3,171	-3,098
Change in deferred acquisition costs, gross	6	-91
Administrative expenses, insurance [2]	-2,191	-2,136
Total operating expenses in property and casualty insurance, gross	**-6,909**	**-6,870**
Reinsurance commission and profit participation in ceded reinsurance	110	118
Change in deferred acquisition costs, ceded	3	-2
Total reinsurance commission and profit participation in ceded reinsurance	**113**	**116**
Other operating expenses	-334	-316
Total	**-7,129**	**-7,070**
[1] Of which, provisions in direct insurance	*-1,491*	*-1,495*
Summary of total operating expenses		
Salaries and remuneration	-3,825	-3,545
Social costs	-819	-721
Pension costs	-568	-563
Other personnel costs	-193	-194
Total personnel costs	**-5,405**	**-5,023**
Premises costs	-434	-423
Depreciation/amortization	-135	-111
External acquisition costs	-1,554	-1,545
Other administrative costs	-2,266	-2,383
Total	**-9,794**	**-9,485**

MSEK	2017	2016
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in Claims paid	-2,327	-2,227
External and internal acquisition costs included in Operating expenses in insurance operations	-4,725	-4,643
Joint administrative costs for insurance operations included in Operating expenses in insurance operations [2]	-2,191	-2,136
Administrative costs pertaining to other technical operations included in Other operating expenses	-334	-316
Asset-management costs included in Investment costs	-217	-163
Total	**-9,794**	**-9,485**

NOTE 11 – Average number of employees

	2017 Average number of employees	2017 of whom women %	2016 Average number of employees	2016 of whom women %
Parent Company				
Sweden	1	0	1	0
Total in Parent Company	**1**	**0**	**1**	**0**
Subsidiaries				
Sweden [1]	1,912	48	1,851	47
Denmark	571	48	535	48
Estonia	352	76	335	77
Finland	1,739	62	1,689	62
France	6	33	6	33
Latvia	273	45	238	48
Lithuania	153	68	146	67
Netherlands	6	53	6	51
Norway	1,341	48	1,353	48
Russia	0	0	7	60
United Kingdom	6	54	6	47
Germany	6	38	7	41
Total in subsidiaries	**6,366**	**54**	**6,179**	**54**
Group total	**6,367**	**54**	**6,180**	**54**

[1] Agents are not included. If has 30 (29) spare-time agents in Sweden.

	Parent Company		Group total	
Percentage of women in executive management	**2017**	**2016**	**2017**	**2016**
Board of Directors	0%	0%	10%	6%
Other senior executives	15%	15%	15%	15%

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

MSEK **Expensed salaries, remuneration, pension and social security fees**	2017 Salaries and remuneration	2017 Pension costs[1]	2017 Social fees	2016 Salaries and remuneration	2016 Pension costs	2016 Social fees
Parent Company [1]	26	4	7	16	3	8
Subsidiaries	3,799	564	812	3,529	560	713
Group total	**3,825**	**568**	**819**	**3,545**	**563**	**721**

MSEK **Expensed salaries and remuneration**	2017 Senior executives [2]	2017 of which incentive schemes and other variable compensation [3]	2017 Other employees	2016 Senior executives[3]	2016 of which incentive schemes and other variable compensation [3]	2016 Other employees
Parent Company [2]	26	19	-	16	10	-
Subsidiaries and branches in Sweden	65	47	1,094	37	20	1,021
Subsidiaries and branches outside Sweden	67	42	2,573	45	22	2,426
Group total	**158**	**108**	**3,667**	**98**	**52**	**3,447**

[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 presidents 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	Basic salary	Variable payments	Payment pertaining to incentive programs [1]	Other benefits	Pension cost	2017 Total	2016 Total
Chairman of the Board	-	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-	-
President/CEO	6,617	4,721	9,362	18	3,682	24,400	29,758
Deputy CEO	4,013	2,881	8,055	18	2,292	17,259	20,732
Other members of Group Management [2]	29,379	11,214	35,659	1,629	8,466	86,347	122,875
Total	**40,009**	**18,816**	**53,076**	**1,665**	**14,440**	**128,006**	**173,365**

[1] For more information, refer to Long-term incentive schemes below.
[2] Group Management consists of 12 individuals during 2017, 11 individuals during 2016.

KSEK Provisions expensed for disbursement during future years	Variable compensation	Incentive programs	2017 Total	2016 Total
Chairman of the Board	-	-	-	-
Other Members of the Board	-	-	-	-
President/CEO	4,317	10,556	14,873	7,688
Deputy CEO	2,640	6,105	8,745	5,187
Other members of Group Management [1]	12,756	38,106	50,862	21,578
Total	**19,713**	**54,766**	**74,480**	**34,453**

[1] Group Management consists of 12 individuals during 2017, 11 individuals during 2016.

PENSIONS AND SEVERANCE PAY

Alongside statutory retirement pension benefits, the Swedish, Norwegian and Danish members of Group Management are covered by local occupational retirement pension plans. Swedish members are entitled to contribution pension. The premium corresponds to 38% of the annual fixed salary and 25% of paid annual variable compensation. The age of retirement is 65. Norwegian members are covered by defined contribution pension plans and the Norwegian pension legislation allows for a flexible retirement age between 62 and 75. The contribution corresponds to 7.1% of pensionable salary up to 7.1 G (G = National Insurance basic amount) and 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. 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 age of retirement is flexible. No retirement pension is paid to the Finnish and Latvian members apart from statutory earnings-based retirement pension.

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 PROGRAMS

A number of senior executives are covered by incentive schemes issued by Sampo Group. In September 2014 and September 2017 schemes covering 70-80 employees each were issued. In September 2017 the last rate of an incentive scheme issued in 2011 was paid and the scheme was thereby terminated. 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 has 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. 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 schemes has been determined using the Black-Scholes pricing model. The calculation of fair value takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The earned part of the year-end fair value is recognized as a liability and changes are recognized through profit or 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	525,000	109,217	18,415
Deputy CEO	252,500	53,841	10,816
Other members of Group Management (10 individuals)	1,493,000	320,914	67,775
Others covered by the incentive schemes	2,018,000	423,396	75,283
Total	**4,288,500**	**907,368**	**172,289**

NOTE 13 – Auditors' fees

MSEK	2017	2016
Ernst & Young AB		
Audit fees	18	17
Audit fees outside the audit assignment	0	1
Tax consultancy fees	1	1
Other consultancy fees	0	2
Total fee to Ernst & Young AB	**19**	**21**

NOTE 14 – Performance analysis per class of insurance

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	0	-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 and other technical expense of MSEK -334.

2016 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	6,899	5,822	12,315	1,131	11,778	1,877	23
Premiums earned, gross	6,982	5,871	12,032	1,142	11,868	1,903	23
Claims incurred, gross	-4,636	-3,518	-8,632	-678	-8,071	-878	-6
Operating expenses, gross [1)]	-1,219	-1,269	-1,810	-188	-1,866	-304	-2
Profit/loss from ceded reinsurance	-39	0	-15	-103	-618	-294	0
Technical result before investment income transferred from the non-technical account	**1,088**	**1,084**	**1,575**	**173**	**1,313**	**427**	**15**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations and undistributed cost items	Total
Premiums written, gross	440	-	1,028	41,313	894		42,207
Premiums earned, gross	434	-	1,026	41,281	888		42,169
Claims incurred, gross	-277	-	-684	-27,380	-840	42	-28,178
Operating expenses, gross [1)]	-62	-	-198	-6,918	-155	138	-6,935
Profit/loss from ceded reinsurance	-1	-	-109	-1,179	376		-803
Technical result before investment income transferred from the non-technical account	**94**	**-**	**35**	**5,804**	**269**	**180**	**6,253**

Investment income transferred from the non-technical account	**-25**
Technical result of insurance operations	**6,228**

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

NOTE 15 – Investment result

MSEK	Direct income 2017	Direct income 2016	Value changes 2017	Value changes 2016	Total 2017	Total 2016
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	-290	-118	-5	52	-295	-66
Financial assets, available for sale						
Interest bearing securities						
Interest income	1,623	1,677			1,623	1,677
Realized gains and losses			447	-101	447	-101
Impairment losses			-465	-143	-465	-143
Shares						
Dividends	443	383			443	383
Realized gains and losses			1,132	396	1,132	396
Impairment losses			-259	-151	-259	-151
Total from financial assets at fair value	**1,776**	**1,942**	**850**	**53**	**2,626**	**1,995**
Loans						
Interest income	54	38			54	38
Realized gains and losses			-	29	-	29
Total from Other financial investment assets	**1,830**	**1,980**	**850**	**82**	**2,680**	**2,062**
Properties and Other assets						
Result from properties	8	15	1	-2	9	13
Interest income	35	44			35	44
Currency result			-45	5	-45	5
Total Investment income	**1,872**	**2,039**	**807**	**85**	**2,679**	**2,124**
Investment costs						
Allocated operating expenses					-217	-163
Other financial expenses					-73	-68
Investment result					**2,389**	**1,893**

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**	2017	2016
Opening balance, value changes of financial assets available for sale	5,909	4,594
Changes in value during the year	1,492	1,300
Changes in value recognized in income statement	-886	-7
Translation difference	22	22
Closing balance, value changes of financial assets available for sale	**6,537**	**5,909**
Net value change, financial assets available for sale	628	1,315

NOTE 16 – Interest expense etc., subordinated debt

MSEK	Interest rate	2017	2016
Subordinated loan, issued in 2011	6.00%	-65	-64
Subordinated loan, issued in 2013	4.70%	-31	-41
Subordinated loan, issued in 2016	3-month STIBOR + 2.25%	-29	-2
Subordinated loan, issued in 2016	2.415%	-13	-1
The subordinated loan issued in 2013 has been subject to early redemption during 2017, which entailed a charge for interest compensation.		-38	-
Total		**-175**	**-108**

NOTE 17 – Income from associates

MSEK	2017	2016
Topdanmark A/S		
Share of result	-	392
Amortization of customer relations	-	-76
Change in deferred tax	-	17
Sales gain	-	4,044
Accumulated exchange rate differences reclassified to income statement at realization	-	198
Net	**-**	**4,575**
Share of result, other associates	14	12
Sales gain[1)]	-	57
Impairment[2)]	-	-9
Total	**14**	**4,635**

[1)] Of which Urzus Group AS, MSEK 25, and Watercircles Skandinavia AS, MSEK 32.
[2)] Consists of Contemi Holding AS.

NOTE 18 – Taxes

MSEK	2017	2016
Current tax	-2,288	-1,548
Deferred tax	552	-135
Total tax in the income statement	**-1,736**	**-1,683**
Specification of current taxes		
Swedish entities	-513	-590
Non-Swedish entities	-1,790	-968
Current taxes pertaining to prior years	15	10
Total current tax	**-2,288**	**-1,548**

For specification of deferred tax, see Note 33.

MSEK	2017	2016
Specification of taxes related to other comprehensive income		
Related to remeasurements of net pension liability	-9	12
Related to financial assets, available-for-sale	-144	-279
Other	-118	-77
Total current and deferred tax	**-271**	**-344**

MSEK	2017	2016
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	7,884	12,386
Tax according to current tax rate, 22%	-1,735	-2,725
Currency related tax effects	0	0
Permanent differences, net	-38	-16
Share of associates' result	3	75
Capital gains and impairment loss, associates	-	944
Adjustment of prior-year taxes	9	1
Reassessments of deferred tax assets/liabilities	-7	0
Different tax rates in foreign units	33	38
Changes in tax rates	0	0
Reported tax in the income statement	**-1,736**	**-1,683**

NOTE 19 – Intangible assets

MSEK	Consolidated goodwill 2017	Consolidated goodwill 2016	Other intangible assets 2017	Other intangible assets 2016
Accumulated acquisition value	715	715	305	224
Accumulated amortization and impairments	-	-	-128	-76
Closing planned residual value	**715**	**715**	**177**	**148**

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 in December 2017. 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 2018-2020. 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:

	2017	2016
Long-term premium growth	2.0%	2.0%
Return on investment assets	2.1%	1.8%
Discount interest rate (CAPM)	5.6%	5.5%

Other intangible assets include capitalized costs for the development of various insurance systems. During 2017, MSEK 81 (18) was capitalized. Amortization according to plan and scrappings amounted to MSEK -52 (-38).

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	195	6,243	31,220	38.7%	4.8%
Industrial properties and warehouses	1	382	2,890	-	43.4%
Other properties	0	1,712	230	-	6.2%
Total	**196**	**5,719**	**34,340**	**35.2%**	**5.0%**
Preceding year	206	5,901	34,826	34.9%	3.3%

MSEK **Geographical distribution, carrying amount**	2017	2016
Finland	195	204
Norway	1	2
Total	**196**	**206**

MSEK	2017	2016
Carrying amount, opening balance	**206**	**200**
Supplementary capitalizations	-	-
Sales and scrappage	-16	-
Net changes in current value	1	-2
Translation differences	6	8
Carrying amount, closing balance	**196**	**206**

MSEK	2017	2016
Rental income during the fiscal year	**25**	**24**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	11	12
Operating expenses pertaining to premises that did not generate income during the fiscal year	6	5

Total future minimum rents	2017	2016
<1 year	13	13
1–5 years	10	7
> 5 years	-	-

NOTE 21 – Investments in associated companies

MSEK	Country	Number of shares	Holding %[1]	Carrying amount 2017	2016
CAB Group AB	Sweden	1,209	22.0	27	22
SOS International A/S	Denmark	539,600	25.2	74	67
Autovahinkokeskus Oy	Finland	2,559	35.5	26	26
Contemi Holding AS	Norway	28,572	28.6	0	0
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	14	13
Total				**140**	**128**

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

CHANGES IN INVESTMENTS IN ASSOCIATED COMPANIES 2017

MSEK	Total
Opening balance	**128**
Investments/reclassifications	14
Share of associates' result [1]	-3
Dividends from associated companies	1
Closing balance	**140**

[1] Specification of the result is shown in Note 17.

CHANGES IN INVESTMENTS IN ASSOCIATED COMPANIES 2016

MSEK	Topdanmark A/S	Other associates'	Total
Opening balance	**3,153**	**105**	**3,258**
Investments/reclassifications	-	55 [1]	55
Share of associates' result [2]	333	12	345
Dividends from associated companies	-	-3	-3
Effects of exchange rates, foreign associates	120	1	121
Share of associates' other changes in equity	-294	-	-294
Sales/impairment	-3,312	-42 [3]	-3,354
Closing balance	**-**	**128**	**128**

[1] Consists of an add-on investment in SOS International A/S and book-value for the existing holding when the investment was converted into an associated company in If Group.
[2] Specification of the result is shown in Note 17.
[3] Whereof, sale of Watercircles Skandinavia AS MSEK 29, sale of Urzus Group AS MSEK 4 and impairment of Contemi Holding AS MSEK 9.

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	2017	2016	2017	2016	2017	2016
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	6	4	242	135	242	135
Financial assets, designated by If as at fair value through profit or loss						
Bonds and other interest-bearing securities	-	0	-	-	-	-
Financial assets available for sale						
Shares and participations	10,472	10,656	14,423	14,775	14,423	14,775
Bonds and other interest-bearing securities	94,878	96,117	94,935	95,738	94,935	95,738
Total financial assets, at fair value	**105,357**	**106,777**	**109,599**	**110,648**	**109,599**	**110,648**
Loans [1]						
Deposits with credit institutions	221	210	221	211	221	210
Other loans	811	795	815	806	811	795
Total Other financial investment assets	**106,389**	**107,782**	**110,635**	**111,665**	**110,631**	**111,653**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	2	107	637	107	637
Total financial liabilities, at fair value	**0**	**2**	**107**	**637**	**107**	**637**

[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.

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, 2017 are shown below.

MSEK Type of issuer	Nominal value		Fair value		Carrying amount	
Swedish government	694	1%	902	1%	902	1%
Swedish public sector, other	5,747	6%	5,797	6%	5,797	6%
Swedish mortgage companies	10,928	12%	11,406	12%	11,406	12%
Swedish financial companies	14,491	15%	14,803	16%	14,803	16%
Other Swedish companies	9,836	10%	9,939	10%	9,939	10%
Foreign governments	1,122	1%	1,171	1%	1,171	1%
Foreign public sector, other	2,542	3%	2,625	3%	2,625	3%
Foreign financial companies	23,727	25%	23,892	25%	23,892	25%
Other foreign companies	24,880	26%	24,399	26%	24,399	26%
Total	**93,969**	**100%**	**94,935**	**100%**	**94,935**	**100%**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-30	Total
Fair value %, 2017	13	19	23	23	14	3	2	1	0	-	-	**100**
Fair value %, 2016	17	14	20	22	20	3	3	1	0	0	-	**100**

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

DERIVATIVES

MSEK Derivative assets	2017 Fair value	Carrying amount	Nominal amount	2016 Fair value	Carrying amount	Nominal amount
Equity derivatives						
Options	3	3	4	11	11	3
Total equity derivatives	**3**	**3**	**4**	**11**	**11**	**3**
of which, cleared by clearing house	*-*	*-*	*-*	*-*	*-*	*-*
Total fixed income derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives						
Options	1	1	108	2	2	143
Futures	238	238	22,033	122	122	14,542
Total currency derivatives	**239**	**239**	**22,141**	**124**	**124**	**14,685**
of which, cleared by clearing house	*-*	*-*	*-*	*-*	*-*	*-*
Total derivative assets	**242**	**242**		**135**	**135**	
Derivative liabilities						
Equity derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Fixed income derivatives						
Swaps	23	23	500	34	34	643
Total fixed income derivatives	**23**	**23**	**500**	**34**	**34**	**643**
of which, cleared by clearing house	*23*	*23*	*500*	*30*	*30*	*500*
Currency derivatives						
Options	-	-	-	0	0	143
Futures	84	84	21,810	603	603	15,526
Total currency derivatives	**84**	**84**	**21,810**	**603**	**603**	**15,669**
of which, cleared by clearing house	*-*	*-*	*-*	*-*	*-*	*-*
Total derivative liabilities	**107**	**107**		**637**	**637**	

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.
- 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

	2017				2016			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	3	-	3	-	11	-	11
Fixed income derivatives	-	-	-	-	-	-	-	-
Foreign exchange derivatives	-	239	-	239	-	124	-	124
Financial assets, designated by If as at fair value through profit or loss								
Bonds and other interest-bearing securities	-	-	-	-	-	-	0	0
Financial assets, available for sale								
Shares and participations [1]	14,233	-	189	14,423	14,556	-	219	14,775
Bonds and other interest-bearing securities	70,946	23,988	-	94,935	65,097	30,641	-	95,738
Total financial assets, at fair value	**85,180**	**24,230**	**189**	**109,599**	**79,653**	**30,776**	**219**	**110,648**
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	23	-	23	-	34	-	34
Foreign exchange derivatives	-	84	-	84	-	606	-	606
Total financial liabilities, at fair value	**-**	**107**	**-**	**107**	**-**	**640**	**-**	**640**

[1] Mutual equity funds recognized in the above balances totaled MSEK 4,151 (3,832) of which MSEK 3,965 (3,626) was allocated to level 1 and MSEK 186 (206) to level 3.

FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES 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, 2017, the assets presented in level 3 amounted to MSEK 189 (219). These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

As of December 31, 2017, there were no derivative liabilities presented in level 3.

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, designated by If as at fair value through profit or loss									
Bonds and other interest-bearing securities	0	0	-	-	0	-	-	-	-
	0	**0**	**-**	**-**	**0**	**-**	**-**	**-**	**-**
Financial assets, available for sale									
Shares and participations	219	0	-18	16	-23	-	-4	189	0
Bonds and other interest-bearing securities	0	17	0	-	-17	-	0	-	-
	219	**17**	**-18**	**16**	**-41**	**-**	**-4**	**189**	**0**
Total financial assets, at fair value	**219**	**17**	**-18**	**16**	**-41**	**-**	**-4**	**189**	**0**

MSEK 2016									
Financial assets, designated by If as at fair value through profit or loss									
Bonds and other interest-bearing securities	0	-	-	-	-	-	-	0	-
	0	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**
Financial assets, available for sale									
Shares and participations	228	9	5	17	-44	-	4	219	-21
Bonds and other interest-bearing securities	0	-	0	-	0	-	0	0	-
	228	**9**	**5**	**17**	**-44**	**-**	**4**	**219**	**-21**
Total financial assets, at fair value	**228**	**9**	**5**	**17**	**-44**	**-**	**4**	**219**	**-21**

SENSITIVITY ANALYSIS OF THE FAIR VALUES OF FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES 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	2017 Carrying amount	2017 Effect of reasonably possible alternative assumptions	2016 Carrying amount	2016 Effect of reasonably possible alternative assumptions
Financial assets, designated by If as at fair value through profit or loss				
Bonds and other interest-bearing securities	-	-	0	0
Financial assets, available for sale				
Shares and participations [1]	189	-38	219	-49
Bonds and other interest-bearing securities	-	-	0	0
Total financial assets, at fair value	**189**	**-38**	**219**	**-49**

[1] Includes holding in equity funds.

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

MSEK Assets	2017	2016
Derivatives		
Gross amount of recognized assets	242	124
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**242**	**124**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-46	-107
Cash collateral received	34	-
Net amount	**230**	**17**

MSEK Liabilities	2017	2016
Derivatives		
Gross amount of recognized liabilities	107	637
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**107**	**637**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-46	-107
Cash collateral pledged	182	41
Net amount	**244**	**571**

[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	2017 Provision for unearned premiums and unexpired risks	2017 Provision for claims outstanding	2016 Provision for unearned premiums and unexpired risks	2016 Provision for claims outstanding
Opening balance	**423**	**1,832**	**422**	**1,774**
Change in provision	-23	-7	-23	-18
Translation differences	-7	-55	24	76
Closing balance	**393**	**1,770**	**423**	**1,832**

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

NOTE 25 – Debtors arising out of direct insurance

MSEK	2017	2016
Receivables from policyholders	12,027	11,421
Receivables from insurance brokers	22	18
Receivables from insurance companies	70	60
Bad-debt provision	-279	-281
Total [1]	**11,839**	**11,218**

[1] Of which, MSEK 1 (2) 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	11,614	505	12,119
Of which, provision	-11	-269	-279
Total	**11,603**	**236**	**11,839**

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

NOTE 26 – Debtors arising out of reinsurance

MSEK	2017	2016
Receivables from reinsurers	464	494
Bad-debt provisions	-4	-6
Total [1]	**460**	**488**

[1] Of which, MSEK 4 (6) 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	446	18	464
Of which, provision	0	-4	-4
Total	**446**	**15**	**460**

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

NOTE 27 – Other debtors

MSEK	2017	2016
Debtor, patient-insurance pool for the public sector	1,125	1,148
Bad-debt provisions	0	0
Other debtors	104	124
Total [1]	**1,229**	**1,272**

[1] Of which, MSEK 1,069 (1,087) is expected to be received later than 12 months after the closing date.

NOTE 28 – Tangible assets

MSEK	2017	2016
Accumulated acquisition value	588	622
Accumulated depreciation	-371	-442
Closing planned residual value	**217**	**180**

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 195 (190).

MSEK Operational leasing agreements (lessee)	Total future minimum lease payments	
Due dates	**2017**	**2016**
< 1 year	271	297
1–5 years	913	989
> 5 years	481	432
Total	**1,665**	**1,718**
Total lease payments during the period	**320**	**321**
Of which, minimum lease payments	*315*	*314*
Of which, contingent rents	*6*	*7*

NOTE 29 – Deferred acquisition costs

MSEK	2017	2016
Opening balance	**1,178**	**1,208**
Net change during the year	6	-91
Translation difference	-18	61
Closing balance	**1,166**	**1,178**

Acquisition expenditure during the year amounted to MSEK 4,725 (4,643). 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	2017	2016
Accrued income	327	296
Deferred costs	209	211
Total	**536**	**507**

NOTE 31 – Subordinated debt

				2017		2016	
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%	1,165	1,078	1,157	1,045
Subordinated loan, issued in 2013	MEUR 90	Perpetual	4.70%	-	-	883	858
Subordinated loan, issued in 2016	MSEK 1,500	30 years	3-month STIBOR + 2.25%	1,487	1,492	1,467	1,489
Subordinated loan, issued in 2016	MSEK 500	30 years	2.415%	499	497	496	497
Total				**3,151**	**3,067**	**4,003**	**3,889**

[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).

The loan issued in 2013 was prepaid in September 2017.

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).

All loans and loan terms are approved by supervisory authorities as being utilizable for solvency purposes.

MSEK Changes in liabilities arising from financing activities	
January 1, 2017	**3,889**
Cash flows - Repayment subordinated loan	-867
Non-cash changes - Translation difference	40
Non-cash changes - Other	5
December 31, 2017	**3,067**

NOTE 32 – Technical provisions, gross

	2017		2016	
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	**19,501**	**70,095**	**18,537**	**68,150**
Unwinding of discounted annuities	-	317	-	267
Change in provision	594	-717	38	-828
Translation differences	-136	120	926	2,506
Closing balance	**19,960**	**69,815**	**19,501**	**70,095**

MSEK Technical provisions and reinsurers' share	2017	2016
Technical provisions, gross		
Unearned premiums and unexpired risks	19,960	19,501
Provision for incurred and reported claims	15,240	15,248
Provision for incurred but not reported claims	30,451	31,783
Provision for annuities	21,626	20,517
Provision for claims-settlement costs	2,498	2,547
Total	**89,775**	**89,596**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	393	423
Provision for incurred and reported claims	1,081	1,089
Provision for incurred but not reported claims	688	742
Provision for annuities	1	1
Provision for claims-settlement costs	-	-
Total	**2,163**	**2,255**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	19,567	19,078
Provision for incurred and reported claims	14,159	14,159
Provision for incurred but not reported claims	29,763	31,041
Provision for annuities	21,625	20,516
Provision for claims-settlement costs	2,498	2,547
Total	**87,612**	**87,341**

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 pertains 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.

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	2017	2016
Denmark		
Amount vested annuities	1,183	1,173
Discount rate	0.83%	0.72%
Finland		
Amount vested annuities	15,269	14,270
Amount IBNR	2,710	2,620
Discount rate	1.20%	1.50%
Sweden		
Amount vested annuities	4,977	4,902
Discount rate	1.70%	1.65%

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 2017

No significant changes in methods were implemented during the year.

During the year, the reported decrease in gross claims provisions amounted to SEK 0.3 billion. Effects of exchange rate changes amounted to an increase of 0.1 billion, while the real change in gross claims reserves adjusted for currency effects amounted to a decrease of SEK 0.4 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 SEK 0.3 billion. Reserves for Accident insurance increased by SEK 0.3 billion primarily due to portfolio increase, while reserves for Liability insurance decreased by SEK 0.7 billion mainly due to settlement of some very large claims. Reserves for Motor Hull insurance increased almost SEK 0.2 billion mostly due to portfolio increases while the reserves for Property and Marine showed modest decreases.
- Claims provisions in the Norwegian operation decreased by more than SEK 0.5 billion. Reserves for Workers' Compensation insurance decreased by SEK 0.4 billion and reserves for Motor Third Party Liability Insurance decreased by SEK 0.3 billion, while reserves for Property insurance increased by SEK 0.1 billion and reserves for Liability insurance increased by SEK 0.1 billion,
- Claims provisions in the Danish operation increased by less than SEK 0.1 billion. There were no major changes by line of business.
- Claims provisions in the Finnish operation increased by SEK 0.3 billion, of which SEK 0.2 billion in reserves for Workers' Compensation insurance and SEK 0.2 in reserves for Motor Third Party Liability insurance. The major driver was the lowering of the discount rate from 1.5% to 1.2% in March 2017 with a standalone effect of almost SEK 0.7 billion, partly offset by later favorable development. Liability reserves decreased by about SEK 0.1 billion while other lines showed less changes.
- Claims provisions in the Baltic operation increased with more than SEK 0.1 billion, mostly as a result of an increase in claims reserves for Motor Third Party Liability insurance in Estonia and Lithuania and an increase in reserves for Liability insurance in Estonia and Latvia.

The reinsured share of the claims provision decreased by less SEK 0.1 billion; the real change adjusted for currency effects reflected a very small decrease in total ceded claims reserves. However, there was a SEK 0.3 billion decrease in ceded reserves for Liability insurance and a corresponding increase in ceded reserves for Property insurance.

SIGNIFICANT EVENTS

This year's outcome for large claims was significantly worse than plan on a Nordic level. The largest single claims in 2017 were a machine breakdown in a paper mill in Finland and a cargo claim due to a fire on board a transport vessel in the Atlantic both estimated at close to SEK 0.2 billion.

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 2008-2017, before and after reinsurance. For claims years 2007 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 2003-2007.

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, 2017. 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	2007 and prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimated claims cost												
at the close of the claims year	163,852	25,590	25,594	26,640	27,465	27,900	26,924	26,746	27,006	27,427	27,819	
one year later	162,955	25,178	25,123	27,023	28,534	27,777	27,190	26,679	27,183	27,762		
two years later	162,708	24,646	24,863	26,504	28,494	27,929	27,202	26,753	27,064			
three years later	162,334	24,385	24,488	26,488	28,376	27,830	27,248	26,864				
four years later	161,025	24,173	24,315	26,427	28,116	27,525	27,301					
five years later	159,848	24,040	24,099	26,403	27,969	27,198						
six years later	159,740	23,858	24,079	26,253	27,750							
seven years later	159,737	23,924	23,817	26,184								
eight years later	160,834	23,742	23,708									
nine years later	160,334	23,545										
ten years later	160,129											
Current estimate of total claims costs	160,129	23,545	23,708	26,184	27,750	27,198	27,301	26,864	27,064	27,762	27,819	
Total disbursed	132,309	21,718	21,747	23,908	25,373	24,693	24,059	23,147	22,857	22,181	16,017	
Provisions reported in the balance sheet	27,820	1,827	1,961	2,276	2,377	2,505	3,242	3,718	4,208	5,581	11,802	67,317
Of which annuities	*15,549*	*654*	*636*	*778*	*746*	*747*	*812*	*797*	*555*	*306*	*46*	*21,626*
Provisions for claims-settlement costs												2,498
Total provisions reported in the balance sheet												**69,815**

MSEK Claims cost, net of reinsurance Claims year	2007 and prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimated claims cost												
at the close of the claims year	153,058	24,471	24,514	25,361	25,986	26,027	26,452	26,372	26,559	26,846	27,223	
one year later	152,193	24,182	24,208	25,803	26,681	25,884	26,718	26,268	26,702	26,947		
two years later	151,667	23,676	23,932	25,394	26,554	26,033	26,747	26,188	26,551			
three years later	151,460	23,426	23,679	25,333	26,503	26,038	26,807	26,294				
four years later	150,386	23,247	23,517	25,309	26,213	25,784	26,831					
five years later	149,366	23,132	23,296	25,287	26,107	25,461						
six years later	149,323	22,959	23,282	25,129	25,875							
seven years later	149,431	23,027	23,051	25,047								
eight years later	150,415	22,855	22,942									
nine years later	149,875	22,660										
ten years later	149,726											
Current estimate of total claims costs	149,727	22,660	22,942	25,047	25,875	25,461	26,831	26,294	26,551	26,947	27,223	
Total disbursed	122,232	20,853	21,011	22,822	23,558	23,014	23,685	22,680	22,518	21,777	15,862	
Provisions reported in the balance sheet	27,495	1,807	1,931	2,226	2,317	2,447	3,146	3,614	4,033	5,170	11,361	65,547
Of which annuities	*15,548*	*654*	*636*	*778*	*746*	*747*	*812*	*797*	*555*	*306*	*46*	*21,625*
Provisions for claims-settlement costs												2,498
Total provisions reported in the balance sheet												**68,045**

COMMENTS

In 2017, 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 21,625, MSEK 15,548 applies to 2007 and previous years.

NOTE 33 Deferred tax

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.

MSEK Changes in deferred tax 2016	Opening balance 2016	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2016
Deferred tax assets					
Tax losses carried forward	0	0	0	-	0
Provisions	320	-75	10	12	267
Goodwill [1)]	91	0	16	-16	91
Accumulated depreciation	14	-4	0	-	10
Other temporary differences	6	0	0	-	6
Total deferred tax asset	**431**	**-79**	**26**	**-4**	**374**
Netted deferred tax asset against deferred tax liability	**-179**				**-141**
Deferred tax asset according to balance sheet	**252**				**233**
Deferred tax liability					
Equalization reserve and other similar provisions	2,162	55	88	-	2,305
Valuation of investment assets at fair value	661	-15	5	233	884
Other temporary differences	237	16	8	-	261
Total deferred tax liability	**3,060**	**56**	**101**	**233**	**3,450**
Netted deferred tax liability against deferred tax asset	**-179**				**-141**
Deferred tax liability according to balance sheet	**2,881**				**3,309**
Deferred tax expense according to income statement 2016		**-135**			

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	2017	2016
Estimated present value of obligation, including social costs etc.	2,639	2,804
Fair value of plan assets	2,082	2,048
Net liability recognized in balance sheet	**558**	**756**

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	2017 Sweden	 Norway	 Total	2016 Sweden	 Norway	 Total
Income statement and other comprehensive income						
Current service cost	53	21	74	51	34	85
Past service cost	-	-	-	4	-64	-60
Total cost, defined benefit pensions in technical result	**53**	**21**	**74**	**55**	**-30**	**25**
Interest expense on net pension liability	9	9	18	9	11	20
Remeasurements of the net pension liability in other comprehensive income	-90	43	-47	79	-23	56
Net cost (income), defined benefit pensions in comprehensive income	**-28**	**72**	**44**	**143**	**-42**	**101**
In addition, defined contribution pension cost excl. social costs			**510**			**548**
Balance sheet						
Estimated present value of obligation, including social costs	1,955	684	2,639	1,969	835	2,804
Fair value of plan assets	1,740	342	2,082	1,582	466	2,048
Net liability recognized in balance sheet	**215**	**342**	**558**	**387**	**369**	**756**
Distribution by asset class						
Bonds, level 1	39%	52%		39%	54%	
Bonds, level 2	0%	13%		0%	13%	
Equities, level 1	27%	11%		28%	6%	
Equities, level 3	10%	2%		10%	3%	
Properties, level 3	11%	14%		11%	12%	
Other, level 1	0%	6%		2%	9%	
Other, level 2	7%	2%		6%	3%	
Other, level 3	5%	0%		4%	0%	
Significant actuarial assumptions, etc.						
Discount rate	2.75%	2.50%		2.75%	2.75%	
Future salary increases	2.75%	3.00%		2.75%	3.00%	
Price inflation	1.75%	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	13 years		22 years	13 years	
Expected contributions to the defined benefit plans during 2018 and 2017	90	32		91	25	
Sensitivity analysis						
Discount rate, +0.50%	-233	-45	-278	-236	-56	-292
Discount rate, -0.50%	268	51	319	270	62	332
Future salary increases, +0.25%	73	5	79	79	7	86
Future salary increases, -0.25%	-68	-5	-73	-73	-7	-80
Expected longevity, +1 year	77	17	95	76	21	97

MSEK **Distribution of obligations on funded and unfunded plans**	Funded plans 2017	 2016	Unfunded plans 2017	 2016
Estimated present value of obligation, including social costs	2,357	2,484	283	320
Fair value of plan assets	2,082	2,048	-	-
Net liability recognized in balance sheet	**275**	**436**	**283**	**320**

MSEK Specification of change in net liability	2017	2016
Pension obligations		
On Jan 1	2,804	2,782
Current service cost	74	85
Past service cost	-	-60
Interest expense	75	76
Actuarial gains (-)/losses (+) on financial assumptions	11	78
Actuarial gains (-)/losses (+) on demographic assumptions	-	-
Actuarial gains (-)/losses (+), experience adjustments	-15	22
Translation differences on foreign plans	-36	93
Benefits paid and social costs paid	-273	-204
Settlements	-	-68
Present value of obligations on Dec 31	**2,639**	**2,804**

	2017	2016
Fair value of plan assets		
On Jan 1	2,048	1,958
Interest income	57	56
Difference between actual return and calculated interest income	44	44
Contributions paid	156	147
Translation differences on foreign plans	-19	48
Benefits paid	-204	-137
Settlements	-	-68
Fair value of plan assets on Dec 31	**2,082**	**2,048**

NOTE 35 Other provisions

MSEK Change in other provisions	2017	2016
Opening balance	**333**	**464**
Provisions utilized during the fiscal year	-63	-196
Unutilized provisions reversed during the fiscal year	-5	-12
Provisions added during the fiscal year	63	69
Translation difference	-1	8
Closing balance[1]	**326**	**333**

[1] Of which MSEK 255 (257) to be settled later than 12 months after the balance-sheet date.

Other provisions consist of funds amounting to MSEK 93 (102) 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 28 (26) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 205 (205).

NOTE 36 Creditors arising out of direct insurance

MSEK	2017	2016
Payables to policyholders	1,758	1,583
Payables to insurance brokers	92	81
Payables to insurance companies	19	28
Total [1]	**1,869**	**1,692**

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

NOTE 37 Other creditors

MSEK	2017	2016
Tax debt (current)	1,122	899
Accounts payable	75	101
Collaterals and settlement liabilities	147	0
Creditor, patient-insurance pool for the public sector	1,103	1,126
Premium Tax	491	464
Employee withholding taxes	117	132
Other Tax	49	57
Other creditors	218	261
Total [1]	**3,323**	**3,040**

[1] Of which MSEK 1,079 (958) matures later than 12 months after the closing date.

NOTE 38 – Other accruals and deferred income

MSEK	2017	2016
Accrued interest expense, subordinated debt	7	11
Accrued interest expense, other	1	-
Other accrued expense	1,763	1,631
Deferred income	50	1
Total	**1,821**	**1,643**

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	2017	2016
Other financial investment assets	2,309	2,364
Cash and bank	3	4
Total	**2,313**	**2,368**

MSEK Pledged assets and the pledging purposes were distributed as follows:	2017	2016
Financial investment assets		
Collateral for insurance undertakings	2,164	2,211
Collateral for futures trading	145	153
Total	**2,309**	**2,364**
Cash and bank balances		
Collateral for insurance undertakings	1	2
Collateral for permission to conduct insurance operations	1	1
Security for rent	1	1
Total	**3**	**4**
Total	**2,313**	**2,368**

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	2017	2016
Assets covered by policyholders' beneficiary rights	104,726	76,482
Technical provisions, net	-72,343	-50,264
Surplus of registered securities	**32,383**	**26,218**

NOTE 40 – Contingent liabilities and other commitments

MSEK	2017	2016
Surety and guarantee undertakings	32	37
Other commitments	111	143
Total	**143**	**180**

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.

NOTE 41 – Events after the balance date

No significant events have occurred after the balance sheet date.

NOTE 1 – Result from associates

MSEK	2017	2016
Dividend	1	1
Gain/loss on sale [1]	-	2,342
Impairment [2]	-	-25
Total	**1**	**2,318**

[1] Whereof Topdanmark A/S MSEK 2,347, Urzus Group AS MSEK 5 and Watercircles Skandinavia AS MSEK -10.
[2] Consists of Contemi Holding AS.

NOTE 2 – Interest income and similar income items

MSEK	2017	2016
Interest income, Group companies	17	11
Other interest income	8	6
Other	0	-
Total	**25**	**17**

NOTE 3 – Interest expense and similar expense items

MSEK	2017	2016
Interest expense, Group companies	-5	-6
Interest expense, other	-57	-14
Other	-39	-2
Total	**-101**	**-22**

NOTE 4 – Taxes

MSEK	2017	2016
Current tax	-1	-1
Deferred tax	-	-
Total tax in the income statement	**-1**	**-1**

MSEK	2017	2016
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	6,056	2,482
Tax according to current tax rate, 22%	-1,332	-546
Non-taxable dividend from Group companies, associated companies and other holdings	1,331	35
Non-taxable/non-deductible capital gain/loss and impairment loss	-	510
Reported tax in the income statement	**-1**	**-1**

NOTE 5 – Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2017	Carrying amount, MSEK 2016
If P&C Insurance Ltd (publ), corp. reg. no. 516401-8102 [1]	Sweden	1,044,306	100	16,515	12,080
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
Nordic Assistance AB, corp. reg. no. 559058-0824	Sweden	50,000	100	7	7
If IT Services A/S	Denmark	501	100	1	1
If Vahinkovakuutusyhtiö Oy/If P&C Insurance Company Ltd	Finland	-	-	-	4,435
If P&C Insurance AS	Estonia	6,391,165	100	442	442
CJSC If Insurance (in liquidation) [2]	Russia	-	-	-	90
Total				**17,039**	**17,128**

[1] The Finnish subsidiary, If Vahinkovakuutusyhtiö Oy/If P&C Insurance Company Ltd, has mergered with If P&C Insurance Ltd (publ) during the year.
[2] The liquidation of the Russian subsidiary, CJSC If Insurance, has been completed during the year.

NOTE 6 – Shares in associated companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2017	2016
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	Norway	28,572	28.6	0	0
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	13	13
Total				**70**	**71**

[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%.

NOTE 7 – Bonds

THE CLASSIFICATION AND SPECIFICATION OF SHORT-TERM INVESTMENTS

	Acquisition value		Fair value		Carrying amount	
MSEK	2017	2016	2017	2016	2017	2016
Financial assets available for sale						
Bonds	1,657	-	1,656	-	1,656	-
Other interest-bearing securities	1,275	-	1,276	-	1,276	-
Total	**2,932**	**-**	**2,932**	**-**	**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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Swedish financial companies	595	-	599	-	599	-
Other Swedish companies	1,620	-	1,618	-	1,618	-
Foreign financial companies	475	-	480	-	480	-
Other foreign companies	234	-	235	-	235	-
Total	**2,924**	**-**	**2,932**	**-**	**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 -11 as of December 31, 2017.

The duration of the portfolio was 0.4 years at year-end 2017.

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

	2017				2016			
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	711	945	-	1,656	-	-	-	-
Other interest-bearing securities	-	1,276	-	1,276	-	-	-	-
Total	**711**	**2,221**	**-**	**2,932**	**-**	**-**	**-**	**-**

NOTE 8 – Subordinated debt

				2017		2016	
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%	1,487	1,492	1,467	1,489
Subordinated loan, issued in 2016	MSEK 500	30 years	2.415%	499	497	496	497
Total				**1,986**	**1,989**	**1,963**	**1,986**

[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 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 is issued with fixed interest rate terms for the first five years. After that period, it 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 Maket).

NOTE 9 – Deferred tax liability

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 income according to income statement 2017		**-**		

NOTE 10 – Contingent liabilities and other commitments

MSEK	2017	2016
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

Funds available for appropriation by the Annual General Meeting in accordance with the balance sheet amounts to SEK 15,036,507,638, including the net profit for the year of SEK 6,055,350,078.

The Board of Directors and President propose that the amount be appropriated as follows:

MSEK	
To be distributed as dividends to shareholders	-
To be carried forward	15,037
	15,037

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, March 2, 2018

Kari Stadigh
Chairman of the Board

Peter Johansson
Board member

Patrick Lapveteläinen
Board member

Torbjörn Magnusson
Board member, President and CEO

Our audit report was issued on March 2, 2018
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

Daniel Eriksson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of If P&C Insurance Holding Ltd (publ), corporate identity number 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 Holding Ltd (publ) for the year 2017. 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 December 31, 2017 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 December 31, 2017 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.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

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 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION AND EXISTENCE OF OTHER FINANCIAL INVESTMENT ASSETS

As of December 31, 2017 other financial investment assets amounted to 111 billion SEK, which constitutes 82% of the Group's total assets. Other financial assets valued at fair value amounted to 110 billion SEK. Financial instruments valued at fair value are classified in different levels in a fair value hierarchy (level 1, 2 and 3), where level 1 consist of financial instruments for which quoted market prices on active markets for identical assets or liabilities are available. For financial instruments in level 2, assumptions and estimates might be required when establishing the fair value, however, the need of assumptions and estimates is significantly lower than what is required for establishing fair value for financial instruments in level 3. As of December 31, 2017, 78% of other financial investments assets valued at fair value are classified as level 1, 22% as level 2 and 0% as level 3.

Information on valuation of other financial investments assets is found in note 1 Accounting policies, note 2 Significant considerations and assessments affecting the Financial Statements and note 5 Risks and risk management. Further, information is found in note 22 Other financial investment assets and derivative liabilities.

Due to the size of other financial investment assets in relation to total assets, and the fact that the valuation of financial instrument in level 2 and level 3 requires management to make assumptions and estimates to some degree, valuation and existence of other financial investments assets has been assessed as a Key Audit Matter in our audit. We have verified the existence through confirmations obtained from external counter parties. Further, we have assessed the group's process for valuation of financial instruments, valuation methods and, when relevant, the reasonableness in management's assumptions and estimates when calculating fair values. We have tested a sample of key controls in the valuation process and independently valued a sample of financial instruments. The result of our independent valuation has been compared to the group's valuation and differences analyzed.

We have also examined whether the disclosures made in the financial statements regarding other financial investment are appropriate.

VALUATION OF PROVISION FOR CLAIMS OUTSTANDING

As of December 31 2017, provision for claims outstanding amounted to 70 billion SEK, which constitutes 67% of the Group's total liabilities. The balance sheet item provision for claims outstanding exists only in the Group, not in the Parent company.

Information on provision for claims outstanding is found in note 1 Accounting policies, note 2 Significant considerations and assessments affecting the financial statements and note 5 Risks and risk management. Further, information is found in note 32 Technical provisions, gross.

The provision for claims outstanding is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to the group, referred to as IBNR provision. The provision for claims outstanding is calculated using statistical methods or through individual assessments of individual claims.

Due to the size of provision for claims outstanding in relation to total liabilities, and the fact that the valuation requires management to make assumptions and estimates, valuation of provision for claims outstanding has been assessed as a Key Audit Matter in our audit. We have examined the group's provision process and assessed if significant risks are covered by existing controls. We have further assessed the reasonableness in methods and assumptions used and performed independent valuations of provisions for claims outstanding for the classes of insurance requiring the highest degree of management judgement. In our audit we have utilized our internal actuarial specialists to assist in the audit procedures performed over provision for claims outstanding.

We have also examined whether the disclosures made in the financial statements regarding other provision for claims outstanding are appropriate.

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 2-3 and 81-84. 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 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, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Insurance Companies. 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 and the group'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 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Holding Ltd (publ) for the year 2017 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 RESPONSIBILITIES

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 Insurance Business 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.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of If P&C Insurance Holding Ltd (publ) by the general meeting of the shareholders on the 6 April 2017 and has been the company's auditor since the 30 March 2005.

Stockholm, March 2, 2018
Ernst & Young AB

Hamish Mabon Authorized Public Accountant Auditor in charge	Daniel Eriksson Authorized Public Accountant

GROUP MANAGEMENT

Torbjörn Magnusson
Born 1963
President and Chief Executive Officer
Employed 1999
Resident in Stockholm

Knut Arne Alsaker
Born 1973
Chief Financial Officer
Employed 2000
Resident in Täby

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

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

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

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

Andris Morozovs [1)]
Born 1977
Head of Baltic business area
Employed 1999
Resident in Ozolnieki

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

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

Morten Thorsrud
Born 1971
Head of Private business area
Employed 2002
Resident in Nesbru

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

Ricard Wennerklint
Born 1969
Vice President and Deputy Chief Executive Officer
Employed 1999
Resident in Stockholm

1) Entered at February 8, 2017.

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, spreadrisk 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 associated companies.

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 associated companies 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.

CONTACT:

Sweden	+46 771 430 000	if.se
Norway	+47 980 024 00	if.no
Denmark	+45 77 01 21212	if.dk
Finland	+358 105 1510	if.fi