Annual Report 2022

If P&C Insurance Ltd (publ), 516401-8102

Contents

Board of Directors' report

The Board of Directors and the President of If P&C Insurance Ltd (publ), corporate registration number 516401-8102, hereby issue their annual report for the 2022 fiscal year.

Organization

If P&C Insurance Ltd (publ) is a wholly owned subsidiary of If P&C Insurance Holding Ltd (publ), corporate reg. no. 556241-7559, whose headquarter is in Solna, Sweden. The consolidated accounts are prepared by If P&C Insurance Holding Ltd (publ). If P&C Insurance Holding Ltd (publ) is in turn a wholly owned subsidiary of Sampo plc, a Finnish listed company, whose registered office is in Helsinki.

If P&C Insurance conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland, Estonia, Latvia and from 2023 also Lithuania via branches. In addition, If P&C Insurance has branch offices in France, the Netherlands, the United Kingdom and Germany for customers that conduct international operations.

The insurance operation in the Nordic region is organizationally divided in accordance with customer segment into the business areas Private, Commercial and Industrial, and a Nordic claims management unit. Support functions such as Human Resources, IT and Group Services, Communication, Risk Management, Legal and Finance are organized as a support to the business.

Significant events and effects during the year

2022 was a turbulent year marked by geopolitical uncertainty following Russia's invasion of Ukraine and an overall challenging macroeconomic environment. If P&C Insurance's insurance exposure in Russia and Ukraine is mainly related to certain Nordic industrial line clients, with coverage subject to war exclusions. On the asset side, the company has no material direct investments in the region.

Macroeconomic uncertainty with high levels of inflation and interest-rate hikes by central banks, with resulting volatility in capital markets, marked the year. The increase in inflation due to supply shortages in the wake of the pandemic was further fueled by the challenging macroeconomic environment following the war in Ukraine. These developments are currently causing significant uncertainties on economic and capital market development.

In 2022, If P&C Insurance saw no material Covid-19 effects in the Nordic countries. In the beginning of the year, the pandemic-related restrictions affecting claims frequencies were gradually lifted and motor claims continued to normalize with traffic returning to closer to normal levels. 2022 also saw an uptick in travel claims frequencies as people started traveling again.

Earnings and financial position

Results

The technical result for insurance operations increased to MSEK 9,808 (8,636) and the combined ratio improved to 80.7% (81.6). The investment result increased to MSEK 2,910 (2,338). Profit before tax for the year amounted to MSEK 12,246 (10,539).

Premiums

Gross written premiums amounted to MSEK 54,962 (49,866). Adjusted for currency effects, the increase was 6.6% (4.1), driven mainly by premium increases, a high renewal rate and an increased number of customers. All business areas and countries showed good growth.

Net premiums earned amounted to MSEK 50,624 (46,328).

Claims and claims reserves

Claims incurred, net of reinsurance, amounted to MSEK 33,189 (30,696). The risk ratio was 59.8% (60.6), including an adverse large claims result compared with 2021 and a positive impact of prior year development.

At year end, gross claims reserves amounted to MSEK 69,685 (67,004). Adjusted for currency effects, gross claims reserves decreased by MSEK 828 compared with the preceding year. The change during the year was primarily attributable to a reserve reduction for annuities due to changes in the mortality model in Finland and increased discounting rates. The positive effect was partly offset by an increase in the claims reserves consistent with If P&C Insurance's conservative reserving approach.

Reinsurers' share of claims provision amounted to MSEK 2,686 (2,555). Adjusted for currency effects, the decrease during the year was MSEK 118.

Expenses

Operating expenses in insurance operations, net of reinsurance, amounted to MSEK 7,655 (7,101). Adjusted for currency effects, the increase was 4.9% (2.3). The cost ratio improved to 20.9% (21.0).

Investment result and asset allocation

At full market value, the result from asset management was negative MSEK 5,092 (positive 4,999), impacted by a correction in the stock market and interest rate increases. The result corresponds to a total return of negative 4.3% (positive 4.6). Net investment return amounted to MSEK 2,910 (2,338) in the income statement and negative MSEK 8,003 (positive 2,661) in other comprehensive income.

Asset allocation remained fairly stable. Fixed income comprises 88% (85) and equities 12% (15) of the total investment assets. The duration of the fixed income assets was 1.9 (1.1) at the end of the year.

Tax expense and net profit

The effective tax rate for the year was 21.1% (21.1). Of total taxes, current tax expense accounted for MSEK 2,563 (2,205) and deferred tax expense for MSEK 22 (15).

Net profit for the year was MSEK 9,661 (8,319).

Solvency and financing

Insurance is a regulated business with EU-wide rules for calculating capital requirements and available capital. If P&C Insurance Ltd (publ) uses an approved partial internal model (PIM) to calculate the solvency capital requirement (SCR) for the majority of the insurance risks while other risks are calculated using the standard formula. As per December 31, 2022, the SCR amounted to MSEK 17,330 (17,629) and eligible own funds amounted to MSEK 31,414 (30,906).

During the year, a dividend of MSEK 8,000 (5,500) was paid but there were no subordinated loan transactions (repayment of MSEK 1,128).

Personnel

During the year, the number of employees increased and amounted to 6,625 (6,332) at year-end. The average number of employees during the year was 6,526 (6,270), of whom 53% (53) were women.

The principles applied when determining remuneration of senior executives are presented in Note 12.

Outlook

The macroeconomic uncertainty is greater than in a very long time. Despite this, the underlying profitability of the insurance operation is expected to remain solid. A key success factor is continued accuracy in pricing insurance contracts, while ongoing efficiency improvements are important for long-term profitability.

Applied accounting policies

If P&C Insurance Ltd (publ) applies to the extent possible accounting policies that comply with International Financial Reporting Standards (IFRS) as adopted by the EU, known as IFRS restricted by law. For the 2022 fiscal year, there were no new or amended standards that caused any significant changes or new requirements for the company's accounting.

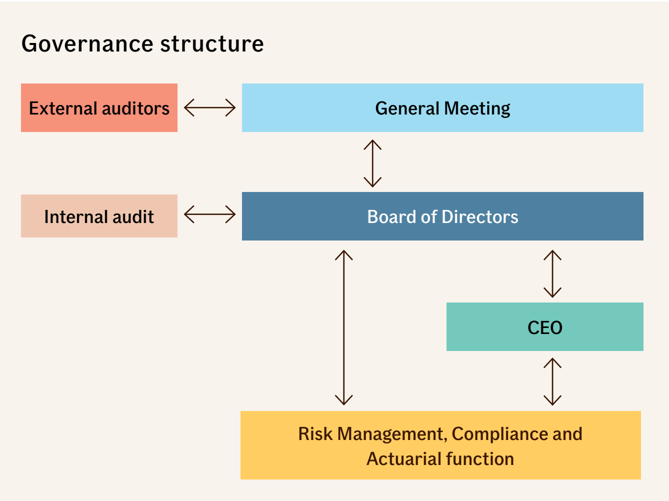
Objectives and policies for financial risk management

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

The main objectives of If P&C Insurance'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.

Corporate Governance



If P&C Insurance Ltd (publ) is a wholly owned subsidiary of If P&C Insurance Holding Ltd (publ), which in turn 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 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.

The Board of Directors is ultimately responsible for ensuring that there are efficient systems for follow-up and control of the company's business and financial position. 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 work with internal control of financial reporting is based on If P&C Insurance's Internal Control Policy, which is based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission, COSO. The aim is to exclude material errors in the financial reports. The control environment includes aspects such as the organizational structure, roles and responsibilities, integrity-steering documents, ethical values and the employees' competence. Control activities consist of steering documents, approval procedures, routine descriptions and controls to manage the identified risks. Implemented controls include such activities as authorization rules and referrals according to appropriate rules, for instance the four-eyes principle.

The risk management function is led by the Chief Risk Officer (CRO). The function has the task of supporting the implementation and development of the risk management system. The risk management function reports to the Board and the CEO, see also Note 5.

The compliance function is responsible for advising the Board and the CEO regarding compliance with the rules that are related to If P&C Insurance's permit to conduct insurance operations. The compliance function also evaluates the measures taken to prevent non-compliance. Furthermore, the compliance function assesses any consequences of rule changes that affect the business, and identifies and assesses risks of non-compliance. A risk-based plan is produced annually and adopted by the Board.

The compliance function is operationally independent. The Chief Compliance Officer (CCO) is appointed by the CEO and has the overall responsibility for the function and its areas of responsibility. The Board issues an instruction to the CCO, which describes its tasks in more detail. The CCO reports directly to the company's Board and CEO.

The actuarial function is led by the Chief Actuary and reports to the Board and to the CEO. The main tasks of the actuarial function are to coordinate the calculation of technical provisions and ensure its reliability and adequacy, to comment on the underwriting policy, on whether the reinsurance arrangements are sufficient and on the solvency position and to contribute to the risk management system, including through the ORSA process.

Internal audit is an objective and independent function designed to add value and improve the organization's operations. The internal audit helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness and suitability of risk management, control and governance processes.

The internal audit function conducted a number of audits of the company's operations during the year in accordance with a risk based internal audit activity plan, which has been approved by the Board of Directors. The Chief Audit Executive reports the results of the audits directly to the Board. In addition, the Board of Directors receives an annual report containing a summary of the function's work, and significant observations during the year.

The internal audit function also performs follow-up activities to ensure that corrective measures have been taken by the business.

The external auditors are independent reviewers of the company's accounts and assess and express an opinion on whether they consider that the annual report gives a true and fair view of the financial position and result. They also review that the financial statements have been prepared in accordance with applicable laws and standards and review the administration of the Board and the CEO.

Sustainability report

The Parent Company If P&C Insurance Holding Ltd (publ), corporate reg. no. 556241-7559, whose headquarter is in Solna, has prepared a sustainability report named If Sustainability Report 2022. It covers the Parent Company and its subsidiaries and is available on the website https://www.if.se. If P&C Insurance Ltd (publ) has therefore chosen not to prepare its own sustainability report.

Appropriation of earnings

Unrestricted funds in the company, including the Fair value reserve, that are available for appropriation by the Annual General Meeting in accordance with the balance sheet, amount to:

SEK	
Net profit for the year	9,660,542,883
Profit brought forward	12,736,572,040
Fair value reserve	1,321,284,831
	23,718,399,755

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	7,500,000,000
Profit to be carried forward	16,218,399,755
	23,718,399,755

From January 1, 2023, the company applies IFRS 9 Financial instruments, whereby the current Fair value reserve is dissolved and a corresponding amount is instead recognized in Profit brought forward.

Five-year summary

MSEK	2022	2021	2020	2019	2018
Condensed income statement					
Premiums written, net of reinsurance	51,492	47,069	46,085	45,375	42,353
Premiums earned, net of reinsurance	50,624	46,328	45,033	44,490	42,172
Allocated investment return transferred from the non-technical account	112	144	171	165	128
Other technical income	536	494	452	417	373
Claims incurred, net of reinsurance	-33,189	-30,696	-30,204	-30,720	-29,322
Of which, claims-adjustment costs	*-2,932*	*-2,641*	*-2,628*	*-2,624*	*-2,431*
Operating expenses for insurance operations, net of reinsurance	-7,655	-7,101	-6,962	-7,062	-6,818
Other operating expenses	-619	-534	-520	-516	-418
Technical result from property and casualty insurance	**9,808**	**8,636**	**7,970**	**6,775**	**6,115**
Investment result	2,910	2,338	1,583	2,696	2,590
Allocated investment return transferred to the technical account	-466	-360	-401	-467	-448
Interest expense, financing	-	-64	-71	-71	-69
Amortization goodwill	-2	-2	-2	-48	-288
Income from associates	-	-	-	-	38
Result before income taxes and appropriations	**12,251**	**10,549**	**9,080**	**8,884**	**7,938**
Group contribution	-5	-10	-30	-25	-50
Result before income taxes	**12,246**	**10,539**	**9,050**	**8,859**	**7,888**
Income taxes	-2,585	-2,220	-1,967	-1,927	-1,757
Net profit for the year	**9,661**	**8,319**	**7,082**	**6,932**	**6,132**
Balance sheet, December 31					
Assets					
Intangible assets	-	2	147	317	282
Investment assets	109,571	109,118	102,443	105,825	102,990
Reinsurers' share of technical provisions	3,572	3,263	2,813	2,168	2,105
Debtors	19,172	18,685	17,157	17,289	16,080
Other assets, prepayments and accrued income	3,898	3,978	3,971	3,912	3,849
Total assets	**136,213**	**135,047**	**126,532**	**129,511**	**125,306**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	24,211	27,902	22,588	22,073	18,939
Untaxed reserves	7,119	7,032	6,859	7,118	7,043
Subordinated debt	-	-	1,102	1,146	1,124
Deferred tax liability	144	1,633	859	912	184
Technical provisions	94,900	90,178	86,425	89,553	89,654
Creditors	7,417	6,173	6,497	6,492	6,256
Provisions, accruals and deferred income	2,423	2,128	2,202	2,217	2,105
Total shareholders' equity, provisions and liabilities	**136,213**	**135,047**	**126,532**	**129,511**	**125,306**
Key data, property and casualty operations					
Claims ratio	65.6%	66.3%	67.1%	69.0%	69.5%
Expense ratio	15.1%	15.3%	15.5%	15.9%	16.2%
Combined ratio	80.7%	81.6%	82.5%	84.9%	85.7%
Risk ratio [1]	59.8%	60.6%	61.2%	63.2%	63.8%
Cost ratio [1]	20.9%	21.0%	21.3%	21.8%	21.9%
Insurance margin [1]	19.5%	18.7%	17.8%	15.5%	14.6%
Key data, asset management					
Total investment return [2]	-4.3%	4.6%	2.5%	5.3%	-0.8%
Capital strength according to Solvency II regulation					
Own funds (capital base)	31,414	30,906	25,857	25,358	24,269
- Basic own funds	31,414	30,906	25,857	25,358	24,269
Solvency capital requirement (SCR)	17,330	17,629	14,683	15,186	14,205
Eligible own funds to cover the minimum capital requirement	29,246	28,979	22,826	22,052	21,129
Minimum capital requirement (MCR)	7,798	7,933	6,607	6,834	6,392
Other key data					
Consolidation capital	31,474	36,568	31,408	31,250	27,290
of which deferred tax	144	1,633	859	912	184
Consolidation margin	61.1%	77.7%	68.2%	68.9%	64.4%

[1] Refers to alternative performance measurements which are defined in Glossary and definitions.
[2] Calculations are made in accordance with the policies used internally within If P&C Insurance Ltd (publ) for the valuation of asset management.

Income statement

MSEK	Note	2022	2021
TECHNICAL ACCOUNT OF PROPERTY AND CASUALTY INSURANCE			
Premiums earned, net of reinsurance			
Premiums written, gross	7	54,962	49,866
Premiums ceded	7	-3,470	-2,797
Change in provision for unearned premiums and unexpired risks		-958	-833
Reinsurers' share of change in provision for unearned premiums and unexpired risks		90	92
		50,624	**46,328**
Allocated investment return transferred from the non-technical account	8	112	144
Other technical income		536	494
Claims incurred, net of reinsurance			
Claims paid			
Gross		-35,622	-32,073
Reinsurers' share		1,370	1,462
Change in provision for claims outstanding			
Gross		1,181	-240
Reinsurers' share		-118	154
	9	**-33,189**	**-30,696**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-7,885	-7,282
Commission and profit participation in ceded reinsurance		230	182
		-7,655	**-7,101**
Other operating expenses/other technical expenses		-619	-534
	10,12,13	**-8,275**	**-7,634**
Technical result from property and casualty insurance	14	**9,808**	**8,636**
NON-TECHNICAL-ACCOUNT			
Investment result			
Direct investment income		3,570	2,737
Unrealized gains on investment assets		72	134
Management costs		-527	-474
Unrealized losses on investment assets		-204	-59
	15	**2,910**	**2,338**
Allocated investment return transferred to the technical account	8	-466	-360
Interest expense, financing	16	-	-64
Amortization, goodwill	17	-2	-2
Result before income taxes and appropriations		**12,251**	**10,549**
Appropriations			
Group contribution		-5	-10
		-5	**-10**
Result before income taxes		**12,246**	**10,539**
Tax	18	-2,585	-2,220
Net profit for the year		**9,661**	**8,319**

Statement of Comprehensive Income

MSEK	Note	2022	2021
Net profit for the year		**9,661**	**8,319**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		1,267	465
Remeasurements of financial assets, available for sale		-7,797	3,465
Value changes on financial assets available for sale reclassified to the income statement		-206	-805
Taxes related to items which will be reclassified when specific conditions are met	18	1,383	-630
		-5,352	**2,496**
Total comprehensive income		**4,309**	**10,815**

Balance sheet

Assets, December 31

MSEK	Note	2022	2021
Intangible assets			
Goodwill		-	2
	19	**-**	**2**
Investment assets			
Land and buildings		9	9
Other financial investment assets	20, 22	109,554	109,103
Deposits with ceding undertakings		7	7
	21	**109,571**	**109,118**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		886	708
Provisions for claims outstanding		2,686	2,555
	23	**3,572**	**3,263**
Debtors			
Debtors arising out of direct insurance operations	24	16,197	14,542
Debtors arising out of reinsurance operations	25	1,119	1,114
Other debtors	26	1,857	3,029
		19,172	**18,685**
Other assets			
Tangible assets	27	222	213
Cash and bank balances		1,288	1,832
Collaterals and settlement claims		86	94
		1,596	**2,139**
Prepayments and accrued income			
Accrued interest and rental income		659	334
Deferred acquisition costs	28	1,268	1,122
Other prepayments and accrued income	29	374	383
		2,302	**1,839**
Total assets		**136,213**	**135,047**

Shareholders equity, provisions and liabilities, December 31

MSEK	Note	2022	2021
Shareholders' equity			
Share capital		104	104
Statutory reserve		388	388
Fair value reserve		1,321	7,649
Profit brought forward		12,737	11,442
Net profit for the year		9,661	8,319
		24,211	**27,902**
Untaxed reserves	30	**7,119**	**7, 032**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		25,214	23,174
Provisions for claims outstanding		69,685	67,004
	31	**94,900**	**90,178**
Provisions for other risks and charges			
Deferred tax liability	32	144	1,633
Other provisions	33	280	317
		424	**1,950**
Creditors			
Creditors arising out of direct insurance operations	34	2,143	1,514
Creditors arising out of reinsurance operations		519	431
Derivatives	20, 21, 22	74	77
Other creditors	35	4,680	4,151
		7,417	**6,173**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		63	52
Other accruals and deferred income	36	2,080	1,760
		2,143	**1,811**
Total shareholders' equity, provisions and liabilities		**136,213**	**135,047**

Changes in Shareholders’ Equity

MSEK	Restricted equity Share capital	Statutory reserve	Fund for costs of development	Unrestricted equity Fair value reserve [1]	Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2021	**104**	**388**	**144**	**5,519**	**16,432**	**-**	**22,588**
Total comprehensive income	-	-	-	2,131	365	8,319	10,815
Dividend paid	-	-	-	-	-5,500	-	-5,500
Transfer between restricted and unrestricted equity	-	-	-144	-	144	-	-
Equity at end of 2021	**104**	**388**	**-**	**7,649**	**11,442**	**8,319**	**27,902**
Equity at beginning of 2022	**104**	**388**	**-**	**7,649**	**19,761**	**-**	**27,902**
Total comprehensive income	-	-	-	-6,328	976	9,661	4,309
Dividend paid	-	-	-	-	-8,000	-	-8,000
Equity at end of 2022	**104**	**388**	**-**	**1,321**	**12,737**	**9,661**	**24,211**

[1] The fair value reserve corresponds in full to value changes of financial assets available for sale with deduction for deferred tax.

The share capital comprises 1,044,306 shares with a quotient value of SEK 100 each. The accumulated translation difference corresponded to MSEK 1,257 (-11).

Notes

Note 1 – Accounting policies

Company information

This annual report for If P&C Insurance Ltd (publ) was prepared and authorized for publication by the Board of Directors and President on March 9, 2023 and will be presented to the 2023 Annual Meeting for approval. The company is a Swedish public company with its registered office in Stockholm and its headquarters in Solna, Sweden.

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

Statement of compliance with regulations applied and information about new accounting standards

The annual report for If P&C Insurance Ltd (publ) was prepared in accordance with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority's regulations and general recommendations on Annual Accounts in Insurance Companies (FFFS 2019:23). In accordance with the Swedish Financial Supervisory Authority´s general recommendations, generally accepted international accounting standards and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities are applied to the extent that these do not contravene the law or other statutes or the said regulations and general recommendations.

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.

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.

Issued, but not yet effective, international accounting standards or standards that are not yet mandatory for If, are currently assessed as not likely to have any significant impact on the financial statements when first applied, except IFRS 9 Financial Instruments.

IFRS 9 Financial Instruments became effective January 1, 2018 and superseded IAS 39 Financial Instruments: Recognition and Measurement. In accordance with an EU-adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that, under certain circumstances, insurance companies may delay their initial application of IFRS 9 so that the date coincides with the initial application of IFRS 17 Insurance Contracts (see below). If P&C Insurance ltd (publ) meets these requirements since the company has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, If P&C Insurance has decided to delay the application of IFRS 9 until January 1, 2023. However, extended disclosure requirements have been introduced for financial instruments, to facilitate comparisons with companies that have already implemented IFRS 9. For more information, refer to Note 20 Other financial investment assets and derivative liabilities.

IFRS 9 changes the principles of classification and measurement of financial assets and introduces a new impairment model based on expected, rather than incurred, credit losses. Under IFRS 9, financial assets are classified as being subsequently measured either at fair value through profit or loss (FVPL), at fair value through other comprehensive income (FVOCI) or at amortized cost (AMC). If P&C Insurance will not have any financial assets classified as fair value through OCI at transition to IFRS 9. The current IAS 39 categories held-to-maturity, available-for-sale and loans and receivables cease to exist under IFRS 9.

Debt instruments are according to IFRS 9 classified based on a combination of If P&C Insurance business model for managing the financial assets and if the contractual cash flow characteristics consists of solely payments of principal and interest (SPPI). Debt instruments are mandatorily classified at fair value through profit or loss when the business model reflects the assets being managed and evaluated on a fair value basis or is held for trading, alternatively if the contractual cash flows do not consist of solely payments of principal and interest. Debt instruments are classified as amortized cost when the objective of the business model is to hold the financial asset in order to collect contractual cash flows, and the contractual cash flows meet the SPPI criteria.

Equity instruments are classified as fair value through profit or loss. IFRS 9 introduces an irrevocable option which can be made at initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income. This option will not be applied by If P&C Insurance. Derivatives are consistent with current policies classified as fair value through profit or loss, held for trading.

The implementation of IFRS 9 will not have a material impact on If P&C Insurance balance sheet, as the main part of the financial assets currently are measured at fair value, which will be the measurement basis also under IFRS 9. At transition to IFRS 9, the main part of If P&C Insurance financial assets (both debt and equity instruments) will be classified at fair value through profit or loss instead of previous classification as available for sale under IAS 39. Consequently, unlike in current accounting, under IFRS 9 the changes in fair value will be recognized in the income statement, which may increase volatility in the accounting for financial instruments in future reporting periods.

IFRS 9 introduces impairment requirements based on a forward-looking 'expected credit loss (ECL)' model, which replaces the model applied under IAS 39 based on incurred losses. The new impairment model will apply to If P&C Insurance financial assets categorized as amortized cost. If P&C Insurance has assessed that only a limited amount of financial assets will be measured at amortized cost and the amount of expected credit losses based on the new impairment requirements is therefore assessed to be minor.

The measurement of If P&C Insurance's financial liabilities will not change. The comparative period 2022 will not be restated.

IFRS 17 Insurance Contracts was adopted by the EU in November 2021 and takes effect on January 1, 2023. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. According to the updated Swedish Financial Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2019:23), the new standard IFRS 17 Insurance Contracts should not be applied for accounting for insurance contracts in a legal entity. The Swedish Financial Supervisory Authority's decision essentially entails unchanged accounting regulations but, within the framework of current regulations, If P&C Insurance will adapt certain measurement methods to handle the accounting in the Group and legal entities in a similar way, as far as possible.

Transactions, receivables and liabilities in foreign currency and translation of the accounts of foreign branches

If P&C Insurance's Swedish operations report in SEK and foreign branches report in their respective functional currency, determined as the local currency in the country in which the branch is active. Income statement items in another currency then 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 net in the income statement as exchange-rate gains/losses under Investment result. Currency forward contracts used to economically hedge currency exposure in the balance sheet are measured at fair value and the effects are also reported in their entirety as exchange-rate gains/losses.

In the preparation of the annual report, translation from the presentation currencies of the branches into SEK is effected in line with IAS 21. Items in the balance sheets are translated using the exchange rate on the balance sheet date and items in the income statement are translated using the average exchange rates for the period in which the item arose. Translation differences are reported in other comprehensive income when 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.

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

	2022	2021
Danish kroner	1.50	1.38
Euro	11.12	10.25
Norwegian kroner	1.06	1.03
US dollars	10.43	9.05

Policies applying to items in the balance sheet

Intangible assets including goodwill

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

Internally developed intangible assets are measured at acquisition value, determined as the direct and indirect expenses for the development (programming and testing) of computer systems that are expected to provide financial benefits in the future. Only expenses linked to new development and 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 using the straight-line method. The useful life is determined individually by asset and for capitalized developments does not exceed 10 years.

An amount corresponding to the closing carrying amount for development expenses capitalized from 2016 is presented as a fund within restricted equity (Fund for costs of development).

The estimated useful life of goodwill in acquired companies and portfolios is generally 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. The recoverable amount is 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, but this does not apply to impairment of goodwill.

Other financial investment assets

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms of the financial instrument. A financial asset is derecognized from the balance sheet when the rights in the contract are realized, expire or as a result of a transfer of the assets the company doesn't bear longer significant risks and benefits from the assets as well as it loses control over them. Furthermore, a cancellation is made if a significant modification has been made to the contract terms of a financial asset or liability. A financial liability is removed from the balance sheet when the obligation in the agreement has been fulfilled, cancelled, or otherwise terminated.

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 at the gross amount under the item Other assets or Other creditors.

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.

Shares

Shares are measured at fair value. 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 measured using established valuation models.

Interest-bearing securities

Interest-bearing securities are measured at fair value and accounted for by separating the amortized cost from the change in value. The amortized cost is the discounted present value of future payments, for which the discount rate applied is the effective rate of interest on the acquisition date. This means that acquired premium and discount 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 the discount in conjunction with the acquisition. The return on interest-bearing securities is divided 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 and its amortized cost. When measuring at fair value, the listed bid price or yield-curve models, based on listed mid prices, are used.

Derivatives

All derivative instruments are individually measured at fair value. Derivative transactions with a positive fair value on the closing date are reported as Other financial investment assets and derivative positions with a negative fair 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 accounted for on the basis of individual valuation of the receivables. Provisions pertaining to standard products are measured through a standard computation in the form of maturity stages based on reported losses during prior periods.

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

In accordance with RFR 2, If P&C Insurance Ltd (publ) recognizes all lease payments as an expense in the income statement.

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
Sales costs that have a clear connection with the writing of insurance contracts are reported as an asset, namely as deferred acquisition costs. Sales costs include operating expenses such as commissions, 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 sales costs are 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 amortised cost. The amortised cost includes premiums/ discounts arising on the issue date and other external transaction costs attributable to borrowing. During the term of the loan, costs for subordinated loans are reported using the effective interest rate method, whereby premiums/ discounts 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.; and
- 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 claims payments plus all costs of claims 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
The company´s pension obligations comprise pension plans in several national systems that are regulated through local collective bargaining agreements and social insurance laws and consist of both defined-contribution and defined-benefit pensions.

The reporting of pension costs and obligations mainly complies with the policies applied locally in each particular country. The reporting policies for pensions in Sweden, Denmark and Finland resemble each other, in that the pension cost consists of the premium paid for securing pension obligations via insurance in a life insurance company. In Norway, however, other policies apply, which essentially entail that the booked cost of defined-benefit pensions is calculated on the basis of assumptions regarding pensionable income at the retirement age and also taking into account the financial consequences arising from the pension plan's assets and obligations.

The company's cash-settled share-based payments give rise to an obligation to the employees, which is measured at fair value and is reported as an expense with a corresponding increase in liabilities. Fair value is initially calculated at the time of granting and at every reporting date thereafter. The fair value of the cash-settled units is calculated using the Black-Scholes model and the terms and conditions of the allocated units are taken into account. The provision recognized in the balance sheet is the earned part of the value on the balance sheet date and any changes in the provision are reported in the profit for the year as a personnel cost.

Policies applying to items in the 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 almost entirely to the Company´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 in accordance with to IFRS 15 Revenue from Contracts with Customers.

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

Premiums written

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

Premiums earned

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

Allocated investment return transferred from the non-technical account

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

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

Recognized cost for the fee to Swedish Motor Insurers is included in other technical costs.

Investment result

The investment result is divided into four items in the income statement and specified in the disclosure notes. As a general rule, unrealized value changes are reported in Other comprehensive income until realized. Unrealized value changes constitute the difference between acquisition cost and fair value. At disposition, the unrealized changes in value are reversed so that the realized gains and losses comprise the difference between acquisition cost and sale price. The result also comprises 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 default as well as to make an individual assessment for interest-bearing securities with a fair value below 50% of nominal value. In respect of shares, the assessment is also conducted on an individual basis where 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 the 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.

Taxes

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

Current tax is calculated individually for each branch in accordance with the tax rules in each country. Current tax also includes 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. 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 the 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 or loss. These effects are not taxable/deductible either and can thus also have a material impact on the taxable income.

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, hence 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 sheet 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 20.6% of taxable income. In Norway, the tax rate was 25%, in Denmark 22% and in Finland 20%. In Denmark, the tax rate is to be gradually increased during 2023-2024 to 26%. This has been taken into account when calculating deferred tax assets and liabilities as of December 31, 2022.

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 when 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.

Appropriations and untaxed reserves

Tax legislation in Sweden allows companies to reduce their taxable income for a specific year by making appropriations to untaxed reserves. If reports provisions to a contingency reserve, which is a voluntary consolidation reserve whose maximum provision is regulated under guidelines issued by the Swedish Financial Supervisory Authority. Access to the reserve is restricted to loss coverage. Other utilization requires the approval of the regulatory authorities.

Changes in untaxed reserves are reported over the income statement, under Appropriations. The accumulated value of the provisions is reported under the heading Untaxed reserves.

In addition, paid and received group contributions are recognized as an appropriation in the income statement.

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, e.g. IFRS, ÅRFL, FFFS 2019:23 and the Swedish Insurance Business Act (FRL). Definitions of a number of key figures are provided in the Glossary and definitions, including some that are marked as alternative performance measures.

Alternative performance measures are used by If when deemed relevant to monitor and describe 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 respective years.

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

Note 2 – Significant estimations and judgments affecting the financial statements

Preparing financial statements 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 judgments and estimations.

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2022 and estimations that may cause material adjustments in the financial statements in subsequent years are commented on below.

Valuation of investment assets

If P&C Insurance has elected to apply a classification according to IAS 39 that means that almost all financial investment assets are measured at fair value. 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 P&C Insurance 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, 20 and 21.

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 P&C Insurance, referred to as IBNR provision. The provision is calculated using statistical methods or through individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year claims result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claims results in recent years is available in Note 31.

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.

Note 3 – Recognition of the effects of changed exchange rates

In addition to the Nordic currencies, If P&C Insurance 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 the Swedish krona account for considerable sums. According to If P&C Insurance's Currency Policy, exchange-rate risks are to be limited by conducting specific hedging transactions when required. The Currency Policy sets limits for currency exposure.

As a result of the large amount of foreign currency in business operations, financial reports in the Swedish krona are continuously impacted by effects attributable to exchange-rate changes. In the income statement, transactions in foreign currency are translated into the Swedish krona 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 causality insurance.

Balance sheet items established in foreign currency are translated to 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 P&C Insurance's investment assets in foreign currency. The remaining exposure that arises is managed through the use of currency forward contracts.

For 2022, a net exchange rate result of negative MSEK 117 (negative 138) was recognized in the income statement. The currency result arises as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, the exchange-rate result may be divided into:

MSEK **Total exchange-rate result**	**2022**	**2021**
Conversion of items in the income statement and balance sheet	-1,428	-335
Realized effects of currency derivatives	926	-197
Unrealized effects of currency derivatives	384	394
Total exchange-rate result	**-117**	**-138**

Note 4 – Information about related companies

Relations within If Group

The If Group pursues a joint external reinsurance program covering all legal entities. Additional reinsurance is bought by If Livförsäkring AB and the Estonian company If P&C Insurance AS through intra-group reinsurance. Reinsurer for this intra-group reinsurance is If P&C Insurance.

If Livförsäkring AB has outsourced almost all of its business to If P&C Insurance. The outsourced services include for example sales, customer service, claims assessment, asset management and administration. If Livförsäkring AB pays for asset management a fixed percentage commission calculated on the market value of the managed investment assets. Payment for other services is a calculated percentage fee based on new written policies and renewals.

If P&C Insurance Holding Ltd (publ) is the primary account holder in a group account structure that covers most of the bank accounts in If P&C Insurance's insurance operations.

If P&C Insurance's purchases of data-processing services and data production are conducted through If IT Services A/S – If P&C Insurance's sister company – which has monitoring and administrative responsibility for IT operations with suppliers.

If P&C Insurance and its parent company If P&C Insurance Holding Ltd (publ) have entered into an agreement under which If P&C Insurance Holding Ltd (publ) provides management services to If P&C Insurance. If P&C Insurance and If P&C Insurance Holding Ltd (publ) have entered into an asset management agreement according to which all investment decisions, within the framework of the If Group's Investment Policy have been outsourced to If P&C Insurance. If P&C Insurance Holding Ltd (publ) pays a fixed percentage commission calculated on the market value of the managed investment assets.

If P&C Insurance provides asset management services also for If P&C Insurance AS. If P&C Insurance AS pays a fixed percentage commission calculated on the market value of the managed investment assets.

If P&C Insurance and its sister company If Services AB have entered into agreements under which various services are provided. If P&C Insurance performs services for If Services AB such as accounting and HR. If Services AB mediates, as a tied insurance intermediary to If P&C Insurance, If P&C Insurance's insurances in Norway and Finland.

If P&C Insurance and its sister company Viking Assistance Group AS have entered into agreements under which Viking Assistance Group AS and its subsidiaries provide road-assistance, alarm central and claims handing administration services to If P&C Insurance. Payment for these services is cost per accomplished service or an annual fee for a preordered service.

If P&C Insurance and its sister company Vertikal Helseassistanse AS have entered into agreements under which they provide different services to each other. If P&C Insurance performs services to Vertikal Helseassistanse AS such as cash management, accounting and HR. Vertikal Helseassistanse AS performs claims handling and insurance brokerage to if P&C Insurance's health insurance in Norway. Compensation from If P&C Insurance to Vertikal Helseassistanse AS is paid as cost reimbursement and as a fixed margin.

Transactions with related companies (within If Group companies)

	Income [1]		Expenses [2]		Assets		Liabilities	
MSEK	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
If P&C Insurance Holding Ltd (publ)	48	9	-183	-153	1,114	2,299	-	-
Other related parties								
Subsidiaries of If P&C Insurance Holding Ltd (publ)	198	195	-1,738	-1,578	47	49	-225	-174

[1] Including interest income

[2] Including interest expense

Relations with If Group's associates

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

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.

Until June 2022 the Parent Company If P&C Insurance Holding Ltd (publ) owned, directly (10.5%) and indirectly via If P&C Insurance Ltd (15.3%), a share of 25.8% of SOS International A/S, a company providing assistance services to insurance companies. If P&C Insurance Holding Ltd (publ) and If P&C Insurance thereafter sold all of their shares and SOS International A/S is no longer deemed as an If Group associated company.

Up until December 2022, the Parent Company If P&C Insurance Holding Ltd (publ) owned a share of 34.0% of Boalliansen AS, which provides various services to housing associations, and 34.0% of Digiconsept AS, which owns the intellectual property rights to the system that Boalliansen AS uses. Boalliansen AS mediates insurances on behalf of If P&C Insurance. In December 2022, If P&C Insurance Holding Ltd (publ) acquired the remaining 66.0% of the shares in Boalliansen AS and 66.0% of the shares in Digiconsept AS and is now the sole shareholder in both companies.

Relations with Sampo

If P&C Insurance is included in the Sampo Group via its parent company, If P&C Insurance Holding Ltd (publ). Relations with Sampo refer to Sampo plc and all companies in this corporate group with the exception of If P&C Insurance Holding (publ) and its subsidiaries.

If P&C Insurance has concluded agreements with a Sampo subsidiary regarding the marketing of the counterparty's products in If P&C Insurance's network primarily in Finland. If P&C Insurance receives a commission for the services

In Finland and the Baltic countries, Sampo or its subsidiaries have also concluded P&C insurance agreements with If P&C Insurance.

If P&C Insurance and a Sampo subsidiary have an asset management agreement according to which some investment decisions, within the framework of the Investment Policy, are outsourced to that Sampo subsidiary. If P&C Insurance pays a fixed commission calculated on the market value of the managed investment assets.

In Finland, Sampo and Sampo subsidiaries purchase internal audit services, HR services as well as other office services and investigation services from If P&C Insurance. Sampo and Sampo subsidiaries pay a fee for the services.

Office premises and services are partly used together with Sampo.

Topdanmark A/S is a subsidiary of Sampo plc. 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 but the companies have a joint and several liability.

If P&C Insurance holds subordinated loans issued by Topdanmark A/S and a subsidiary to Topdanmark A/S.

Relations with Nordea

As of April 2022, Sampo sold of all its shares in Nordea Bank plc. Up until then, Nordea Bank plc was an associate company of Sampo, and consequently related company to If P&C Insurance. Relations with Nordea refer to Nordea Bank pcl and all the companies in this corporate group.

Nordea is If P&C Insurance's banking partner in Sweden, Norway, Denmark, Finland 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 of the Nordic cash pool in Nordea. However, If P&C Insurance has its own accounts with Nordea.

In asset management, investments are made in bonds and other interest-bearing securities issued by Nordea. Nordea is also included among the market makers used for the general trading with securities. Nordea is furthermore a counterparty for transactions in interest rate and currency derivatives.

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

In Finland, If P&C Insurance has written insurance policies with Nordea.

Transactions with related companies (excluding If Group companies)

	Income [1]		Expenses [2]		Assets		Liabilities	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021
If Group's associates	-	-	-98	-120	-	27	-	-
Sampo plc	12	9	-	-72	0	0	0	-11
Other related parties								
Subsidiaries of Sampo plc	81	50	-13	-3	1,425	2,256	-5	-5
Nordea Bank Abp	16	33	-8	-23	-	6,384	-	-72
Other associates, Sampo plc	9	6	-	-	130	346	-	-

[1] Including interest income

[2] Including interest expense

Note 5 – Risks and risk management

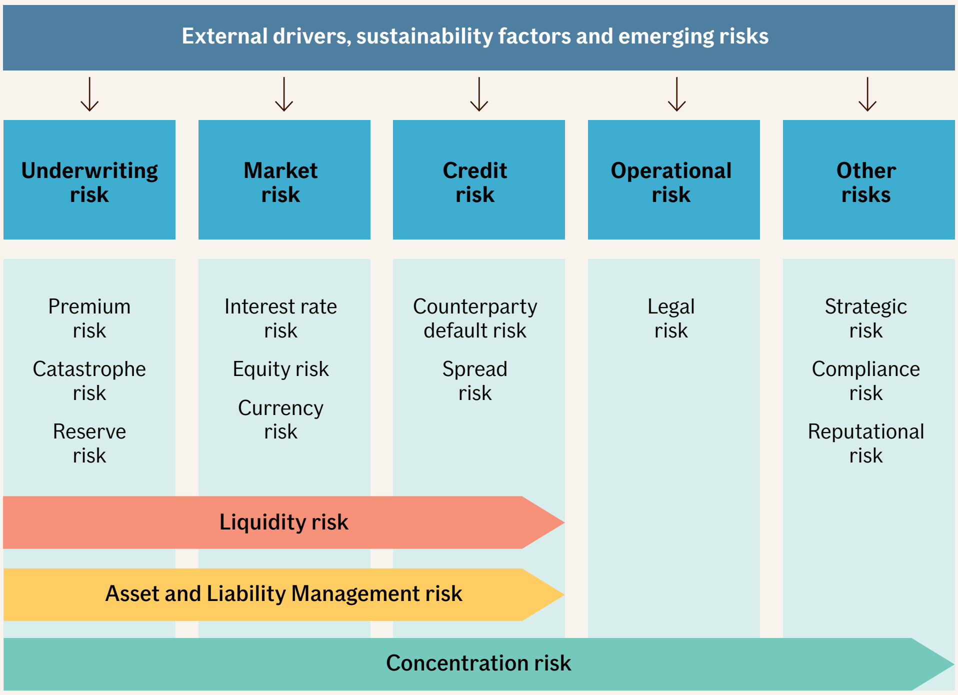
Risk Management System

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

The Risk Management System comprises strategies, processes and reporting procedures necessary to continuously identify, assess, measure, mitigate, monitor and report risks. As a part of the larger Internal Control System, the Risk Management System ensures that all risks are managed from a legal entity perspective. The risk categories are: underwriting risk, market risk, credit risk, operational risk and other risks. External drivers, sustainability factors and emerging risks have a potential impact on all risk categories, see Figure 1. Each key risk is subject to a dedicated risk management process. Within the Risk Management System, sustainability-related risks, such as climate risks, are not assessed and reported as a stand-alone risk category. Instead, the risks are assessed as an integrated part of the assessments per defined risk category.

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

Figure 1 – Risks encompassed in the Risk Management System



Risk strategy

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

- ensure a strong governance structure to optimize development and maintenance;
- ensure a sound and well-established internal control and risk culture;
- ensure the adequacy of capital in relation to risks and risk appetite;
- limit fluctuations in the economic values;
- ensure a strong financial data management;
- ensure that risks affecting the income statement and the balance sheet are identified, assessed, mitigated, monitored and reported;
- ensure that the riskiness of the insurance business is reflected in the pricing;
- ensure adequate long-term investment returns within set risk levels;
- ensure well working and efficient reporting processes compliant with external and internal requirements; and
- safeguard the reputation and ensure that customers and other stakeholders have confidence in the company.

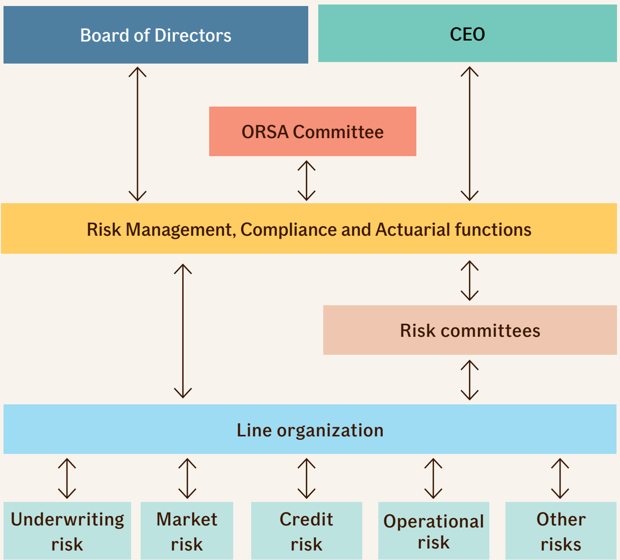
Risk management process

The overall risk management process includes five main steps: risk identification, risk assessment/measuring, risk monitoring, risk mitigation and reporting. When risks are identified and assessed, sustainability aspects should also be considered.

Reporting structure and risk governance

Figure 2 illustrates the reporting structure within the Risk Management System. The system includes processes and activities including committees, central functions and the line organization.

Figure 2 – Risk management reporting structure



Board of Directors

The Board of Directors is the corporate body responsible for risk control, internal control, and for ensuring that If P&C Insurance has appropriate risk management systems and processes. The Boards of Directors approves the yearly Risk Management Policies and other risk-steering documents.

CEO

The Chief Executive Officer (CEO) is responsible for organizing and overseeing the daily business activities in accordance with instructions and guidelines from the Boards of Directors. The CEO has the ultimate responsibility for the effective implementation and development of the Risk Management System by ensuring an appropriate risk management set-up and promoting a sound risk culture.

Committees in the Risk Management System

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

There are also additional committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled as decided by the Board of Directors. 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 the committees have any decision-making mandate.

Risk Management function

The Risk Management function facilitates the implementation and development of the Risk Management System and consists of the CRO and the Risk Management unit. The function is responsible for coordinating the risk management activities on behalf of the Board of Directors and the CEO.

Compliance function

The Compliance function is headed by the Chief Compliance Officer (CCO) and is responsible for reporting to the Board of Directors and the CEO on compliance with the rules relevant for the license to conduct insurance business.

Actuarial function

The Actuarial function is headed by the Chief Actuary who advises on actuarial matters and fulfils tasks according to set instructions. The Actuarial function reports to the Board of Directors and to the CEO.

Line organization

The line organization has the day-to-day responsibility for identifying and managing risks within the limits and restrictions set by the risk policies, guidelines and instructions and has to ensure that it has resources and tools in place to do so. On behalf of the Heads of the business areas/support functions, a risk coordinator structure is established. The CRO and CCO issue instructions describing the responsibility of the risk coordinators. The line organization has the obligation to inform the Risk Management function and the Compliance function of material risks according to the instructions.

Capital management

If P&C Insurance 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 at least an A rating from Standard & Poor's and Moody's.

Capital management is based on a risk-appetite statement, as well as risk preferences and risk tolerances decided by the Board of Directors. The risk profile, capital requirements and available capital are measured, analyzed and reported to the ORSA Committee and the Board of Directors on a quarterly basis, or more often when deemed necessary. In order to maintain a sufficient level of capital, If P&C Insurance:

- projects its risks 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 evaluation of profitability; and
- assures its dividend capacity through the effective use of reinsurance, group synergies and diversification benefits.

Risk and capital modelling

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

In addition to the calculation and reporting of economic capital, the internal model is used as a basis for decision making 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 the Investment Policy and limits; and
- evaluation of risks over the business planning horizon.

Operational risks 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 P&C Insurance considers them in a one-year and a multi-year perspective.

Regulatory measures

Insurance is a regulated business with EU rules for calculating capital requirements and available capital. The partial internal model (PIM) is used to calculate the solvency capital requirement (SCR) for the majority of the insurance risks, while other risks are calculated using the standard formula according to Solvency II. The company fulfilled the regulatory capital requirements during 2022.

Table 1 – Regulatory capital measures

MSEK	2022	2021
SCR	17,330	17,629
Own funds	31,414	30,906

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. The major quantifiable risks are included in the calculation of the Economic Capital. The calculations are based on an economic and market-consistent valuation.

Rating agency measures

If P&C Insurance is rated AA+ by Standard & Poor's and A1 rated by Moody's. The objective is to retain at least a single A rating.

Risks

Underwriting risk

Underwriting risk is the risk of loss, or of adverse change, in the value of insurance liabilities, due to uncertainty of 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 exposure

Given the inherent uncertainty of insurance, there is a risk 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 P&C Insurance underwrites insurance policies in Sweden, Norway, Finland and Denmark. In addition, the company underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of premium income is shown in Figure 3.

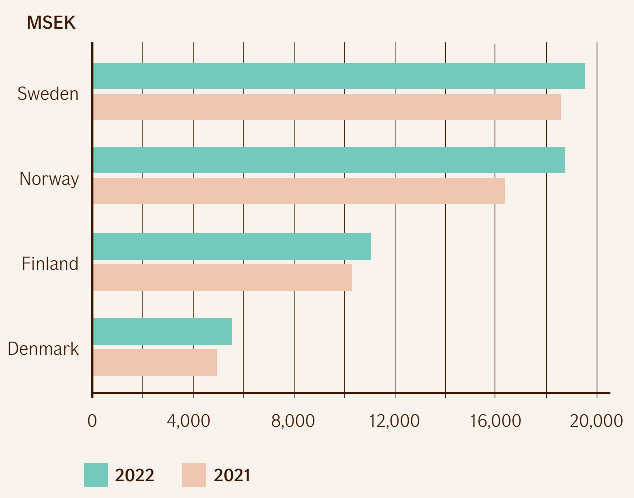
Risk management and control

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 sets general principles, restrictions and directions for the underwriting activities. The Underwriting Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area.

The Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance is evaluated by comparing the expected cost versus the benefit of the reinsurance, as well as the impact on result volatility and capital requirement. The main tool for this evaluation is the internal model in which small claims, single 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 included. The reinsurers are continuously assessed and evaluated through own financial and qualitative pre-defined analysis.

A group-wide reinsurance program is in place since 2003. In 2022, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

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 2.

Table 2 – Sensitivity analysis, premium risk

MSEK			Effect on result before tax	
Parameter	**Level, 2022**	**Change**	**2022**	**2021**
Combined ratio	80.7%	+/- 1 percentage point	+/- 506	+/- 463
Premium level	50,624	+/- 1%	+/- 506	+/- 463
Claims level	33,189	+/- 1%	+/- 332	+/- 307

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 claims 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 and reinsurance 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.

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, Motor Third Party Liability (MTPL), Personal Accident and Liability insurance are products with the latter characteristics.

Risk exposure
For lines of businesses such as Motor Third Party Liability (MTPL) and Workers' Compensation, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in inflation, retirement age, mortality assumptions and discount rates. In 2022, the proportion of technical provisions related to Motor Third Party Liability and Workers' Compensation was 44% (48). The amount of technical provisions broken down by product and geographical area is shown in Table 3.

Risk management and control
The Board of Directors decides on the guidelines governing the calculation of technical provisions. The 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. Considered factors 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.

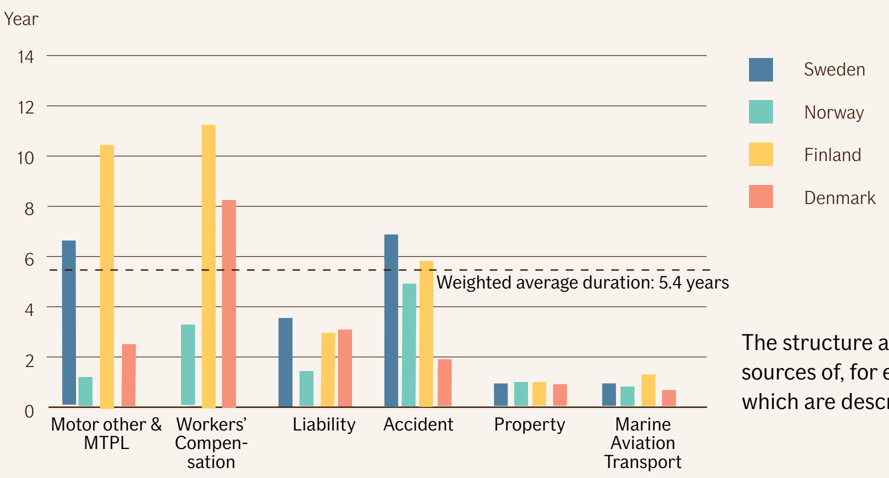
The provisions for annuities are calculated as discounted values based on the amount and payment periodicity in each individual case, taking expected investment income, expenses, indexation, other possible adjustments and mortality into account. The anticipated inflation trend is taken into account when calculating the technical provisions and is of high importance for claims settled over a long period of time, such as claims related to Motor Third Party Liability and Workers' Compensation. 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 own cost estimations for various types of claims.

Table 3 – Technical provisions (net) per product and country

	Sweden		Finland		Norway		Denmark	
MSEK	2022	2021	2022	2021	2022	2021	2022	2021
Motor other and MTPL	17,764	18,157	9,633	10,723	6,280	5,518	1,902	1,497
Workers' Compensation	-	-	9,972	11,679	1,887	1,753	3,433	2,890
Liability	3,766	3,184	1,395	1,115	1,653	1,265	1,033	810
Accident	4,589	4,389	2,629	2,031	5,073	4,422	1,186	1,027
Property	5,587	5,494	3,353	2,716	6,830	5,833	2,253	1,568
Marine, Aviation and Transport	301	212	142	116	299	227	369	289
Total	**32,007**	**31,437**	**27,124**	**28,380**	**22,022**	**19,018**	**10,175**	**8,081**

The durations of technical provisions for various products are shown in Figure 4. The duration of technical provisions has decreased by 1.6 years relative last year as a result of higher interest rates, new mortality assumptions in Finland, and a shift in the composition of provisions towards short-tailed business.

Figure 4 – Duration of technical provisions 2022



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 4. Changes in the technical provisions will result in a corresponding change in claims incurred.

Table 4 – Sensitivity analysis, reserve risk

Technical provision item	Risk factor	Change in risk parameter	Country	2022 Effect MSEK	2021 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,217	1,371
			Denmark	237	197
			Norway	385	632
			Finland	550	421
Discounted reserves, including annuities and estimated share of claims reserves to future annuities	Decrease in discount rate	Decrease by 1 percentage point	Sweden	838	1,003
			Denmark	196	218
			Finland	2,114	3,210
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	170	157
			Denmark	9	10
			Finland	562	788

Financial assets and liabilities

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

Table 5 – Categories of financial assets and financial liabilities

MSEK	2022	2021
Financial assets at fair value		
Financial assets, mandatory at fair value through profit or loss (trading)	605	176
Financial assets, available for sale	106,618	105,849
Loans and receivables [1]	23,814	24,283
Total financial assets	**131,037**	**130,308**
Financial liabilities, mandatory at fair value through profit or loss (trading)	74	77
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	8,464	6,906
Total financial liabilities	**8,538**	**6,983**

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

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

Table 6 – Investment assets categorized from an asset management perspective

MSEK	Investment assets and derivative liabilities 2022	Investment assets and derivative liabilities 2021	Assets under active management 2022	Assets under active management 2021	Fixed income 2022	Fixed income 2021	Equity 2022	Equity 2021	Properties 2022	Properties 2021
Land and buildings	**9**	**9**	**9**	**9**					**9**	**9**
Investments in associated companies	**-**	**-**								
Financial assets, mandatory at fair value through profit or loss (trading)										
Derivatives [1]	605	176	605	176	47	5	-	0		
Financial assets, available for sale										
Shares and participations	12,968	17,033	12,968	17,033			12,968	17,033		
Bonds and other interest-bearing securities	93,650	88,816	93,650	88,816	93,650	88,816				
Loans										
Other loans	2,331	3,078	2,331	3,078	2,331	3,078				
Total other financial investment assets	**109,554**	**109,103**								
Deposits with ceding undertakings	**7**	**7**								
Total investment assets	**109,571**	**109,118**								
Other assets										
Cash and bank			1,288	1,832	1,288	1,832				
Collaterals and settlement claims			86	94	24	60	62	33		
Accrued income			659	334	659	334				
Assets under active management			**111,597**	**111,372**	**98,001**	**94,127**	**13,030**	**17,066**	**9**	**9**
Financial liabilities, mandatory at fair value through profit or loss (trading)										
Derivatives [2]	74	77	74	77	-	-	-	-		
Total derivative liabilities	**74**	**77**								
Financial liabilities measured at the amount expected to be settled										
Collaterals and settlement liabilities			537	278	537	278				
Accruals			-	-	-	-				
Liabilities under active management			**611**	**355**	**537**	**278**				
Assets under active management, net			**110,986**	**111,017**	**97,464**	**93,849**	**13,030**	**17,066**	**9**	**9**

Fixed income, Equity and Properties columns: Assets under active management categorized from an asset management perspective.

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 557 (170).

[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 74 (77).

Market risk

Market risk is the risk of loss, or of adverse change, 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 exposure

The investment operations generated a return of -4.3% (4.6) in 2022. Investment assets amounted to MSEK 110,986 (111,017), as presented in table 6. The main market risks are interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of their values to changes in underlying market variables.

During the year, the proportion of equity investments decreased to 11.7% (15.4). The proportion of fixed income investments increased to 87.8% (84.5). Other investment assets amounted to 0% (0) at December 31, 2022.

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

Risk management and control

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

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

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

	2022				2021			
	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	0	0			11	-11		
Long-term fixed income	2,076	-1,995			1,114	-1,070		
Equities			-2,606				-3,413	
Derivatives, net	-12	12	-		-23	22	0	
Other financial assets				-2				-2
Liabilities								
Derivatives, net	-	-	-		-	-	-	
Total change in fair value	**2,065**	**-1,983**	**-2,606**	**-2**	**1,102**	**-1,058**	**-3,413**	**-2**
Effect recognized in profit/loss	**-12**	**12**	**-**	**-2**	**-23**	**22**	**0**	**-2**
Effect recognized in equity	**2,065**	**-1,983**	**-2,606**	**-2**	**1,102**	**-1,058**	**-3,413**	**-2**

Interest rate risk

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

Risk exposure

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

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

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 4, in the reserve risk section. The duration of fixed income investments at year-end 2022 was 1.9 (1.1) years. The duration of fixed income investments is shown in Table 8.

Following the financial crisis, the reformation and replacement of benchmark interest rates has become a priority for global regulators. The impact of the IBOR reform is insignificant insofar as If P&C Insurance has only a few instruments that reference to USD LIBOR, which remains the only reference rate left to be replaced. USD LIBOR's expected cessation date is June 30, 2023 and it will then be replaced by SOFR.

As per December 31, 2022 If P&C Insurance's risk exposure affected by the interest rate benchmark reform predominantly comprised investment instruments of MSEK 412 or 0.4% of the investment portfolio.

Risk management and control

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

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

	2022			2021		
MSEK **Instrument type[1)]**	**Carrying amount**	**%**	**Duration**	**Carrying amount**	**%**	**Duration**
Short-term fixed income	926	0.9	0.0	8,243	8.8	0.1
Scandinavia, long-term government and corporate securities	75,753	77.7	1.7	66,182	70.5	0.7
Scandinavia, index-linked bonds	4,489	4.6	5.0	5,088	5.4	6,3
Europe, long-term government and corporate securities	11,829	12.1	2.2	11,469	12.2	1.4
USA, long-term government and corporate securities	2,348	2.4	3.5	1,540	1.6	2.2
Global, long-term government and corporate securities	2,120	2.2	1.7	1,327	1.4	1.8
Total	**97,464**	**100**	**1.9**	**93,849**	**100**	**1.1**

1) IR Derivatives are included in the table.

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 exposure

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, the exposure amounted to MSEK 13,030 (17,066) and the proportion of equities in the investment portfolio was 11.7% (15.3).

Risk management and control

The 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 areas. According to the 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.

Table 9 – Breakdown of equity investments by industry sectors

	2022		2021	
MSEK	Carrying amount	%	Carrying amount	%
Industrials	4,765	56.9	5,632	46.3
Consumer Discretionary	2,277	27.2	4,641	38.2
Materials	769	9.2	1,055	8.7
Telecommunication Services	431	5.1	572	4.7
Consumer Staples	55	0.7	58	0.5
Energy	51	0.6	85	0.7
Health Care	28	0.3	114	0.9
Financials and Real Estate	2	0.0	4	0.0
Total	**8,378**	**100**	**12,160**	**100**

The sector allocation of equity excludes investments made through ETF's, mutual and private equity funds of MSEK 4,652 (4,906).

Table 10 – Breakdown of equity investments by geographical areas

	2022		2021	
MSEK	Carrying amount	%	Carrying amount	%
Sweden	5,875	45.2	9,320	54.7
Europe	2,944	22.6	3,108	18.3
Asia	1,698	13.1	1,771	10.4
Norway	1,139	8.8	1,309	7.7
North America	1,077	8.3	1,167	6.9
Latin America	272	2.1	278	1.6
Denmark	3	0.0	73	0.4
Total	**13,007**	**100**	**17,027**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 23 (39).

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 exposure

The currency positions and the sensitivity of the valuation to changes in exchange rates are shown in Table 11.

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 presentation 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 P&C Insurance is also exposed to translation risk, which refers to the risk that arises when consolidating the financial statements of branches that have a different presentation currency. The translation risk is not hedged.

Table 11 – Currency risk

MSEK Currency 2022	EUR	NOK	DKK	GBP	USD	JPY	Other
Investments	25,620	22,829	2,907	118	3,304	7	51
Derivatives	15,186	2,477	8,401	175	-1,258	139	167
Insurance operations	-41,528	-25,781	-11,324	-394	-2,432	-4	-328
Open position (SEK)	-722	-475	-16	-102	-387	143	-110
10% depreciation of foreign currency against SEK	72	48	2	10	39	-14	11
Effect recognized in profit/loss	72	48	2	10	39	-14	11
Effect recognized in equity	72	48	2	10	39	-14	11

MSEK Currency 2021	EUR	NOK	DKK	GBP	USD	JPY	Other
Investments	19,731	23,299	4,321	40	3,972	4	8
Derivatives	16,016	-925	4,999	92	-2,519	1	162
Insurance operations	-36,387	-22,350	-9,502	-175	-1,555	-4	-216
Open position (SEK)	-640	25	-182	-44	-102	1	-46
10% depreciation of foreign currency against SEK	64	-2	18	4	10	0	5
Effect recognized in profit/loss	64	-2	18	4	10	0	5
Effect recognized in equity	64	-2	18	4	10	0	5

Credit risk

Credit risk is 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 to in the form of spread risk, counterparty default 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.

Counterparty default risk is the risk of loss due to unexpected default, or deterioration in the credit standing, of counterparties and debtors. 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 spread risk and counterparty default 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 a large exposure to default risk by a single issuer of securities or a group of related issuers not captured by the spread risk or counterparty default risk, are measured as concentration risk.

Risk exposure

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

Risk management and control

Credit risk in the investment operations is managed by specific limits stipulated in the 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 limits for instruments sensitive to spread changes.

Before investing, potential investments are analyzed thoroughly. The creditworthiness and 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 and reported to the Investment Control Committee and the ORSA Committee. Credit exposures are reported by rating, instrument type and industry sector.

Table 12 – Exposures by sectors, asset classes and rating category 2022

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total [1]	Equities	Properties	Derivatives	Total [2]	Change compared with Dec 31 2021
Basic Industry	-	-	122	1,443	224	-	154	**1,943**	604	-	-	**2,547**	736
Capital Goods	-	-	766	921	337	-	1,112	**3,136**	5,400	-	-	**8,536**	-1,480
Consumer Products	-	-	1,345	2,342	167	-	604	**4,458**	1,861	-	-	**6,319**	-1,649
Energy	-	-	82	-	-	-	1,097	**1,179**	51	-	-	**1,230**	30
Financial Institutions	351	5,344	14,611	5,794	1,113	-	429	**27,643**	-	-	5	**27,648**	2,390
Governments	4,695	-	-	-	-	-	-	**4,695**	-	-	-	**4,695**	-599
Government Guaranteed	-	241	-	-	-	-	-	**241**	-	-	-	**241**	-7
Health Care	-	-	119	548	84	-	389	**1,141**	26	-	-	**1,167**	162
Insurance	-	-	404	1,173	-	-	1,789	**3,366**	4	-	-	**3,370**	-772
Media	-	-	-	-	-	-	256	**256**	-	-	-	**256**	31
Packaging	-	-	-	-	190	-	-	**190**	-	-	-	**190**	74
Public Sector, Other	5,524	406	-	-	-	-	-	**5,930**	-	-	-	**5,930**	-96
Real Estate	-	434	1,421	2,186	357	-	2,101	**6,499**	-	9	-	**6,508**	-6,373
Services	-	-	70	433	1,088	-	250	**1,841**	-	-	-	**1,841**	106
Technology and Electronics	-	113	179	129	-	-	514	**935**	-	-	-	**935**	-138
Telecommunications	-	-	-	1,099	-	-	213	**1,312**	431	-	-	**1,742**	-872
Transportation	-	583	457	-	150	-	1,244	**2,434**	-	-	-	**2,434**	-394
Utilities	-	-	757	1,282	823	-	407	**3,269**	-	-	-	**3,269**	199
Covered Bonds	26,781	-	-	-	-	-	-	**26,781**	-	-	-	**26,781**	8,693
Funds	-	-	-	-	-	-	107	**107**	4,652	-	-	**4,759**	-147
Other	-	-	-	19	-	-	576	**595**	-	-	-	**595**	73
Clearing House	-	-	-	-	-	-	-	0	-	-	48	**48**	43
Total 37.352	**37,352**	**7,121**	**20,333**	**17,370**	**4,532**	-	**11,242**	**97,950**	**13,030**	**9**	**53**	**111,042**	**10**
Change compared with Dec 31, 2021	8,134	-577	4,085	-1,863	283	-	-6,059	4,002	-4,036	1	43	**10**	

[1] Total fixed income exposure differs by MSEK 486 from the corresponding financial assets and liabilities in Table 6 because other derivatives and collaterals are excluded.

[2] Total exposure differs by MSEK 56 from the corresponding financial assets and liabilities in Table 6 because the counterparty risk for OTC derivatives 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 exposure

The distribution of recoverables and receivables concerning ceded reinsurance is presented in Table 13. In the table, MSEK 2,048 (1,841) is excluded, which mainly relates to captives and statutory pool solutions.

Risk management and control

To limit and control credit risk associated with ceded reinsurance, the Reinsurance Policy 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.

Table 13 – Reinsurance recoverables

MSEK Rating (S&P)	2022	%	2021	%
AA	833	47.2	854	50.1
A	927	52.5	845	49.6
BBB	0	0.0	-	-
Not rated	4	0.2	5	0.3
Total	**1,764**	**100**	**1,704**	**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)	2022	%	2021	%
AA	425	46.7	432	54.0
A	486	53.3	368	46.0
Total	**911**	**100**	**800**	**100**

Asset and Liability Management risk

Asset and Liability Management (ALM) risk is 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

ALM is taken into account through the risk appetite framework and is governed by the Investment Policy.

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

From an economic perspective, wherein the technical provisions are discounted using prevailing interest rates, If P&C Insurance 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 and interest rate derivatives.

Liquidity risk

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

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. The table also shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

Risk management and control

In P&C insurance, premiums are collected in advance and large claim 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 investing in assets that are readily marketable in liquid markets. The available liquidity of financial assets, meaning the part of the assets that can be converted into cash at a specific point in time, is analyzed and reported continuously.

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

2022 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2023	2024	2025	2026	2027	2028-2037	2038-
Financial assets	131,037	*14,264*	*116,774*	33,244	23,257	19,065	21,566	24,416	4,990	-
Derivative liabilities	-74	*-*	*-74*	-69	-	-	-	-	-	-
Other financial liabilities	-8,464	*-534*	*-7,930*	-8,464	-	-	-	-	-	-
Net technical provisions	-91,328	*-91,328*	*-*	-36,938	-11,293	-6,310	-4,569	-3,702	-19,671	-19,656

2021 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2022	2023	2024	2025	2026	2027-2036	2037-
Financial assets	130,308	*18,907*	*111,401*	43,949	17,402	20,877	14,062	13,130	5,026	-
Derivative liabilities	-77	*-*	*-77*	-83	-	-	-	-	-	-
Other financial liabilities	-6,906	*-146*	*-6,760*	-6,628	-	-	-	-	-	-
Net technical provisions	-86,915	*-86,915*	*-*	-32,879	-9,864	-5,205	-3,593	-2,881	-17,282	-19,713

Concentration risk

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

Risk exposure

Investments are mainly concentrated to the financial sector in the Scandinavian countries. The largest market and credit risk concentrations related to a single issuer of securities or a group of related issuers and asset classes are shown in Table 16. Concentrations to industry, sector or geographical area are shown in Tables 9, 10 and 12. Reinsurers share of the ten largest individual reinsurance recoverable balances amounted to MSEK 2,214 (1,922), representing 58% (54) of the total reinsurance recoverables. Out of the ten largest reinsurance recoverables, 34% (32) of the reinsurers had an A rating or higher, while the rest were from non-rated captives.

Risk management and control

In the Underwriting Policy, Reinsurance Policy and Investment Policy, limits are set for maximum exposures towards single issuers or group of related issuers and per rating class. Risk concentrations are actively monitored and controlled by the respective committee and reported to the ORSA Committee.

Table 16 – Concentration of market and credit risks in individual counterparties and asset classes 2022

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives [1]	Total
Nordea Bank plc	-	5,511	1,844	205	3	**7,563**
Svenska Handelsbanken AB (publ)	-	6,423	518	-	-	**6,941**
Kingdom of Sweden	-	-	6,347	-	-	**6,347**
Swedbank AB (publ)	-	5,026	891	-	-	**5,917**
Kingdom of Norway	-	-	4,072	-	-	**4,072**
DnB ASA	-	1,348	2,073	-	-	**3,421**
AB Volvo	1,461	-	1,035	-	-	**2,496**
Danske Bank A/S	-	966	1,161	22	-	**2,149**
Kommunalbanken A/S	-	-	1,610	-	-	**1,610**
Skandinaviska Enskilda Banken AB (publ)	-	722	871	10	-	**1,603**
Total top ten exposures	**1,461**	**19,996**	**20,423**	**237**	**3**	**42,120**

[1] After deduction of received cash collateral and financial instruments subject to master netting agreements.

The ten largest exposures amount to MSEK 42,120 (34,911), representing 38% (31) of the investment assets under active management.

Operational risk

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

Operational risks occur in all parts of the organization and are a natural part of the business. It is not cost-effective to eliminate all operational risks and therefore the level of risk mitigation needs to be balanced. Managers within the line organization are the risk owners and responsible for continuously managing significant risks within their operations to an acceptable level.

Risk exposure

If P&C Insurance's main operational risks are related to internal processes and customer and partner processes that are driven by the transition to a multi core system landscape, old legacy systems and complex processes. To manage these risks If has a core system strategy to enable an efficient transition, a changed governance and management structure as well as standardized routines to meet new demands.

Furthermore, information security is significant within the operational risk area related to the risk of data leaks or business interruptions due to improper handling of sensitive data or cyber-attacks. Some examples of risk mitigating activities are If P&C Insurance's continuous work in governing identities and accesses, improving incident responses and security monitoring, penetration tests and regular tests of backups and IT redundancies. For monitoring information security, If P&C Insurance has established an Information Security Committee.

Operational risks are identified and assessed through the Operational and Compliance Risk Assessment (OCRA) process. Self-assessments to identify, assess, measure, mitigate and monitor operational risks are performed and reported regularly by the line organization. Identified operational risks are assessed from a likelihood and impact perspective and evaluated using a traffic light system. An operational risk coordinator network in the line organization supports the risk owners in the OCRA process. The results are challenged and aggregated by the Risk Management function.

If P&C Insurance has a system for incident reporting procedures and follow-up. Incident data is used to analyze operational risk and severe incidents are tracked to ensure that proper actions are taken.

Risk management and control

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

Other risks

Strategic risk

Strategic risk is defined as the risk of loss 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. The most likely strategic risks are related to competition, macroeconomic, regulatory and other external factors. These risks are controlled and mitigated through continuous monitoring of competitors, of the market and of regulatory changes.

The Corporate Strategy unit is responsible for coordinating strategic risk assessments. The 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 Strategy unit is reported to the ORSA Committee.

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

The Compliance function is responsible for ensuring that there are effective processes for identifying, assessing, mitigating, monitoring and reporting compliance risk exposure. Compliance risks are identified and assessed in the OCRA process. The most important compliance risks are reported to the ORSA Committee and to the Board of Directors.

Compliance incidents are reported by the business in the incident reporting tool and incident data is used to analyze risks. Severe incidents are investigated to ensure that appropriate actions are taken.

There is a number of steering documents that are relevant for the management of compliance risks, for example the Compliance Policy, the Risk Management Policy, the Ethics Policy and the AML/CTF Policy.

Internal training on important rules and guidelines is provided to employees on a regular basis. Policies and other internal steering documents are reviewed and updated at least annually.

Reputational risk

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

A good reputation is vital for an insurance company, which means that trust is an important factor in the relationship with customers, investors, employees and other stakeholders. The reputation of If P&C Insurance is determined by how stakeholders perceive the company in all aspects.

Risk management and control

When assessing operational and compliance risks in the organization, a deteriorated reputation as a consequence of a materialized risk is taken into account. Reputational risk is assessed from an impact and likelihood perspective. Identified reputational risks are managed by the organization and in some cases by the Communication Department. An aggregated reputational risk assessment is reported to the ORSA Committee.

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

Emerging risks

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

Risk exposure

The risks that are under extra observation are the lack of adaptation to climate changes, internet of things (IoT), terrorism and infrastructure blackouts.

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 business. As emerging risks are not considered as a stand-alone risk category, they are assessed as an integrated part of the main risk categories, see Figure 1 – Risks encompassed in the Risk Management System. For example, climate related risks in the insurance business, such as the risk of weather related claims are identified, assessed, mitigated, monitored and reported in the underwriting process. Due to the risk of a potentially large accumulation of emerging risks that could negatively affect the long-term solvency position, an Emerging Risk Core Team has been established, consisting of key persons from the various business areas. This group follows and analyzes important emerging risk factors and suggests actions. The most serious risks are reported to the ORSA Committee by the Emerging risk coordinator.

Note 6 – Performance analysis per line of insurance

2022 MSEK	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Premiums earned, net of reinsurance	1,353	133	-	2,737	1,282	825	150	7,654
Allocated investment return transferred from the non-technical account	4	0	0	2	1	2	0	5
Other technical income	-	-	-	-	-	-	-	-
Claims incurred, net of reinsurance	-815	-100	-1	-2,054	-721	-622	-84	-5,509
Operating expenses	-197	-25	0	-262	-189	-125	-26	-897
Technical result from property and casualty insurance	**345**	**9**	**-1**	**423**	**373**	**79**	**41**	**1,253**
Prior-year claims result	141	1	0	-195	-3	-113	-8	-46
Provision for unearned premiums and unexpired risks	592	39	-	1,465	651	485	66	5,065
Provision for claims outstanding	3,747	112	4	1,015	992	2,411	128	929
Technical provisions (gross)	**4,339**	**151**	**4**	**2,479**	**1,644**	**2,895**	**194**	**5,994**
Provision for unearned premiums and unexpired risks	4	-	-	-	93	130	-	9
Provision for claims outstanding	1	-	-	1	202	339	-	2
Reinsurers' share of technical provisions	**5**	**-**	**-**	**1**	**296**	**469**	**-**	**11**

2022 MSEK	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums earned, net of reinsurance	21	1,476	394	400	16,425	32,409	1,790	50,624
Allocated investment return transferred from the non-technical account	-	5	0	0	19	88	4	112
Other technical income	-	-	-	536	536	-	-	536
Claims incurred, net of reinsurance	-20	-907	-209	-336	-11,380	-20,336	-1,473	-33,189
Operating expenses	0	-416	-70	-633	-2,838	-5,132	-304	-8,275
Technical result from property and casualty insurance	**1**	**158**	**115**	**-33**	**2,762**	**7,028**	**17**	**9,808**
Prior-year claims result	-	445	10	1	231	3,312	-109	3,434
Provision for unearned premiums and unexpired risks	13	718	194	219	9,506	14,878	830	25,214
Provision for claims outstanding	3	11,052	212	28	20,632	45,310	3,744	69,685
Technical provisions (gross)	**16**	**11,770**	**406**	**247**	**30,138**	**60,188**	**4,574**	**94,900**
Provision for unearned premiums and unexpired risks	-	-	25	-	261	441	184	886
Provision for claims outstanding	-	6	29	-	581	1,099	1,006	2,686
Reinsurers' share of technical provisions	**-**	**6**	**54**	**-**	**843**	**1,539**	**1,190**	**3,572**

Supplementary disclosures to performance analysis

2022 MSEK Premiums earned, net of reinsurance	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Premiums written, gross	1,364	138	-	2,853	1,946	1,197	154	7,520
Premiums ceded	-8	-	-	-58	-606	-324	-	-25
Change in provision for unearned premiums and unexpired risks	-4	-4	-	-58	-66	-89	-4	158
Reinsurers' share of change in provision for unearned premiums and unexpired risks	1	-	-	-	8	41	-	1
Total	**1,353**	**133**	**-**	**2,737**	**1,282**	**825**	**150**	**7,654**

2022 MSEK Premiums earned, net of reinsurance	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums written, gross	23	1,443	553	416	17,607	34,929	2,425	54,962
Premiums ceded	0	-3	-140	0	-1,164	-1,684	-622	-3,470
Change in provision for unearned premiums and unexpired risks	-2	36	-16	-16	-67	-870	-21	-958
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-	-	-2	-	49	33	8	90
Total	**21**	**1,476**	**394**	**400**	**16,425**	**32,409**	**1,790**	**50,624**

Supplementary disclosures to performance analysis, continued

2022 MSEK Claims incurred, net of reinsurance	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Claims paid								
Gross	-628	-91	0	-1,993	-1,603	-456	-76	-5,310
Reinsurers' share	2	-	-	0	367	26	-	11
Change in provisions for claims outstanding								
Gross	-189	-9	-1	-61	623	-252	-8	-212
Reinsurers' share	0	-	-	0	-109	59	-	1
Total	**-815**	**-100**	**-1**	**-2,054**	**-721**	**-622**	**-84**	**-5,509**

2022 MSEK	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Claims paid								
Gross	-21	-1,451	-262	-335	-12,225	-21,618	-1,779	-35,622
Reinsurers' share	-	4	78	-	488	182	699	1,370
Change in provisions for claims outstanding								
Gross	1	544	-28	-1	408	988	-215	1,181
Reinsurers' share	-	-5	3	-	-51	111	-179	-118
Total	**-20**	**-907**	**-209**	**-336**	**-11,380**	**-20,336**	**-1,473**	**-33,189**

The claims paid item includes portfolio premiums and claims-handling costs. The change in provisions item also includes the change in the claims-handling reserve.

Note 7 – Premiums written

		2022			2021	
MSEK	**Gross[1)]**	**Ceded**	**Net**	**Gross[1)]**	**Ceded**	**Net**
Premiums written	54,962	-3,470	51,492	49,866	-2,797	47,069

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

Sweden	18,297	17,541
Rest of EEA	34,262	30,481
Total	**52,559**	**48,021**

Note 8 – Allocated investment return transferred from the non-technical account

The estimated return on the assets that correspond to the technical provisions is transferred from the finance operations (non-technical account) to the technical result. The return is calculated on the basis of net technical provisions. Interest rates corresponding to current discount rates in each country are used for calculating the 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 maturity of 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:

	2022		2021	
	Annuities	**Other provisions**	**Annuities**	**Other provisions**
Sweden/SEK	2.2%	0.0%	1.2%	0.0%
Norway/NOK	2.7%	0.4%	1.8%	0.8%
Denmark/DKK	1.5%	0.0%	0.2%	0.0%
Finland/EUR	0.9%	0.0%	0.8%	0.0%

Note 9 – Claims incurred

		2022			2021	
MSEK	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims costs attributable to current-year operations						
Claims paid	-18,271	193	-18,079	-17,509	696	-16,813
Operating expenses for claims adjustment	-2,932	-	-2,932	-2,641	-	-2,641
Operating expenses for claims paid	-5	-	-5	-	-	-
Change in claims reserve for incurred and reported losses	-8,729	605	-8,124	-7,100	552	-6,547
Change in claims reserve for incurred but not reported losses (IBNR)	-7,195	122	-7,073	-6,252	90	-6,163
Change in annuities reserve	-40	-	-40	-80	-	-80
Change in reserves for claims adjustment	-370	-	-370	-39	-	-39
			-36,623			**-32,283**
Claims costs attributable to prior-year operations						
Claims paid	-13,107	1,177	-11,930	-10,578	767	-9,811
Annuities	4,099	-14	4,085	-1,257	-2	-1,259
Change in claims reserve for incurred and reported losses	7,177	-719	6,459	6,026	-403	5,622
Change in claims reserve for incurred but not reported losses (IBNR)	4,932	-112	4,820	7,118	-83	7,035
			3,434			**1,587**
Total insurance claims	**-34,441**	**1,252**	**-33,189**	**-32,312**	**1,616**	**-30,696**
Insurance claims paid						
Claims paid	-31,378	1,370	-30,008	-28,087	1,462	-26,625
Annuities paid	-1,307	-	-1,307	-1,344	-	-1,344
Operating expenses for claims adjustment	-2,932	-	-2,932	-2,641	-	-2,641
Operating expenses for claims paid	-5	-	-5	-	-	-
	-35,622	**1,370**	**-34,252**	**-32,073**	**1,462**	**-30,610**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	-1,552	-114	-1,665	-1,074	149	-925
Change in claims reserve for incurred but not reported losses (IBNR)	-2,263	10	-2,253	865	7	872
Change in claims provision for annuities	5,366	-14	5,351	8	-2	6
Change in reserves for claims adjustment	-370	-	-370	-39	-	-39
	1,181	**-118**	**1,063**	**-240**	**154**	**-86**
Total insurance claims	**-34,441**	**1,252**	**-33,189**	**-32,312**	**1,616**	**-30,696**

Note 10 – Operating expenses

MSEK	2022	2021
Specification of operating expenses		
External acquisition costs [1]	-1,569	-1,370
Internal acquisition costs	-4,140	-3,689
Change in deferred acquisition costs, gross	99	-44
Administrative expenses, insurance	-2,274	-2,179
Total operating expenses in insurance operations, gross	**-7,885**	**-7,282**
Reinsurance commission and profit participation in ceded insurance	235	186
Change in deferred acquisition costs, ceded	-5	-4
Total reinsurance commission and profit participation in ceded insurance	**230**	**182**
Other operating expenses/other technical expenses [2]	-619	-534
Total	**-8,275**	**-7,634**
[1] *Of which, commissions in direct insurance*	*-1,413*	*-1,251*
[2] *Of which, related to Swedish Motor Insurers (TFF) business*	*-72*	*-48*
Summary of total operating expenses		
Salaries and remuneration	-4,707	-4,260
Social security costs	-1,014	-943
Pension costs	-727	-632
Other personnel costs	-300	-209
Total personnel costs	**-6,748**	**-6,044**
Premises costs	-399	-403
Depreciation, amortization and impairment	-68	-246
External acquisition costs	-1,569	-1,370
Other administration costs	-2,984	-2,544
Total	**-11,768**	**-10,608**

MSEK	2022	2021
Distribution of operating expenses in income statement		
Claims-adjustment costs included in claims paid	-2,932	-2,641
Claims costs included in claims paid	-5	-
External and internal acquisition costs included in operating expenses for insurance operations	-5,710	-5,059
Shared administration costs for insurance operations included in operating expenses in insurance operations	-2,274	-2,179
Administration costs pertaining to other technical operations included in other operating expenses/other technical expenses	-619	-534
Investment costs included in investment charges	-227	-194
Total	**-11,768**	**-10,608**

MSEK	2022	2021
Other technical expenses related to TFF business		
The Company´s share of fees to swedish motor insurers	103	105
The Company´s share of claims cost	-184	-166
The Company´s share of operating expenses	-48	-47
The Company´s share of financial income and other income	41	52
Net expense calculated for TFF current year	**-87**	**-56**
Adjustment due to settlement regarding TFF preceding year	15	8
Total other technical expenses related to TFF business	**-72**	**-48**

Note 11 – Average number of employees

	2022		2021	
Average number of employees	**Average number of employees**	***Of whom, women %***	**Average number of employees**	***Of whom, women %***
Denmark	564	*46*	554	*47*
Estonia	200	*91*	177	*91*
Finland	1,764	*61*	1,668	*62*
France	6	*33*	6	*33*
Latvia	252	*31*	213	*28*
Netherlands	5	*59*	5	*61*
Norway	1,395	*47*	1,347	*47*
United kingdom	6	*39*	6	*41*
Sweden [1]	2,328	*51*	2,288	*53*
Germany	6	*22*	6	*22*
Total	**6,526**	***53***	**6,270**	***53***

[1] Agents are not included. If P&C Insurance has 8 (9) spare-time agents in Sweden.

Percentage of women in executive management	**2022**	**2021**
Board of Directors	17 %	17 %
Other senior executives	33 %	33 %

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

MSEK	2022	2021
Salaries and remuneration	4,707	4,260
Pension costs	727	632
Social fees	1,014	943
Total	**6,448**	**5,835**

MSEK **Of which salaries and other remuneration for senior executives [1)]**	2022	2021
Fixed salaries and remuneration	15	19
Variable compensation and incentive schemes	39	24
Total	**54**	**43**

1) Senior executives are defined as board members, presidents and members of the Group Management team employed in If P&C Insurance Ltd (publ). The amounts for salaries and remuneration also include severance pay of MSEK - (2.5).

Principles for determining remuneration of senior executives

Remuneration of the President and other senior executives consists in most cases of fixed salary, short-term variable compensation, pension and other benefits. The majority of the senior executives are also covered by the long-term incentive schemes of the Sampo Group. Director fees are not paid to Board members employed in If Group or other companies within the Sampo Group.

For the President the annual variable compensation is maximized to 50% of the fixed salary. For other senior executives the annual variable compensation is maximized to 50 - 75% of the 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 the 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.

More comprehensive information regarding If P&C Insurance's remuneration system and principles can be found on If's webpage, https://www.if.se/om-if/om-oss/finansiell-information/arsredovisningar.

kSEK **Salaries and other remuneration for senior executives 2022**	Basic salary/ Directors' fee	Variable compensation	Incentive schemes [1)]	Other benefits	Pension costs	Total
Chairman of the Board Morten Thorsrud	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO Måns Edsman [2)]	-	-	-	-	-	-
Other members of Group Management, 5 individuals	14,928	5,264	34,040	293	2,875	57,400
Total	**14,928**	**5,264**	**34,040**	**293**	**2,875**	**57,400**

1) For more information, refer to Long-term incentive schemes below.

2) Expensed in Parent Company, where the employment is held.

kSEK **Salaries and other remuneration for senior executives 2021**	Basic salary/ Directors' fee	Variable compensatioin	Incentive schemes [1)]	Other benefits	Pension costs	Total
Chairman of the Board Morten Thorsrud	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO Måns Edsman [2)]	-	-	-	-	-	-
Other members of Group Management, 5 individuals	18,351	5,810	18,612	610	7,480	50,863
Total	**18,351**	**5,810**	**18,612**	**610**	**7,480**	**50,863**

1) For more information, refer to Long-term incentive schemes below.

2) Expensed in Parent Company, where the employment is held.

Pensions

In addition to statutory occupational pension benefits, Swedish, Norwegian and Danish senior executives are covered by local occupational retirement pension plans. A description of the pension plans can be found below.

Sweden

Senior executives are covered by collectively agreed pension according to FTP 1. The annual premium for the occupational pension FTP 1 corresponds to

- 5.5% of pensionable salary up to 7.5 income base amounts and
- 31.3% of pensionable salary in excess of 7.5 income base amounts.

The retirement age is flexible. Pension contributions are made until the age of 65 at the most.

Norway

Senior executives are covered by a defined-contribution pension plans, with an annual contribution corresponding to

- 7% 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 pensionable salary.

The retirement age is flexible.

Denmark

Senior executives are covered by a defined-contribution pension plan. The contribution corresponds to 22.7% of the annual fixed salary and 25% of paid short-term variable compensation.

The retirement age is flexible. Pension contributions are made until the age of 65 at the most.

Severance pay

If employment is terminated by the company, the President will be entitled to compensation during a 12-month period of notice and severance pay amounting to 12 months' fixed salary.

In employment is terminated by the company, other senior executives are entitled to compensation during a period of notice of 6 to 12 months, and in most cases, to severance pay amounting to a minimum of 9 months' and a maximum of 12 months' fixed salary.

Long-term incentive schemes

The Board of Directors of Sampo plc has decided on long-term incentive schemes for key employees of Sampo Group. The Board has authorized the Group CEO to decide on the allocation of incentive units, which are used to determine the incentive reward. Some 65 persons were included in the schemes at the end of year 2022.

The amount of incentive reward is based on the performance of the Sampo A share, If Group's insurance margin (IM) and/or Sampo Group's return on capital at risk (RoCaR), The value of one calculated incentive unit is the trade-weighted average price of the Sampo A share at the time established in the terms of the scheme, reduced by the dividend-adjusted starting price. The starting prices of the schemes vary between EUR 32.94 and 44.74. The pay-out from the schemes is always capped i.e., the size of the payment is limited to a maximum amount. The maximum share price for one incentive unit varies between EUR 56.94 and 68.74.

In the 2017:1 scheme, the incentive reward takes into account the outcome of two performance indicators. If the IM is 6% or more, 60% of the scheme is paid. If the IM is 4-5.99%, 30% is paid. If RoCaR is at least the risk-free return +4%, 40% is paid. If RoCaR is the risk-free return +2%, but less than the risk-free return +4%, 20% is paid.

In the 2020:1 scheme, the incentive reward also depends on the RoCaR. if RoCaR is at least the risk-free return +5%, the reward is paid out in full. If RoCaR is the risk-free return +3%, but less than the risk-free return +5%, the pay-out is 50%. If RoCaR is below the risk-free return +3%, no reward will be paid.

Each plan has three performance periods and incentive rewards are paid in cash in three instalments. Given that the targets have been met, the payment equals the increase in the price of the Sampo A share from the launch of the respective scheme up until each instalment. According to the terms and conditions of the schemes, identified staff must buy Sampo A shares with 50% of the net reward after taxes and other comparable charges. The shares are subject to a formal disposal restriction for three years from the date of payment.

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

Long-term incentive schemes		2017:1/2	2020:1	2020:1/2	2020:1/3
Approvement date		2017-09-14	2020-08-05	2020-08-05	2020-08-05
Initial number of granted units		57,000	1,424,500	170,000	120,000
End of performance period I 30%		Q2 2021	Q2 2023	Q2 2024	Q2 2025
End of performance period II 35%		Q2 2022	Q2 2024	Q2 2025	Q2 2026
End of performance period III 35%		Q2 2023	Q2 2025	Q2 2026	Q2 2027
Payment I 30%		Sept 2021	Sept 2023	Sept 2024	Sept 2025
Payment II 35%		Sept 2022	Sept 2024	Sept 2025	Sept 2026
Payment III 35%		Sept 2023	Sept 2025	Sept 2026	Sept 2027
Starting price [1] EUR		44,10	32.94	43.49	44.74
Maximum price EUR		62.53	56,94	67.49	68.74
Dividend-adjusted starting price as at December 31, 2022 EUR		33.38	27.14	39.39	44.74
Sampo A closing price as at December 30, 2022 EUR	48.82				

[1] For 2017:1 the starting price is calculated as the trade-weighted average for 10 trading days from publication of half-year result. For 2020:1 the starting price is calculated as the trade-weighted average for 25 trading days.

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 estimated using the Black-Scholes pricing model. The terms regarding If Group's insurance margin, Sampo Group's return on capital at risk and the number of units that are expected to vest are monitored on an ongoing basis. The provision recognized in the balance sheet is the vested value on the balance sheet date and any changes in the fair value are recognized in profit or loss.

Reconciliation of outstanding units	2022	2021
Outstanding at January 1	**1,806,975**	**2,299,550**
Granted during the year	120,000	170,000
Transferred during the year	-	-188,900
Forfeited during the year	-15,250	-104,000
Paid out during the year	-366,275	-369,675
Lapsed during the year	-	-
Outstanding at December 31	**1,545,450**	**1,806,975**

kSEK Outstanding units and values	Dec 31, 2022 Number of units	Dec 31, 2022 Maximum amount	Dec 31, 2022 Reserved amount	Dec 31, 2021 Number of units	Dec 31, 2021 Maximum amount	Dec 31, 2021 Reserved amount
Chairman of the Board Morten Thorsrud	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO Måns Edsman	-	-	-	-	-	-
Other members of Group Management, 5 (5) individuals	370,000	120,927	42,637	426,500	112,115	17,463
Others covered by the incentive schemes	1,175,450	373,792	139,323	1,380,475	365,950	67,162
Total	**1,545,450**	**494,720**	**181,960**	**1,806,975**	**478,065**	**84,624**

The expensed cost of the incentive program during the year amounted to MSEK 142.6 (90.4).

Note 13 – Auditors' fees

MSEK	2022	2021
Deloitte		
Audit fees	17	15
Audit fees outside the audit assignment	0	-
Tax consultancy fees	0	0
Other consultancy fees	0	0
Total fees to Deloitte	**17**	**16**

MSEK	2022	2021
KPMG		
Audit fees	-	4
Audit fees outside the audit assignment	-	-
Tax consultancy fees	-	0
Other consultancy fees	1	0
Total fees to KPMG	**1**	**4**

Note 14 – Performance analysis per class of insurance

2022 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	8,987	5,342	15,233	1,416	15,923	2,955	20
Premiums earned, gross	8,824	5,403	15,215	1,389	15,394	2,802	20
Claims incurred, gross	-4,153	-1,951	-11,003	-845	-10,304	-2,109	-4
Operating expenses, gross [1]	-1,357	-1,106	-2,285	-218	-1,934	-375	-4
Profit/loss from ceded reinsurance	-26	-8	-8	-273	-1,006	-351	-
Technical result before investment return transferred from the non-technical account	**3,288**	**2,338**	**1,919**	**53**	**2,150**	**-33**	**13**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	583	23	2,056	52,537	2,425	54,962
Premiums earned, gross	572	21	1,959	51,600	2,404	54,004
Claims incurred, gross	-331	-20	-1,727	-32,448	-1,994	-34,441
Operating expenses, gross [1]	-72	-	-261	-7,612	-357	-7,968
Profit/loss from ceded reinsurance	-	-	-185	-1,857	-41	-1,898
Technical result before investment return transferred from the non-technical account	**169**	**1**	**-215**	**9,683**	**12**	**9,696**
Allocated investment return transferred from the non-technical account						**112**
Technical result from property and casualty insurance						**9,808**

[1] The item Operating expenses, gross includes Other technical income of MSEK 536 and Other technical expense of MSEK -619.

2021 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	8,057	5,261	14,673	1,241	14,061	2,502	22
Premiums earned, gross	7,915	5,231	14,533	1,230	13,759	2,429	20
Claims incurred, gross	-5,373	-2,168	-9,737	-317	-9,194	-1,600	3
Operating expenses, gross [1]	-1,313	-1,022	-2,138	-192	-1,796	-327	-3
Profit/loss from ceded reinsurance	-234	-8	-10	-163	-830	-175	-
Technical result before investment return transferred from the non-technical account	**995**	**2,034**	**2,649**	**558**	**1,940**	**327**	**20**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	536	21	1,629	48,004	1,862	49,866
Premiums earned, gross	539	23	1,516	47,195	1,838	49,033
Claims incurred, gross	-291	-21	-1,629	-30,326	-1,986	-32,312
Operating expenses, gross [1]	-61	-	-187	-7,038	-283	-7,321
Profit/loss from ceded reinsurance	-	-	67	-1,353	446	-907
Technical result before investment return transferred from the non-technical account	**187**	**2**	**-233**	**8,478**	**14**	**8,492**
Allocated investment return transferred from the non-technical account						**144**
Technical result from property and casualty insurance						**8,636**

[1] The item Operating expenses, gross includes Other technical income of MSEK 494 and Other technical expense of MSEK -534.

Note 15 – Investment result

MSEK **Investment income**	**2022**	**2021**
Operating surplus, land and buildings		
Rental income	1	4
Operating expenses	-2	-3
Dividend on shares and participations	450	487
Interest income, etc.		
Bonds and other interest-bearing securities	2,458	1, 398
Other assets	199	64
Receivables from group companies	21	3
Exchange rate gains, net	-	-
Capital gains, net		
Land and buildings	-	7
Shares and participations	349	473
Bonds and other interest-bearing securities	93	272
Other loans	-	33
Total	**3,570**	**2,737**

MSEK **Unrealized gains on investment assets recognized in the income statement**	**2022**	**2021**
Land and buildings	-	-
Bonds and other interest-bearing securities	27	119
Derivatives	45	16
Total	**72**	**134**

MSEK **Investment charges**	**2022**	**2021**
Asset management expenses	-260	-238
Interest expenses, etc.		
Derivatives	-116	-81
Other liabilities	-3	-2
Liabilities to group companies	-16	-14
Exchange rate losses, net	-117	-138
Capital losses, net		
Land and buildings	-12	-
Bonds and other interest-bearing securities	-	-
Derivatives	-3	-
Total	**-527**	**-474**

MSEK **Unrealized losses on investment assets recognized in the income statement**	**2022**	**2021**
Shares and participations	-204	-59
of which, impairment losses	*-204*	*-59*
Bonds and other interest-bearing securities	-	-
of which, impairment losses	-	-
Derivatives	-	-
Total	**-204**	**-59**

MSEK Reconciliation of accumulated value changes of financial assets available for sale	2022	2021
Opening balance	**9,689**	**7,022**
Unrealized change in value of financial assets available for sale	-7,797	3,465
Changes in value recognized in income statement	-206	-805
Translation difference	35	6
Closing balance	**1,721**	**9,689**
Net value change, financial assets available for sale	-8,003	2,661

	Fair value Dec 31, 2022		Fair value Dec 31, 2021		Return 2022		Return 2021	
Return on investment assets [1]	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Interest-bearing securities	97,464	88	93,849	85	-1,473	-1.5	1,684	1.7
Equities	13,030	12	17,066	15	-3,402	-20.4	3,589	27.3
Currency (active positions)	24	-	1	-	36	-	0	-
Currency (other) [2]	460	-	93	-	-153	-	-138	-
Properties	9	-	9	-	-12	-	7	-
Other	-	-	-	-	-89	-	-143	-
Total investment assets	**110,986**	**100**	**111,017**	**100**	**-5,092**	**-4.3**	**4,999**	**4.6**

[1] Accrued interest and bank balances are reported above as part of interest-bearing securities. Derivative and securities settlement claims/liabilities have been reported under the relevant asset item above. The return on active investments has been calculated using a daily time-weighted return calculation method.

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

Note 16 – Interest expense, subordinated debt

MSEK	Interest rate	2022	2021
Subordinated loan, issued in 2011	6.00%	-	-64
Total		**-**	**-64**

Note 17 – Goodwill amortization

MSEK	2022	2021
Amortization of goodwill arising from acquisition of net assets of a business	-2	-2
Total	**-2**	**-2**

Note 18 – Taxes

MSEK	2022	2021
Current tax	-2,563	-2,205
Deferred tax	-22	-15
Total tax in the income statement	**-2,585**	**-2,220**
Current tax		
Swedish entities	-744	-950
Non-Swedish entities	-1,819	-1,256
Total current tax	**-2,563**	**-2,205**

MSEK	2022	2021
Tax related to other comprehensive income		
Related to financial assets available for sale	1,645	-535
Other	-261	-96
Total current and deferred tax	**1,383**	**-630**
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	12,246	10,539
Tax according to current tax rate, 20.6%	-2,523	-2,171
Permanent differences, net	-46	-45
Adjustment of prior-year taxes	3	-5
Different tax rates in foreign units	0	1
Changes in tax rates	-19	0
Reported tax in the income statement	**-2,585**	**-2,220**

Notes to the balance sheet

Note 19 – Intangible assets

	2022			2021		
MSEK	**Goodwill**	**Other intangible assets**	**Total intangible assets**	**Goodwill**	**Other intangible assets**	**Total intangible assets**
Accumulated acquisition value						
Opening balance	**6,064**	**169**	**6,234**	**5,701**	**303**	**6,004**
Additions	-	-	-	-	32	32
Disposals	-	-21	-21	-	-178	-178
Translation differences	170	6	176	363	11	375
Closing balance	**6,235**	**154**	**6,389**	**6,064**	**169**	**6,234**
Accumulated amortization and impairment						
Opening balance	**-6,063**	**-169**	**-6,232**	**-5,698**	**-159**	**-5,857**
Amortization and impairments during the year	-2	-	-2	-2	-1	-2
Disposals	-	21	21	-	-	-
Translation differences	-170	-6	-176	-363	-10	-373
Closing balance	**-6,235**	**-154**	**-6,389**	**-6,063**	**-169**	**-6,232**
Carrying amount, closing balance	**-**	**-**	**-**	**2**	**-**	**2**

Note 20 – Other financial investment assets and derivative liabilities

Classification of other financial investment assets and derivative liabilities in accordance with IAS 39

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	2022	2021	2022	2021	2022	2021
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	0	5	605	176	605	176
Financial assets available for sale						
Shares and participations	9,384	9,677	12,968	17,033	12,968	17,033
Bonds and other interest-bearing securities	97,076	88,227	93,650	88,816	93,650	88,816
Total financial assets, at fair value	**106,460**	**97,910**	**107,223**	**106,025**	**107,223**	**106,025**
Loans [1]						
Other loans	2,331	3,078	2,331	3,079	2,331	3,078
Total other financial investment assets	**108,791**	**100,987**	**100,554**	**109,103**	**109,554**	**109,103**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	6	-	74	77	74	77
Total financial liabilities, at fair value	**6**	**-**	**74**	**77**	**74**	**77**

[1] Loans are in accordance with If P&C Insurance's application of IAS 39 accounted for at amortized cost. The fair value is only shown for disclosure purposes.

Financial instruments with fair value 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 is based on cash flow valuations.

Classification of other financial investment assets in accordance with IFRS 9

In accordance with the requirements of IFRS 4, insurance companies that have decided to delay the implementation of IFRS 9 until 2023 must provide certain disclosures regarding fair value and changes in fair values. These disclosures are to be divided into two groups of financial assets.

In 2022, If conducted a review of how IFRS 9 will affect the reporting of financial instruments and the main changes are presented in note 1.

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

	Fair value		Change in
MSEK	2022	2021	fair value
Financial assets, at fair value through profit or loss			
Shares and participations	12,968	17,033	-4,065
Bonds and other interest-bearing securities	93,650	88,816	4,834
Derivative assets	605	176	429
Total	**107,223**	**106,025**	**1,198**
Financial investment assets at amortized cost			
Other loans	2,331	3,079	-747
Total	**2,331**	**3,079**	**-747**
Total other financial investment assets	**109,554**	**109,103**	**451**

If P&C Insurance has only minor holdings in financial investment assets at amortized cost. These holdings are assessed to have a credit rating of between A+ and BB-.

Specification of other financial investment assets and derivative liabilities

Bonds and other interest-bearing securities

If P&C Insurance's bonds and other interest-bearing securities by type of issuer at December 31, 2022 are shown below.

MSEK Type of issuer	Nominal value	%	Fair value	%	Carrying amount	%
Swedish government	3,749	4	4,485	5	4,485	5
Swedish public sector, other	1,856	2	1,851	2	1,851	2
Swedish mortgage companies	6,250	6	5,681	6	5,681	6
Swedish financial companies	20,561	21	19,080	20	19,080	20
Other Swedish companies	15,491	16	14,804	16	14,804	16
Foreign governments	473	0	443	0	443	0
Foreign public sector	4,373	5	4,335	5	4,335	5
Foreign financial companies	28,135	29	27,757	30	27,757	30
Other foreign companies	16,053	17	15,214	16	15,214	16
Total	**96,942**	**100**	**93,650**	**100**	**93,650**	**100**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-30	Total
Fair value %, 2022	11	21	18	19	23	5	2	1	-	0	**100**
Fair value %, 2021	27	18	22	15	13	3	2	0	2	0	**100**

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

Derivatives

	2022			2021		
MSEK **Derivative assets**	**Fair value**	**Carrying amount**	**Nominal amount**	**Fair value**	**Carrying amount**	**Nominal amount**
Equity derivatives						
Options	-	-	-	0	0	4
Total	**-**	**-**	**-**	**0**	**0**	**4**
of which, cleared by clearing house	-	-	-	-	-	-
Fixed income derivatives	**47**	**47**	**1,000**	**5**	**5**	**1,000**
Currency derivatives						
Options	0	0	188	0	0	13
Futures	557	557	25,790	170	170	20,815
Total	**558**	**558**	**25,978**	**170**	**170**	**20,828**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**605**	**605**		**176**	**176**	
Derivative liabilities						
Fixed income derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives						
Options	-	-	155	-	-	-
Futures	74	74	24,934	77	77	20,678
Total	**74**	**74**	**24,880**	**77**	**77**	**20,678**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**74**	**74**		**77**	**77**	

Note 21 – Financial investment assets and derivative liabilities at fair value

Within If P&C Insurance, 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 P&C Insurance mainly uses information compiled by Bloomberg. Quoted shares are measured 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 measured on the basis of last bid price. For model-valued interest bearing instruments, yield curves based on last mid prices are used.

If P&C Insurance'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 consensus with the Risk Management function.

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.

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 that are measured at level 2 include interest-bearing assets where the market is not active enough. Most OTC derivatives, standardized derivatives and 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 non-observable market data is available, the fair value of financial instruments is based on valuation techniques that are based on non-observable market data.

Level 3 comprises private equity, unlisted shares and distressed assets encountering financial difficulties where trading has essentially 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 P&C Insurance'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 of 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 measured at least yearly and the valuation is based either on external estimates, cash flow analyses or latest market transactions.

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

Financial investment assets and derivative liabilities in fair value hierarchy

	2022				2021			
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 or loss (trading)								
Derivatives								
Equity derivatives	-	-	-	-	-	-	-	-
Fixed income derivatives	-	47	-	47	-	5	-	5
Foreign exchange derivatives	-	557	-	557	-	170	-	170
Financial assets, available for sale								
Shares and participations [1]	12,913	23	32	12,968	16,892	20	121	17,033
Bonds and other interest-bearing securities	64,464	29,156	30	93,650	50,510	38,279	28	88,817
Total financial assets, at fair value	**77,377**	**29,784**	**62**	**107,223**	**67,402**	**38,475**	**148**	**106,025**
Financial liabilities, mandatory at fair value through profit or loss (trading)								
Derivatives								
Fixed income derivatives	-	-	-	-	-	-	-	-
Foreign exchange derivatives	-	74	-	74	-	77	-	77
Total financial liabilities, at fair value	**-**	**74**	**-**	**74**	**-**	**77**	**-**	**77**

[1] Mutual equity funds recognized in the above balances totaled MSEK 4,648 (4,902) of which MSEK 4,625 (4,863) was allocated to level 1 and MSEK 23 (39) to level 3.

Transfers from level 1 to level 2 amounted to MSEK 4,156 (3,448) corresponding to 3.9% (3.3) of the outstanding balance for financial investment assets at fair value, while transfers from level 2 to level 1 amounted to MSEK 6,995 (5,095) corresponding to 6.5% (4.8) of the outstanding balance for financial investment assets at fair value.

Financial investment assets in level 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2022, the assets presented in level 3 amounted to MSEK 62 (148). These financial assets are categorized as available for sale.

MSEK 2022	Carrying amount Jan 1	Net gains/losses recorded in: income statement	Net gains/losses recorded in: other comprehensive income	Purchases	Sales / maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/ losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	121	-56	-12	-	-25	-	4	32	-69
Bonds and other interest-bearing securities	28	-	0	2	-	-	1	30	-
Total	**148**	**-56**	**-12**	**2**	**-25**	**-**	**5**	**62**	**-69**

MSEK 2021	Carrying amount Jan 1	Net gains/losses recorded in: income statement	Net gains/losses recorded in: other comprehensive income	Purchases	Sales / maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/ losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	185	-	3	32	-105	-	4	121	-
Bonds and other interest-bearing securities	16	-	0	13	-	-	1	28	-
Total	**201**	**-**	**3**	**45**	**-105**	**-**	**5**	**148**	**-**

Sensitivity analysis of the fair values of financial assets in level 3

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

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

	2022		2021	
MSEK	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations [1)]	32	-6	121	-24
Bonds and other interest-bearing securities	30	0	28	0
Total	**62**	**-6**	**148**	**-24**

[1] Includes holding in equity funds.

Note 22 – Financial instruments set off in the balance sheet or subject to netting agreements

MSEK Assets	2022	2021
Derivatives		
Gross amount of recognized assets	605	176
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**605**	**176**
Amounts not set off but subject to master netting agreements and similar agreements [1)]		
Financial instruments	-72	-35
Cash collateral received	-534	-146
Net amount	**-1**	**-5**

MSEK Liabilities	2022	2021
Derivatives		
Gross amount of recognized liabilities	74	77
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**74**	**77**
Amounts not set off but subject to master netting agreements and similar agreements [1)]		
Financial instruments	-72	-35
Cash collateral pledged	-	-63
Net amount	**2**	**-21**

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

Note 23 – Reinsurers' share of technical provisions

	2022		2021	
MSEK **Change during the year**	Provision for unearned premiums and unexpired risks	Provision for claims outstanding	Provision for unearned premiums and unexpired risks	Provision for claims outstanding
Opening balance	**708**	**2,555**	**579**	**2,234**
Change in provision	90	-118	92	154
Translation differences	88	248	36	168
Closing balance	**886**	**2,686**	**708**	**2,555**

A specification of the reinsurers' share of technical provisions is presented in Note 31 Technical provisions.

Note 24 – Debtors arising out of direct insurance

MSEK	2022	2021
Receivables from policyholders	16,215	14,549
Receivables from insurance brokers	0	0
Receivables from insurance companies	71	72
Bad-debts provisions	-89	-79
Total [1]	**16,197**	**14,542**

[1] Of which, MSEK 5 (3) 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
Receivables	16,138	149	16,286
Bad-debt provisions	-7	-83	-89
Total	**16,131**	**66**	**16,197**

Generally, provision is based on a standard computation; the amount includes individual provision of MSEK -4 (-2).

Note 25 – Debtors arising out of reinsurance

MSEK	2022	2021
Receivables from reinsurers	1,139	1,285
Bad-debts provisions	-20	-171
Total [1]	**1,119**	**1,114**

[1] Of which, MSEK 5 (3) 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
Receivables	1,062	77	1,139
Bad-debt provisions	0	-21	-20
Total	**1,062**	**57**	**1,119**

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

Note 26 – Other debtors

MSEK	2022	2021
Receivable from group companies	1,053	2,273
Receivable from patient-insurance pool for the public sector	763	689
Other	41	67
Bad-debt provisions	-	-
Total [1]	**1,857**	**3,029**

[1] Of which, MSEK 713 (644) is expected to be received later than 12 months after the closing date.

Note 27 – Tangible assets

MSEK	2022	2021
Accumulated acquisition value		
Opening balance	**573**	**525**
Additions	76	90
Disposals	-52	-53
Translation differences	24	11
Closing balance	**621**	**573**
Accumulated depreciation and impairment		
Opening balance	**-360**	**-328**
Depreciation and impairments during the year	-67	-68
Disposals	45	43
Translation differences	-17	-7
Closing balance	**-400**	**-360**
Carrying amount, closing balance	**222**	**213**

MSEK Leasing agreements (lessee) Due dates	Future minimum lease payments 2022	 2021
< 1 year	299	262
1-5 years	960	871
> 5 years	711	773
Total	**1,970**	**1,906**

The company's leasing agreements pertain mainly to premises and vehicles.

MSEK	2022	2021
Total lease payments during the period	**287**	**274**
Of which, minimum lease payments	*287*	*274*
Of which, variable rents	-	-

Leasing where If P&C Insurance acts as lessor pertains to income from the leasing out of premises and was only insignificant amounts.

Note 28 – Deferred acquisition costs

MSEK	2022	2021
Opening balance	**1,122**	**1,126**
Net change during the year	99	-44
Translation difference	48	40
Closing balance	**1,268**	**1,122**

Acquisition expenditure during the year amounted to MSEK 5,710 (5,059). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include such operating expenses 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 29 – Other prepayments and accrued income

MSEK	2022	2021
Accrued income	269	253
Deferred costs	105	130
Total	**374**	**383**

Note 30 – Untaxed reserves

MSEK **Contingency reserve**	**2022**	**2021**
Opening balance	**7,032**	**6,859**
Change recognized in income statement	-	-
Translation difference	87	174
Closing balance	**7,119**	**7,032**

Through the Norwegian branch, If P&C Insurance provides property insurance that also includes protection against damage caused by natural events. As a consequence, the branch is a member of the Norwegian Natural Peril's Pool and is obliged to reserve Natural perils capital. The contingency reserve includes an amount reported in the Norwegian krona corresponding to Natural perils capital in the Norwegian branch.

Note 31 – Technical provisions, gross

MSEK Change during the year	2022 Provision for unearned premiums and unexpired risks	2022 Provision for claims outstanding	2021 Provision for unearned premiums and unexpired risks	2021 Provision for claims outstanding
Opening balance	**23,174**	**67,004**	**21,626**	**64,799**
Unwinding of discounted annuities	-	354	-	216
Change in provisions	959	-1,181	833	240
Translation differences	1,081	3,508	715	1 749
Closing balance	**25,214**	**69,685**	**23,174**	**67,004**

MSEK Technical provisions and reinsurers' share	2022	2021
Technical provisions, gross		
Unearned premiums and unexpired risks	25,214	23,174
Provision for incurred and reported claims	19,824	17,364
Provision for incurred but not reported claims	27,402	24,005
Provision for annuities	19,787	23,437
Provision for claims-settlement costs	2,673	2,198
Total	**94,900**	**90,178**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	886	708
Provision for incurred and reported claims	2,134	2,062
Provision for incurred but not reported claims	552	480
Provision for annuities	-	13
Provision for claims-settlement costs	-	-
Total	**3,572**	**3,263**
Technical provisions for own account		
Unearned premiums and unexpired risks	24,328	22,466
Provision for incurred and reported claims	17,690	15,302
Provision for incurred but not reported claims	26,850	23,525
Provision for annuities	19,787	23,424
Provision for claims-settlement costs	2,673	2,198
Total	**91,328**	**86,915**

Valuation of technical provisions

Technical liabilities must reflect the liability If P&C Insurance Ltd (publ) 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 provisions for unearned premiums pertain to current contracts for which the contractual period has not expired. The dominant component, provisions for unsettled claims, pertains to future claims payments for the claims associated with all insurance contracts underwritten by If P&C Insurance.

Provisions for unearned premiums and unexpired risk

Provisions for unearned premiums correspond to the value of If P&C Insurance'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 P&C Insurance and those that have probably occurred but have not yet been reported.

The provisions for unsettled claims are calculated using statistical methods and/or through individual assessment of a particular claim. 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 annuities, the provisions for unsettled claims are not discounted. Provisions for claims-related vested annuities are discounted in accordance with current practice, taking into account inflation and mortality.

Description of method

If P&C Insurance uses a number of statistical methods to determine the final claims cost that the Company 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 number of claims. Historical claims trend factors and a selection of estimates of future development factors are analyzed. The selection of development factors is subsequently applied to the known costs to date for claims (which are not yet fully developed) for each claims year 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 partly based on a combination of claims history and 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 P&C Insurance is considerably exposed to personal claims primarily arising from obligatory Motor Third Party Liability and Workers' Compensation policies. Of the total claims reserve, about 70% is attributable to these two insurance categories. If P&C Insurance issues Motor Third Party Liability insurance throughout the Nordic region. Workers' Compensation is issued in Norway, Denmark, and Finland. From a customer perspective, the scope of obligatory insurance 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 reserves and their uncertainty. The most important assumptions for portfolios dominated by personal claims are:

- inflation;
- discount rate;
- mortality and
- effect of legislative amendments and court practice.

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 the Company's own evaluation of cost increases for various types of compensation. Compensation 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 among 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 adjustment 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 paid out in the form of vested annuities over a long period and provisions must cover future value adjustments. The same also applies to Danish Workers' Compensation insurance. This entails substantial sensitivity to changes in inflation. In Norway and in Danish Motor Third Party Liability insurance, compensation is paid as a lump sum. Since in this case, the duration is relatively short, the inflation risk is reduced. Refer to Note 5 Risks and risk management, for a sensitivity analysis of inflation.

Discount rate

With the exception of the claims reserves related to annuities, provisions for claims and premium reserves are presented as nominal value (undiscounted).

The discount interest rate for vested annuities is mainly determined with guidance from the now repealed Swedish Financial Supervisory Authority's regulations and general recommendations on the selection of interest rates for calculating technical provisions (FFFS 2013:23). For the operations conducted in If P&C Insurance Ltd, branch in Finland, however, technical provisions are recognized in accordance with the Finnish Insurance Companies Act. This means that provisions for vested annuities are discounted using a flat interest rate and not the interest-rate curve. If P&C Insurance considers that control and follow-up of the Finnish business are facilitated by the recognition complying with standard practices in the Finnish insurance sector.

The rates given below are the weighted averages for If P&C Insurances's annuities.

The presentation below shows discounted reserves and discount rate by country:

MSEK	2022	2021
Denmark		
Amount vested annuities	1,473	1,659
Amount IBNR	216	44
Discount rate	2.58%	0.26%
Finland		
Amount vested annuities	12,859	15,863
Amount IBNR	2,235	2,586
Discount rate	2.50%	0.75%
Sweden		
Amount vested annuities	4,916	5,465
Amount IBNR	840	863
Discount rate	2.76%	1.42%
Norway		
Amount vested annuities	538	449
Amount IBNR	475	458
Discount rate	2.89%	1.94%

Refer to Note 5 Risks and risk management, for a sensitivity analysis of the discount interest rate. Discounted vested annuities in Finland would have been recognized in an amount of MSEK 13,147 (17,234), discounted IBNR would have been recognized in an amount of MSEK 2,340 (2,751) and the average discount interest rate would have been 2.29% (0.23) if FFFS 2013:23 had also been applied for the Finnish business. The company's recognized technical result and the technical result for direct insurance abroad (see Note 6) would have improved by about MSEK 1,230 (would have deteriorated by about MSEK 10).

Mortality

The provision risk for mortality is also related to vested annuities, since actual mortality may be lower than the mortality assumptions made when assessing the 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. The mortality model in Finland was updated in March 2022 by adapting the K2021 reference mortality model. The new model decreased the annuity reserve by around MSEK 500.

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 uncertainty. Firstly, as noted earlier, the inflation assumptions are adjusted 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 2022

No significant changes in methods were implemented during the year.

During the year, the reported increase in gross claims provisions amounted to MSEK 2,681. Effects of exchange rate changes amounted to an increase of MSEK 3,508, while the real changes in gross claims reserves adjusted for currency effects amounted to a decrease of MSEK 827. The mortality model was changed in Finland, which decreased the reserves by approximately MSEK 500. Discount rate changes had a major impact on the claims provision during the year: In Finland, the discount rate changed from 0.75% to 2.50% during the year, which decreased the annuity reserve (including IBNR for new annuities) by around MSEK 3,800. By geographical area, the major reserve changes were as follows:

– Claims provisions in the Swedish operation, including branches of the Business Area Industrial, increased by MSEK 377. The largest change was seen in reserves for Motor Third Party Liability insurance, which decreased by over MSEK 400, to a large extent due to the increased discount rates for annuities. Reserves for Liability insurance increased by nearly MSEK 400 while reserves for Accident insurance and Motor Other insurance each increased by around MSEK 200.
– Claims provisions in the Norwegian operation increased by MSEK 1,323. Reserves for Accident insurance increased by almost MSEK 400 while reserves for Liability insurance and Motor Third Party Liability Insurance increased by almost MSEK 300 each. There were also smaller increases in reserves for Motor Other Insurance and Property Insurance'.
– Claims provisions in the Danish operation increased by MSEK 1,224. Reserves for Property Insurance increased by over MSEK 400 while reserves for Workers' compensation insurance and Motor Third Party Liability insurance each increased by around MSEK 300.
– Claims provisions in the Finnish operation decreased by MSEK 3,751. Reserves for Workers' Compensation insurance decreased by around MSEK 2,600 while reserves for Motor Third Party Liability insurance decreased by MSEK 2,000. These changes were driven by increased discount rates as well as the new mortality model. Reserves for Accident insurance increased by almost MSEK 400, reserves for Property insurance increased by around MSEK 350 and reserves for Liability insurance increased by around MSEK 200.

The reinsured share of the claims provision increased by MSEK 130 in nominal terms. The real change adjusted for currency effects was a decrease of MSEK 118. The main driver was a large increase in ceded property reserves due to many large claims partly offset by less ceded reserves in Marine, aviation and transport insurance.

Significant events

This year's large claims outcome was worse than expected on a total level. The largest single claim in 2022 was a machine breakdown in a power plant in UK estimated in excess of MSEK 200.

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 P&C Insurance's ability to foresee final claims costs. The tables below show the cost trend for the claims years 2013-2022, before and after reinsurance. For claims years 2012 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 2003-2012.

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 P&C Insurance 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 at December 31, 2022. Consequently, the table is not directly comparable with the corresponding table reported in previous years or with the income statement since all claims years contain translated data based on closing rates.

As of October 1, 2017, If P&C Insurance Company Ltd, containing almost all of If's Finnish business, was merged into If P&C Insurance Ltd (publ). In order to present an informative claims cost triangle, the entire triangle has been updated for all claims years to also include the historical development of the acquired business. The triangle thus presents the development of claims cost for the two companies viewed together both before and after the formal merger.

MSEK Claims cost, gross Claims year	2012 and prior years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated claims cost												
at the close of the claims year	302,781	27,875	27,643	27,769	28,145	28,551	29,998	31,267	32,880	32,403	34,782	
one year later	302,246	28,106	27,553	27,949	28,458	28,965	31,055	31,774	33,306	33,842		
two years later	301,936	28,130	27,611	27,816	28,473	28,918	31,383	31,952	33,619			
three years later	302,915	28,203	27,748	27,558	28,053	28,984	31,596	32,228				
four years later	301,366	28,269	27,814	27,282	27,949	28,721	31,513					
five years later	300,232	28,140	27,514	27,258	28,092	28,631						
six years later	298,285	28,019	27,215	27,113	27,922							
seven years later	296,737	27,856	27,108	26,978								
eight years later	294,644	27,796	26,891									
nine years later	292,959	27,608										
ten years later	288,615											
Current estimate of total claims costs	288,615	27,608	26,891	26,978	27,922	28,631	31,513	32,228	33,619	33,842	34,782	
Total disbursed	266,243	26,016	25,338	25,247	25,806	26,321	28,543	28,790	28,669	26,202	18,440	
Provision reported in the balance sheet	22,372	1,592	1,553	1,731	2,116	2,309	2,969	3,438	4,950	7,640	16,342	67,012
of which annuities	*14,988*	*646*	*571*	*594*	*516*	*527*	*755*	*516*	*391*	*240*	*41*	*19,787*
Provision for claims-settlement costs												2,673
Total provision reported in the balance sheet												**69,685**

MSEK Claims cost, Net of reinsurance Claims year	2012 and prior years	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated claims cost												
at the close of the claims year	285,122	27,390	27,258	27,312	27,552	27,937	29,427	30,610	30,861	31,034	33,852	
one year later	284,512	27,624	27,133	27,457	27,642	28,399	30,292	31,001	31,072	32,112		
two years later	284,426	27,676	27,037	27,288	27,619	28,300	30,613	31,141	31,381			
three years later	285,360	27,764	27,165	27,126	27,298	28,361	30,845	31,433				
four years later	283,894	27,799	27,186	26,826	27,192	28,107	30,719					
five years later	282,796	27,683	26,858	26,797	27,281	28,145						
six years later	280,886	27,542	26,563	26,659	27,119							
seven years later	279,225	27,374	26,448	26,535								
eight years later	277,164	27,328	26,238									
nine years later	275,466	27,102										
ten years later	271,253											
Current estimate of total claims costs	271,253	27,102	26,238	26,535	27,119	28,145	30,719	31,433	31,381	32,112	33,852	
Total disbursed	249,141	25,544	24,712	24,841	25,217	25,908	27,820	28,130	26,855	25,103	18,292	
Provision reported in the balance sheet	22,112	1,558	1,526	1,694	1,902	2,237	2,899	3,304	4,526	7,009	15,560	64,327
of which annuities	*14,988*	*646*	*571*	*594*	*516*	*527*	*755*	*516*	*391*	*240*	*41*	*19,787*
Provision for claims-settlement costs												2,673
Total provision reported in the balance sheet												**67,000**

Comments

In 2022, If P&C Insurance had reinsurance coverage with retention levels of MSEK 250 per event and between MSEK 100 and 250 per risk depending on the line of business. From 2023, the retention levels are MSEK 300 per event and between MSEK 100 and 300 per risk.

Provisions for fixed claims-related annuities and related payments are included in the distribution by claims year above. Of the total provisions for claims-related annuities of MSEK 19,787, MSEK 14,988 applies to 2012 and previous years.

Note 32 – Deferred tax

MSEK **Changes in deferred tax 2022**	**Opening balance**	**Recognized in income statement**	**Translation difference**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax assets					
Other provisions	52	4		1	57
Other temporary differences	96	-7		-1	88
Total deferred tax asset	**148**	**-3**		**0**	**145**
Netted deferred tax asset against deferred tax liability	**-148**				**-145**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	1,683	-	5	-1,524	164
Deferred tax attributable to untaxed reserves	98	19	9	-	125
Total deferred tax liability	**1,781**	**19**	**13**	**-1,524**	**289**
Netted deferred tax liability against deferred tax asset	**-148**				**-145**
Deferred tax liability according to balance sheet	**1,633**				**144**
Deferred tax expense according to income statement		**-22**			

MSEK **Changes in deferred tax 2021**	**Opening balance**	**Recognized in income statement**	**Translation difference**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax assets					
Other provisions	42	8	-	3	52
Other temporary differences	119	-23	-	-1	96
Total deferred tax asset	**161**	**-16**	**-**	**2**	**148**
Netted deferred tax asset against deferred tax liability	**-161**				**-148**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	925	-1	1	758	1,683
Deferred tax attributable to untaxed reserves	96	-	2	-	98
Total deferred tax liability	**1,020**	**-1**	**4**	**758**	**1,781**
Netted deferred tax liability against deferred tax asset	**-161**				**-148**
Deferred tax liability according to balance sheet	**859**				**1,633**
Deferred tax expense according to income statement		**-15**			

Note 33 – Other provisions

MSEK	2022	2021
Provision for pensions and similar commitments	229	236
Other	51	80
Total	**280**	**317**

The provision for pensions pertains to unfunded pension obligations in the Norwegian branch, accounted for in accordance with the accounting policies applied since If P&C Insurance was established. The Other item pertains to restructuring reserves for approved organizational changes. It also includes a provision for law suits and other uncertain obligations.

Note 34 – Creditors arising out of direct insurance

MSEK	2022	2021
Payables to policyholders	1,795	1,411
Payables to insurance brokers	72	62
Payables to insurance companies	276	41
Total [1]	**2,143**	**1,514**

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

Note 35 – Other creditors

MSEK	2022	2021
Premium tax	1,954	1,900
Current tax liabilities	820	795
Liability to patient-insurance pool for public sector	742	678
Collateral and settlement liabilities	537	278
Other creditors	262	226
Employee withholding taxes	126	113
Other liabilities, group	88	69
Other tax	82	49
Accounts payable	68	44
Total [1]	**4,680**	**4,151**

[1] Of which, MSEK 736 (631) matures later than 12 months after the closing date.

Note 36 – Other accruals and deferred income

MSEK	2022	2021
Other accrued expenses	1,941	1,605
Deferred income	138	155
Total	**2,080**	**1,760**

Other accrued expenses consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commissions and other variable compensation as well as reserves for uninvoiced other operating expenses.

Other disclosures

Note 37 – Pledged assets

MSEK **Pledged assets and equivalent securities for own liabilities and for commitments reported as provisions**	**2022**	**2021**
Other financial investment assets		
Collateral for insurance undertakings	3,938	4,309
Collateral for derivatives trading	91	101
Total	**4,029**	**4,410**
Cash and bank balances		
Collateral for derivatives trading	-	20
Other collaterals	3	5
Total	**3**	**26**
Total	**4,032**	**4,436**

The following assets are registered as assets covering technical provisions. In the event of an insolvency situation, policyholders have a beneficiary right to assets registered for coverage of technical provisions. In normal operating circumstances, If P&C Insurance 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**	**2022**	**2021**
Assets covered by policyholders' beneficiary rights	106,837	105,823
Technical provisions, net	-67,584	-70,002
Surplus of registered securities	**39,253**	**35,821**

Note 38 – Contingent liabilities and other commitments

MSEK	2022	2021
Surety and guarantee undertakings	9	12
Other commitments	56	50
Total	**65**	**62**

If P&C Insurance provides insurance with mutual undertakings within several pools, such as the Nordic Nuclear Insurers Pool, the Norwegian Natural Perils Pool and the Dutch Terror Pool.

Pursuant to the Swedish Traffic Damage Act and Traffic Damage Ordinance, If P&C Insurance, which issues motor insurance in Sweden, is obligated to be a member of the association Swedish Motor Insurers (TFF) and is jointly and severally liable to finance the operations of TFF. This occurs in the form of an annual settlement, whereby TFF's net deficit is divided among the member companies in relation to the various companies' premium volume for motor insurance. Each year, the Company posts a provision for its anticipated share of TFF's estimated deficit for the year concerned. This joint and several responsibility also entails that If P&C Insurance has an obligation to account for costs that could pertain to the cost shares of other member companies, should such companies become insolvent.

In connection with the transfer of the property and casualty insurance business from the Skandia Group to the If Group as of March 1, 1999, If P&C Insurance and If P&C Insurance Holding Ltd (publ) 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 (publ) and If P&C Insurance 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 Skandia 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 the aforementioned companies in the If Group, for the full amount that they may be required to pay under these guarantees.

If P&C Insurance has outstanding commitments to private equity funds totaling MSEK 35, which is the maximum amount that the company has committed to invest in the funds. Capital may be called to these funds over several years as the funds make investments.

Note 39 – Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Note 40 – Appropriation of earnings

Unrestricted funds in the company, including the Fair value reserve, that are available for appropriation by the Annual General Meeting in accordance with the balance sheet, amount to:

SEK	
Net profit for the year	9,660,542,883
Profit brought forward	12,736,572,040
Fair value reserve	1,321,284,831
	23,718,399,755

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	7,500,000,000
Profit to be carried forward	16,218,399,755
	23,718,399,755

From January 1, 2023, the company applies IFRS 9 Financial instruments, whereby the current Fair value reserve is dissolved and a corresponding amount is instead recognized in Profit brought forward.

Signatures

We hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, provides a true and fair view of the company's financial position and results and that the Board of Directors' Report provides a true and fair overview of the development of the company's operations, financial position and result and describes the significant risks and uncertainties facing the company.

Stockholm, March 9, 2023

Morten Thorsrud
Chairman of the Board

Patrick Lapveteläinen
Board member

Dag Rehme
Board member

Carina Lidgren
Board member

Oskar Nordström
Board member

Måns Edsman
Board member and President

Our audit report was issued on March 9, 2023

Deloitte AB

Henrik Nilsson
Authorized Public Accountant

Auditor’s Report

To the general meeting of the shareholders of If P&C Insurance Ltd (publ), corporate identity number 516401-8102

Report on the annual accounts

Opinions

We have audited the annual accounts of If P&C Insurance Ltd (publ) for the financial year 2022-01-01 - 2022-12-31.

In our opinion, the annual 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 If P&C Insurance Ltd (publ) as of 31 December 2022 and its financial performance for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

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

Our opinions in this report on the annual accounts are consistent with the content of the supplementary report submitted to the Board of Directors of the parent company in accordance with the Auditors’ 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 responsibility according to these standards is described in more detail in the section Auditor’s responsibility. We are independent in relation to the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements. This includes that, to the best of our knowledge and conviction, no prohibited services as referred to in article 5.1 of the Auditors’ Regulation (537/2014) 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 are those areas which, in our professional judgement, were of most significance in the audit of the annual accounts for the current period. These areas were addressed within the context of the audit of the annual accounts as a whole, and in forming the auditor’s opinion thereon, but we do not provide a separate opinion about these matters.

Provision for claims outstanding

The provision for claims outstanding (gross of reinsurance) amounts to 69,685 MSEK as of 31 December 2022.

The company’s provision for claims outstanding represents a material balance sheet item and is based on complex actuarial calculations and assumptions about future outcomes, primarily regarding the timing and size of claims incurred. The result of management’s assessments regarding the requirement for provision for claims outstanding depends on inputs, the choice of actuarial methods and the precision of management judgment in determining actuarial assumptions. The key areas with the greatest impact on the recorded amount of the provision are assessments of settlement time, inflation, morbidity, mortality (annuity reserve), discount rate and claims settlement cost for attributable cash flows.

Note 1 and Note 2 to the annual accounts give a description of the accounting policies applied for the valuation of the company’s claims outstanding and Note 5 deals with the company’s exposure to and management of the insurance risks associated with the provision for claims outstanding. Note 31 further describes the methods applied by the company in the valuation of the balance sheet item and the development of the provision for claims outstanding over time.

As the calculation of the provision for claims outstanding is significantly dependent on estimations and judgments this is an area of particular importance in our audit.

We have involved actuary specialists in our audit procedures and our audit procedures have included but were not limited to:

- Evaluated whether actuarial valuation methods and models for calculating provision for claims outstanding comply with generally accepted standards and practices.
- Evaluated the key controls that deemed most relevant to the assessment of the selection of actuarial methods, assessment of assumptions and evaluation and analysis of historical claims development. We have also evaluated and examined a selection of general IT controls linked to applicable systems and applications that we have assessed as critical to the data that forms the basis for the valuation of provision for claims outstanding.
- On a sample basis, examined input data used in the calculations of the provision for claims outstanding.
- Performed independent control calculations based on actuarial methods for a substantial part of the provision for claims outstanding.
- Evaluated management’s significant estimations and judgments.
- Evaluated whether the disclosures, for example regarding applied methods and assumptions, insurance risks and claims development, linked to the provision for claims outstanding are fair and complete based on applicable accounting policies.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with 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 that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts 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.

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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President.
- Conclude on the appropriateness of the Board of Directors' and the President's use of the going concern basis of accounting in preparing the annual accounts. 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 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 or, if such disclosures are inadequate, to modify our opinion about the annual 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

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, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Ltd (publ) for the financial year 2022-01-01 - 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 If P&C Insurance Ltd (publ) 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 type of operations, size and risks place on the size of the company'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 financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.
The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, Insurance Companies 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Deloitte AB, was appointed auditor of If P&C Insurance Ltd (publ) by the general meeting of the shareholders on March 24, 2022 and has been the company's auditor since March 25, 2021.

Stockholm March 9th 2023

Deloitte AB

Signature on Swedish original

Henrik Nilsson
Authorized Public Accountant

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.

Ancillary own funds
Ancillary own funds consist of contingent assets held by the entity but not included in its solvensy balance sheet. Provided that they can be used for loss coverage and that approval has been obtained from a supervisory authority, an item not included in the basic own fund may be included in the available own funds in the form of ancillary own funds.

Basic own funds
Basic own funds are derived from the solvency balance sheet in which the undertaking's assets and liabilities are measured in accordance with the solvency regulations. Basic own funds consists of the positive difference between assets and liabilities (including technical provisions), which are reduced by the amount of own shares held. In addition, qualifying subordinated liabilities are included in basic own funds.

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). It does not include major claims.

Claims ratio
Total sum of claims incurred on own account including claims-adjustment costs in relation to premiums earned on own account, 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.

Consolidation capital
Shareholders' equity less deferred tax assets plus untaxed reserves, subordinated debt and deferred tax liability.

Consolidation margin
Key ratio representing the relative size of consolidation capital. The consolidation margin is calculated as consolidation capital in relation to premiums written, net excluding portfolio premiums.

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.

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

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%.

Eligible own funds to cover the minimum capital
The eligible own funds to cover the minimum capital requirement are derived from the same available own fund items as the eligible own funds to cover the Solvency Capital Requirement, but with the difference that additional limits apply as to the eligibility of those own funds items. The level of eligible own funds may not fall below the minimum capital requirement (MCR).

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 fiscal 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.

[1)] Refers to alternative performance measurements

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 companies and associates.

Investment return
Net of following income and costs: interest income/expense, dividend on shares and participations, surplus/deficits from own properties, management costs, realized and unrealized changes in fair value of real estate, shares and participations and interest-bearing securities, and exchange-rate gains/losses. If P&C Insurance recognizes the main part of unrealized value changes on shares and participations and interest-bearing securities in other comprehensive income.

Minimum capital requirement (MCR)
The Minimum Capital Requirement should reflect a level of eligible own funds where the company in 85% of all possible outcomes during a year can meet its commitments and is a solvency level below which it is considered unacceptable to continue operating.

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.

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.

Run-off business
The liquidation of an insurance company or portfolio of insurance business that has been transferred to a separate administrative unit.

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.

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.

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.

[1)] Refers to alternative performance measurements

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