ANNUAL REPORT 2017

If P&C Insurance Ltd, 516401-8102

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CONTENTS

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 2017 fiscal year.

ORGANIZATION

If P&C Insurance Ltd (publ) is a wholly owned subsidiary to 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. The Sampo Group conducts property and casualty insurance operations within If and Topdanmark A/S, life insurance operations in the Mandatum Group and has a substantial shareholding in Nordea Bank AB (publ). If's property and casualty insurance operations constitute an own segment within Sampo.

If P&C Insurance Ltd conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland and Latvia via branches. In addition, If 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. Support functions such as IT, Human Resources, Communication, Risk Management and Finance are organized as a support to the business.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

As of October 1, 2017, the sister company If P&C Insurance Company Ltd (Finland) was merged with If P&C Insurance Ltd (publ), at which point the assets and liabilities in the Finnish company were allocated to If P&C Insurance's existing Finnish branch. Further information is available in Note 43.

RESULT FROM OPERATION

RESULTS

The result before income taxes was MSEK 8,780 (5,300). The technical result of property and casualty insurance operations amounted to MSEK 5,254 (4,406).

PREMIUMS WRITTEN

Gross written premiums for the year amounted to MSEK 34,119 (31,422). Adjusted for exchange-rate effects, the underlying increase in premium volumes was 7.1%. The increase was mainly in the Private business area.

CLAIMS INCURRED AND OPERATING EXPENSES

Net claims incurred amounted to MSEK 22,423 (20,569), adjusted for the effect of exchange-rate changes, claims expenses increased by 8%.

The claims ratio amounted to 68.0% (69.1). The expense ratio improved slightly and amounted to 16.4% (16.6). Operating expenses in the insurance operation totaled to MSEK 5,400 (4,953). Adjusted for the effect of exchange-rate changes, operating expenses in the insurance operation increased by 8%.

The combined ratio improved and amounted to 84.4% (85.7). The improvement is due to a lower claims ratio.

INVESTMENT RESULT

At full market value, profit from asset management decreased to 2,387 MSEK (2,474), corresponding to a total return of 3.1% (3.3). A net investment result of MSEK 1,748 (1,479) is recognized in income statement and MSEK 639 (995) is recognized in other comprehensive income.

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

In general, market interest rates remained low during 2017 apart from in the US, which noted a large increase in short-term rates above all. However, the absolute majority of If's interest-bearing investments are made in Europe and Scandinavia, which together with lower credit spreads gave a return of 2.3% (2.7%) on the interest-bearing securities.

The duration for the interest-bearing assets increased to 1.4 years (1.3) at the end of the year.

The total return on equities was 9.2% compared with 8.6% the preceding year. The strongest contributors to the return were the North American and East Asia markets. All of the leading American stock indices reached new record highs during the year.

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

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

NET PROFIT AND TAX COSTS

Net profit was MSEK 6,880 (4,119). The effective tax rate for the year was 21.7% (22.3). Of total taxes, current tax expenses amounted to MSEK 1,877 (1,211) and deferred tax expense was MSEK 24 (income 30).

SOLVENCY CAPITAL, CASH FLOW AND DIVIDEND

The solvency ratio improved and amounted to 95.0% (77.3). Solvency capital increased to MSEK 31,062 (23,226). Cash flow from operating activities amounted to MSEK 5,714 (269). A total dividend of MSEK 4,200 (-) was paid. Proposed appropriation of the company's unrestricted funds are presented in Note 42.

TECHNICAL PROVISIONS (RESERVES)

Gross provisions at year-end increased to MSEK 88,150 (62,108).

Currency effects arising from the conversion of provisions in foreign currencies reduced the provisions by MSEK 894, primarily due to strengthening of the SEK against the NOK. After adjustments for exchange-rate effects the premium reserve decreased by MSEK 327 and the claims reserve decreased by MSEK 1,335. The Finnish merger has affected the premium reserve with MSEK 4,111 and the claims reserve with MSEK 24,487.

Reinsurers' share of technical provisions was in line with previous year and amounted to MSEK 2,112 (2,121). After adjustments for exchange-rate effects, reinsurers' share of technical provisions decreased by MSEK 135.

CORPORATE GOVERNANCE STATEMENT

The company is not listed, and does not comply with the Swedish Code of Corporate Governance. However, the company has subordinated loans listed for trading on the Luxembourg Stock Exchange (BdL Market). According to the Annual Accounts Act (1995:1560), for insurance companies, there are requirements stipulating that such insurance companies shall submit a limited Corporate Governance Statement. The company has decided to allow the Corporate Governance Statement to be part of the Board of Directors' Report.

As mentioned above, the company is a wholly owned subsidiary of 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 the period for such assignments, auditors, matters that shall be addressed at the Annual General Meeting and how notice convening the General Meetings shall be sent out. According to the Articles of Association, the Board of Directors shall comprise of not less than three and not more than nine elected members, and the election shall apply for the period ending at the next Annual General Meeting. The Articles of Association contains no stipulations pertaining to amendments of the Articles of Association. The company's Articles of Association states that when voting at General Meetings, each share shall carry one vote and that the shareholder or shareholder's representative is entitled to vote for the full number of shares represented, with no restrictions on voting entitlement.

No General Meeting has granted any authorization to the Board of Directors to make decisions that the company shall issue new shares or acquire own shares.

The Board of Directors and the President of the company are ultimately responsible for all financial reporting. The central finance and accounting department is responsible in part for control systems, control, accounting and reporting in accordance with generally accepted accounting principles, and in part for liquidity, funding and capital.

The Internal Audit performs independently, on behalf of the Board of Directors, audit reviews of the company's operations and system for internal control according to an annually established plan. The head of the internal audit reports directly to the company's Board of Directors.

The Compliance function provides advice to management and the business operations on issues pertaining to regulatory compliance. The Compliance function also monitors the internal processes for regulatory compliance with reference to the operations requiring licenses. The Compliance function reports to the Board of Directors and the President of the company.

On behalf of the Chief Risk Officer (CRO) the Risk Control unit within Risk Management is responsible for the collective internal reporting of all of the company's significant risks at an aggregated level. The responsibility includes underwriting, market, credit, operational, asset and liability management, liquidity and concentration risk. The CRO reports to the If ORSA Committee and the Board of Directors. In addition, the company has a comprehensive system for monitoring risks in the business operations, as described in the section on Objectives and Policies for Financial Risk Management.

SUSTAINABILITY REPORT

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

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's result depends on both the underwriting result and the return on investment assets.

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

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

SOLVENCY II

If use an approved partial internal model (PIM) to calculate the solvency capital requirement for the majority of the insurance risks while other risks are calculated using the standard formula. Following the merger, a so-called major model change application to include Finnish insurance risk in the PIM, using Ifs internal model, was sent to the Swedish FSA in October 2017. A decision on the application is expected no later than March 2018.

As per December 31, 2017 the SCR amounted to MSEK 15,593 (11,717) and the eligible own funds amounted to MSEK 25,512 (19,881).

PERSONNEL

During the year the number of employees increased and amounted to 5,614 (3,825) at year-end. The average number of employees during the year was 4,342 (3,786), of whom 49% (47) were women.

APPLIED ACCOUNTING POLICIES

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

OUTLOOK

The development of the global economy will be difficult to predict during 2018. Despite increased competition in the market, underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

Five-year summary

MSEK	2017	2016	2015	2014	2013
Condensed income statement					
Premiums written, net of reinsurance	32,700	30,049	29,965	30,031	29,641
Premiums earned, net of reinsurance	32,977	29,770	29,702	29,840	29,169
Allocated investment return transferred from the non-technical account	179	224	435	567	733
Other technical income	248	197	210	180	173
Claims incurred, net of reinsurance	-22,423	-20,569	-21,243	-21,230	-21,026
Of which, Claims-adjustment costs	*-1,932*	*-1,709*	*-1,783*	*-1,810*	*-1,791*
Operating expenses in insurance operations, net of reinsurance	-5,400	-4,953	-5,028	-4,999	-4,884
Other operating expenses/Other technical expenses	-326	-263	-218	-191	-158
Technical result from property and casualty insurance	**5,254**	**4,406**	**3,858**	**4,167**	**4,007**
Investment return	1,748	1,479	2,550	2,900	2,789
Allocated investment return transferred to the technical account	-327	-238	-477	-622	-820
Interest expense, subordinated debt	-65	-64	-95	-130	-124
Amortization goodwill	-277	-273	-281	-292	-297
Result before income taxes and appropriations	**6,334**	**5,310**	**5,555**	**6,023**	**5,555**
Untaxed reserves	2,495	-	-	-	-
Group contribution	-48	-10	-	-	-
Result before income taxes	**8,780**	**5,300**	**5,555**	**6,023**	**5,555**
Income taxes	-1,901	-1,181	-1,237	-1,337	-1,221
Net profit for the year	**6,880**	**4,119**	**4,318**	**4,686**	**4,334**
Balance sheet, December 31					
Assets					
Intangible assets	489	720	934	1,308	1,622
Investment assets	104,818	77,274	69,999	72,523	69,175
Reinsurers' share of technical provisions	2,112	2,121	2,092	2,093	3,535
Debtors	14,960	11,109	9,461	9,475	8,944
Other assets, prepayments and accrued income	4,747	2,429	2,163	2,857	2,879
Total assets	**127,125**	**93,653**	**84,649**	**88,256**	**86,155**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	22,180	14,384	9,180	10,483	9,714
Untaxed reserves	6,957	7,090	6,837	7,056	7,101
Subordinated debt	1,078	1,045	1,004	2,433	2,292
Deferred tax liability	847	707	545	928	815
Technical provisions	88,150	62,108	60,121	60,531	60,621
Creditors	5,589	6,472	4,991	4,601	3,431
Provisions, accruals and deferred income	2,324	1,847	1,971	2,224	2,181
Total shareholders' equity, provisions and liabilities	**127,125**	**93,653**	**84,649**	**88,256**	**86,155**
Key data, property and casualty operations					
Claims ratio	68.0%	69.1%	71.5%	71.1%	72.1%
Expense ratio	16.4%	16.6%	16.9%	16.8%	16.7%
Combined ratio	84.4%	85.7%	88.4%	87.9%	88.8%
Risk ratio [1)]	62.1%	63.4%	65.5%	65.1%	65.9%
Cost ratio [1)]	22.2%	22.4%	22.9%	22.8%	22.9%
Insurance margin [1)]	16.2%	15.0%	13.0%	14.0%	13.7%
Key data, asset management					
Total investment return [2)]	3.1%	3.3%	2.0%	4.5%	5.8%
Capital strength according to Solvency I regulation					
Capital base [3)] [4)]	-	-	16,491	14,663	13,762
Solvency requirement [4)]	-	-	5,058	4,949	4,926
Capital strength according to Solvency II regulation [5)]					
Own Funds (capital base)	25,512	19,881	-	-	-
- basic own funds	25,512	19,881	-	-	-
- ancillary own funds	-	-	-	-	-
Solvency Capital Requirement (SCR)	15,593	11,717	-	-	-
Eligible own funds to cover the minimum capital requirement	22,752	16,697	-	-	-
Minimum capital requirement (MCR)	7,017	5,273	-	-	-
Other key data					
Solvency capital	31,062	23,226	17,566	20,900	19,922
Solvency ratio	95.0%	77.3%	58.6%	69.6%	67.2%

[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 for the valuation of asset management. [3)] Calculations are made taking the proposed dividend into account. [4)] Calculations are made in accordance with the Solvency I-regulation that ended January 1, 2016. [5)] The calculations were based on the Solvency II-regulation, which applies from January 1, 2016.

INCOME STATEMENT

MSEK	Note	2017	2016
TECHNICAL ACCOUNT OF PROPERTY AND CASUALTY INSURANCE			
Premiums earned, net of reinsurance			
Premiums written, gross	7	34,119	31,422
Premiums ceded	7	-1,419	-1,373
Change in provision for unearned premiums and unexpired risks		327	-249
Reinsurers' share of change in provision for unearned premiums and unexpired risks		-51	-30
		32,977	**29,770**
Allocated investment return transferred from the non-technical account	8	179	224
Other technical income		248	197
Claims incurred, net of reinsurance			
Claims paid			
Gross		-24,652	-21,781
Reinsurers' share		830	676
Change in provision for claims outstanding			
Gross		1,483	571
Reinsurers' share		-84	-35
	9	**-22,423**	**-20,569**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-5,501	-5,054
Commission and profit participation in ceded reinsurance		101	101
		-5,400	**-4,953**
Other operating expenses/Other technical expenses		-326	-263
	10, 11, 12, 13	**-5,726**	**-5,216**
Technical result from property and casualty insurance	14	**5,254**	**4,406**
NON-TECHNICAL-ACCOUNT			
Investment result			
Investment income		2,854	2,063
Unrealized gains on investment assets		2	-
Investment charges		-374	-349
Unrealized losses on investment assets		-734	-235
	15	**1,748**	**1,479**
Allocated investment return transferred to the technical account	8	-327	-238
Interest expense, subordinated debt	16	-65	-64
Amortization, goodwill	17	-277	-273
Result before income taxes and appropriations		**6,334**	**5,310**
Appropriations			
Change in untaxed reserves		2,495	-
Group contribution		-48	-10
		2,447	**-10**
Result before income taxes		**8,780**	**5,300**
Tax	18	-1,901	-1,181
Net profit for the year		**6,880**	**4,119**

STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2017	2016
Net profit for the year		**6,880**	**4,119**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		74	386
Remeasuring of financial assets, available for sale		1,098	1,014
Value changes recognized in income statement on AFS assets		-459	-19
Taxes related to items which will be reclassified when specific conditions are met	18	-269	-296
		445	**1,085**
Total comprehensive income		**7,325**	**5,204**

BALANCE SHEET

Assets, December 31

MSEK	Note	2017	2016
Intangible assets			
Goodwill		312	609
Other intangible assets		177	111
	19	**489**	**720**
Investment assets			
Land and buildings	20	122	2
Investments in associated companies		11	-
Other financial investment assets	21, 23	104,679	77,265
Deposits with ceding undertakings		7	7
	22	**104,818**	**77,274**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		386	380
Provisions for claims outstanding		1,726	1,741
	24	**2,112**	**2,121**
Deferred tax assets		-	-
Debtors			
Debtors arising out of direct insurance operations	25	11,713	9,036
Debtors arising out of reinsurance operations	26	465	426
Other debtors	27	2,781	1,647
		14,960	**11,109**
Other assets			
Tangible assets	28	167	88
Cash and bank balances		2,347	742
Collaterals and settlement claims		54	21
		2,567	**851**
Prepayments and accrued income			
Accrued interest and rental income		456	373
Deferred acquisition costs	29	1,137	985
Other prepayments and accrued income	30	587	220
		2,180	**1,578**
Total assets		**127,125**	**93,653**

Shareholders equity, provisions and liabilities, December 31

MSEK	Note	2017	2016
Shareholders' equity			
Share capital		104	104
Statutory reserve		388	388
Fund for costs of development		104	14
Fair value reserve		5,070	3,980
Profit brought forward		9,634	5,779
Net profit for the year		6,880	4,119
		22,180	**14,384**
Untaxed reserves	31	**6,957**	**7,090**
Subordinated debt	32	**1,078**	**1,045**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		19,355	15,851
Provisions for claims outstanding		68,795	46,257
	33	**88,150**	**62,108**
Provisions for other risks and charges			
Deferred tax liability	34	847	707
Other provisions	35	604	636
		1,451	**1,343**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	36	1,795	1,337
Creditors arising out of reinsurance operations		232	253
Derivatives	21, 22, 23	107	333
Other creditors	37	3,455	4,549
		5,589	**6,472**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		29	29
Other accruals and deferred income	38	1,692	1,182
		1,720	**1,211**
Total shareholders' equity, provisions and liabilities		**127,125**	**93,653**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Restricted equity Share capital	Statutory reserve	Fund for costs of development	Fair value reserve	Unrestricted equity Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2016	**104**	**388**	**-**	**3,204**	**5,484**	**-**	**9,180**
Total comprehensive income	-	-	-	776	309	4,119	5,204
Transfer between restricted and unrestricted equity	-	-	14	-	-14	-	-
Equity at end of 2016	**104**	**388**	**14**	**3,980**	**5,779**	**4,119**	**14,384**
Equity at beginning of 2017	**104**	**388**	**14**	**3,980**	**9,898**	**-**	**14,384**
Addition due to legal merger	-	-	18	589	4,065	-	4,672
Total comprehensive income	-	-	-	501	-56	6,880	7,325
Dividend	-	-	-	-	-4,200	-	-4,200
Transfer between restricted and unrestricted equity	-	-	72	-	-72	-	-
Equity at end of 2017	**104**	**388**	**104**	**5,070**	**9,634**	**6,880**	**22,180**

The accumulated translation difference corresponded to MSEK -352 (-426).

The share capital comprises 1,044,306 shares with a quota value of SEK 100 each.

CASH FLOW STATEMENT

MSEK	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from insurance operations		
Premium flows, direct insurance	33,987	31,096
Claim payments, direct insurance	-24,524	-21,706
Reinsurance	-595	-831
Costs of operations	-5,341	-5,177
	3,527	**3,382**
Cash flow from asset management		
Interest payment received	1,276	1,323
Dividends received, shares	366	348
Cash flow from properties	2	8
Net investments in financial investment assets	1,320	-4,093
	2,963	**-2,414**
Interest payment, subordinated debt	-66	-64
Realized foreign exchange transactions	263	134
Group internal flows, net [1)]	-2,634	373
Addition due to legal merger	3,695	-
Paid income tax	-2,034	-1,142
	5,714	**269**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-4,200	-
	-4,200	**-**
Cash flow for the year	**1,514**	**269**
Cash and bank		
Cash and bank balances on January 1	742	449
Effect of exchange rate changes	91	24
Cash flow during the period	1,514	269
Cash and bank balances on December 31	**2,347**	**742**

[1)] For both 2017 and 2016, this item primarily pertains to the net of intra-Group payments in the operating activities and has thus been reclassified in relation to previous annual reports in order to better reflect its character, since the corresponding item was recognized under Cash flow from financing activities.

NOTES

NOTE 1 – ACCOUNTING POLICIES

COMPANY INFORMATION
This annual report for If P&C Insurance Ltd was prepared and authorized for publication by the Board of Directors and President on March1, 2018 and will be presented to the 2018 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 Report of the Board of Directors.

STATEMENT OF COMPLIANCE WITH REGULATIONS APPLIED
The annual report for If P&C Insurance Ltd 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 2015:12). 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.

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

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

IFRS 17 Insurance Contracts was published in May 2017 and is expected to take effect on January 1, 2021. The standard has not yet been adopted by the EU. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for measurement and presentation of insurance contracts. Based on an initial, preliminary assessment, the measurement rules in the standard are expected to have a limit effect on If's income statement and balance sheet, while the presentation rules may have a material impact.

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

TRANSACTIONS, RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY AND TRANSLATION OF THE ACCOUNTS OF FOREIGN BRANCHES
If'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 hedge currency exposure in the balance sheet are fair valued 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. The translation differences arising from the use of different exchange rates for items in the balance sheet and income statement, the fact that capital contributions and dividends are translated at different exchange rates than those prevailing on the transaction date and that shareholders' equity is translated at a different exchange rate at year-end than at the beginning of the year are reported in other comprehensive income.

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

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

POLICIES APPLYING TO ITEMS IN THE BALANCE SHEET

INTANGIBLE ASSETS INCLUDING GOODWILL
Intangible assets consist of externally acquired rights etc., internally developed intangible assets and goodwill. Intangible assets are valued at their acquisition value less deductions for accumulated planned amortization.

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

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

An amount corresponding to the closing planned residual value 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. The goodwill associated with assets and liabilities resulting from the merger of Skandia's and Storebrand's property and casualty insurance portfolios is considered to have such a long-term value that the amortization period has been set at 20 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.

LAND AND BUILDINGS/INVESTMENT PROPERTIES

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

VALUATION OF OTHER INVESTMENTS ASSETS

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

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

SHARES

Shares are fair valued, calculated as a sales value without deduction for sales costs. For shares listed on an authorized stock exchange or marketplace, the sales value normally refers to the latest trade price on the closing date. Unlisted securities included in private equity investments are valued using established valuation models.

INTEREST-BEARING SECURITIES

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

DERIVATIVES

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

RECEIVABLES

Receivables are reported in the amount expected to be received.

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

TANGIBLE ASSETS

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

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

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

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

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

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

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

TECHNICAL PROVISIONS
Technical provisions consist of:

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

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

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

PENSION COSTS AND PENSION COMMITMENTS
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 rules and regulations for pension reporting in Norway are undergoing a gradual alignment to IFRS and, given such a situation, If has decided until further notice to apply unchanged policies for the presentation of Norwegian pensions in the company's financial statements.

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 overwhelmingly 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 pursuant to IAS 18 Revenue.

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

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

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

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT
The investment result is reported in the non-technical result. Part of the income is transferred from investment income 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 accrual of acquisition costs.

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

INVESTMENT RESULT
The investment result is distributed among 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. In respect of shares, the assessment is also conducted on an individual basis but generally all shares with a significant (>20%) and/ or prolonged (12 months) decline in value in relation to the acquisition cost shall be impaired. For both asset categories, the carrying amount is reduced to current fair value. In the event of a subsequent recovery of a value decline, the recovery is presented as a reversed impairment loss in respect of interest-bearing securities but not in respect of shares.

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 iis calculated individually for each branch in accordance with the tax rules in the country concerned. 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. A complication in this context is that If has opted for centralized asset management, which give rise to considerable intra-company balance sheet items. In contrast to other assets and liabilities, the translation differences associated with these intra-company items are not taxable/deductible. As a result, the net impact on taxable income can be substantial and far exceed the recognized translation differences.

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

Because the two permanent tax effects arise simultaneously and display a strongly opposing correlation, relate to the same counter-party and are settled at the same time, the tax effects of the exchange-rate differences on the head office's internal liability are netted against the tax effects arising in conjunction with the translation of the balance 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 on 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 investments assets.

In Sweden, the tax rate during the year was 22% of taxable income. In Norway, the tax rate was 25%, in Denmark 22% and in Finland 20%.

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

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. Where applicable, the provision to untaxed reserves is offset against tax-loss carry forwards or becomes taxable when it is reversed. If makes 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 APPLYING TO ITEMS IN THE CASH FLOW STATEMENT

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

In the income statement of a property and casualty insurance company, all premiums written are accrued over the contractual period. Claims provisions are continuously generated using statistical models for anticipated claims, and the actual claims reserves are made when the claims occur. The claim is finally settled through payment to the policyholder. The cash flow arising from an insurance contract and a claim thus differs considerably from the procedure for recognizing income. The link between the income statement and cash flow is recognized in the insurance business's balance sheet, where accrual items are recognized in technical provisions (premium and claims provisions) and in the receivables and liabilities that comprise outstanding items attributable to insurance contracts. In insurance companies with extensive operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

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

POLICIES APPLIED FOR ALTERNATIVE PERFORMANCE MEASURES

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

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

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

NOTE 2 – Significant considerations and assessments 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 assessments.

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2017 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

VALUATION OF INVESTMENT ASSETS

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

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. The company's assessment affects the reported profit of the year but not shareholders' equity. The assessment criteria are presented in Note 1 (under the heading of Investment result). Additional information is provided in Notes 5, 15, 21 and 22.

TECHNICAL PROVISIONS

The provision for unsettled claims is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR provision. The provision is calculated using statistical methods or through individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year claim result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claim results in recent years is available in Note 33.

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 – Reporting of the effects of changed exchange rates

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

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

For 2017, a net exchange rate gain of MSEK 6 was recognized in the income statement. The gain arose as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

MSEK **Total exchange-rate result**	**2017**	**2016**
Conversion of items in the income statement and balance sheet	-750	84
Realized effects of currency derivatives	269	142
Unrealized effects of currency derivatives	487	-225
Total exchange rate result	**6**	**1**

NOTE 4 – Information about related parties

RELATIONS WITHIN IF

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

MSEK	2017	2016
Premiums written received	24	20

If Livförsäkring AB has outsourced almost all of its business to If P&C Insurance Ltd. The outsourced services include for example sales, customer service, claims assessment, asset management and administration. Payment for these services is a calculated percentage cost based on new written policies and renewals. Payments amounted to:

MSEK	2017	2016
Commission	85	68

If's Nordic organization entails that costs for staff and management functions, for instance, must be distributed among companies in line with the prevailing rules for transfer pricing in order to achieve appropriate accounting and taxation. Based on an agreement between If P&C Insurance Ltd and the former Finnish sister company If P&C Insurance Company Ltd, the following expenses have been distributed:

MSEK	2017	2016
Invoiced from If P&C Insurance Ltd	41	55
Invoiced from If P&C Insurance Company Ltd	61	78

An internal outsourcing agreement between If P&C Insurance Ltd and the Estonian Group company Support Services AS is in place concerning for example administration and claims handling. Based on the agreement, the following expenses have been distributed:

MSEK	2017	2016
Invoiced from Support Services AS	17	9

If P&C Insurance Holding Ltd (publ) is the primary account holder in a Group account structure that covers all transaction accounts in If P&C Insurance Ltd's insurance operations.

The If Group'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/contracts. If P&C Insurance Ltd's costs for these services amount to:

MSEK	2017	2016
IT expenses	870	778

RELATIONS WITH IF GROUP'S ASSOCIATES

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

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

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

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

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

RELATIONS WITH SAMPO

If P&C Insurance Ltd is included in the Sampo Group via its parent company, If P&C Insurance Holding Ltd (publ). The term closely related companies refers to all companies in this corporate Group with the exception of If P&C Insurance Holding (publ) and its subsidiaries.

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

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

RELATIONS WITH NORDEA

Nordea is an associate company of Sampo, and consequently related company to If P&C Insurance Ltd.

Nordea is If Group'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 Ltd has its own accounts with Nordea in the Nordic region.

In asset management, investments are made in bonds and other interest-bearing securities issued by companies in the Nordea Group. Nordea is also included among the market makers used for the general trading with securities. Nordea is also counterparty for transactions in interest rate and currency derivatives. Further information on this matter is provided in Note 5, Table 17.

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

Transactions with related companies (excluding If Group companies)

	Income		Expenses		Assets		Liabilities	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016
If Group's associates	-	-	-68	-50	1	-	-3	-
Sampo [3)]	9	-	-17	-15	159	-	-2	-3
Nordea	169[1]	-123[1]	-62[2]	-32[2]	7,081	5,896	-106	-
Topdanmark A/S [3)]	-	-	-	-	-	-	-	-

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

NOTE 5 Risks and Risk Management

RISK MANAGEMENT SYSTEM

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

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

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

RISK STRATEGY

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

- Ensure a sound and well established risk culture in If.
- Ensure that risks affecting the income statement and the balance sheet are identified, measured, monitored, managed, and reported.
- Ensure that the riskiness of the insurance business is reflected in the pricing.
- Ensure adequate long term investment returns within set risk levels.
- Ensure that risk buffers – in the form of capital and foreseeable profitability – are adequate in relation to the current risks inherent in business activities and external risks.
- Limit fluctuations in the financial values.
- Ensure the overall efficiency, security and continuity of operations.

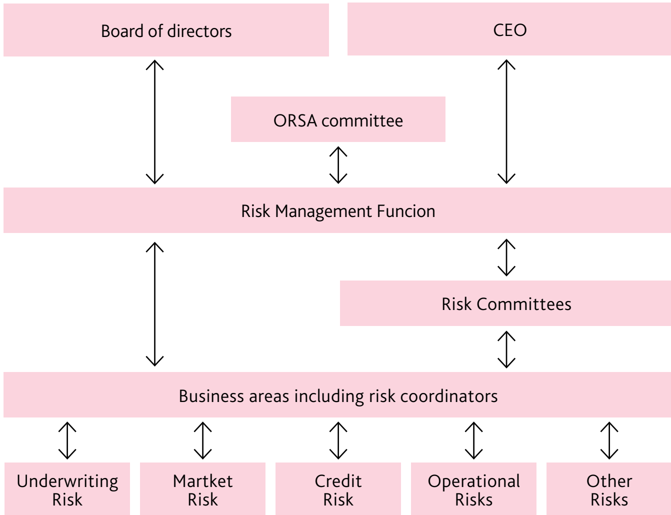
RISK MANAGEMENT PROCESS

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

REPORTING STRUCTURE AND RISK GOVERNANCE

In figure 1 illustrates the risk management related information reporting structure in the Risk Management System. The System includes processes and activities performed by persons or groups including committees, experts and the line organization.

FIGURE 1 – If's risk management reporting structure



BOARD OF DIRECTORS

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

CEO

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

RISK COMMITTEES IN THE RISK MANAGEMENT SYSTEM

Own Risk and Solvency Assessment Committee (ORSA committee) assists the CEO in fulfilling the responsibility of overseeing If's risk and risk management system, reviewing the effectiveness of If's internal control system and gives input to, and follows up on coordination of efforts and actions relating to these areas. Furthermore, the committee monitors that If's short-term and long-term aggregated risk profile is aligned with If's risk strategy and capital requirements.

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

RISK MANAGEMENT FUNCTION

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

LINE ORGANIZATION

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

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

CAPITAL MANAGEMENT

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

Capital management is based on If's risk-appetite statement, which provides further details on risk preferences and risk tolerances. These are established through steering documents decided by the Board of Directors. If's 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:

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

RISK AND CAPITAL MODELING

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

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

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

CAPITAL POSITION

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

REGULATORY MEASURES

Insurance is a regulated business with formal rules for the capital requirement and available capital. Currently If's partial internal model (PIM) is used to calculate the solvency capital requirement (SCR) for the majority of the insurance risk, excluding the insurance risk of the Finnish business, while other risks are calculated using the standard formula. An application to include the insurance risk of the Finnish business in the partial internal model (PIM) was submitted to the Swedish FSA on 2 October 2017. The company fulfilled regulatory capital requirements during 2017.

TABLE 1 – Regulatory capital measures

MSEK	2017	2016
SCR	15,593	11,717
Own funds	25,512	19,881

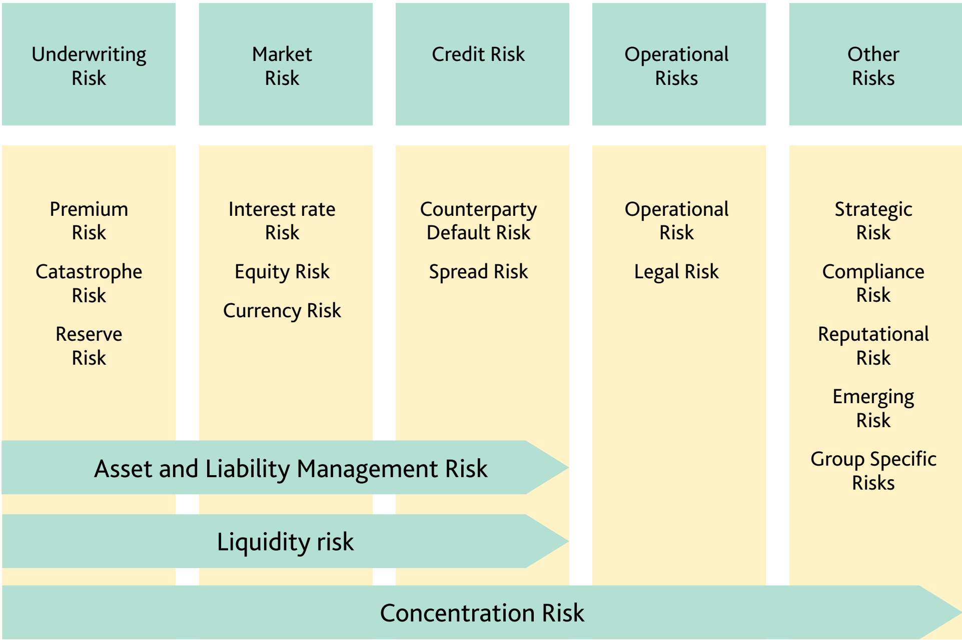
INTERNAL ECONOMIC MEASURES

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

RATING AGENCY MEASURES

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

FIGURE 2 – Risks encompassed in the Risk Management System



IF'S RISKS

UNDERWRITING RISK

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

PREMIUM RISK AND CATASTROPHE RISK

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

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

RISK MANAGEMENT AND CONTROL

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

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

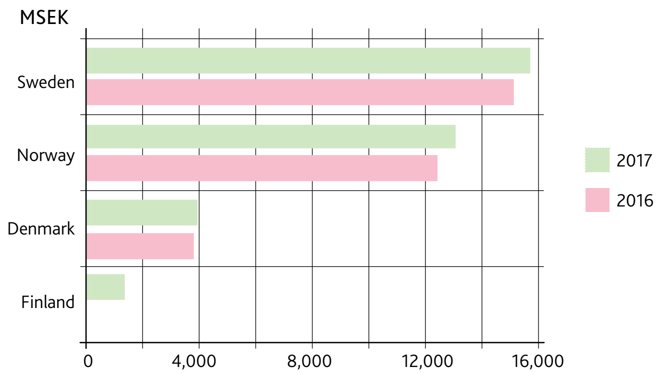
A Group-wide reinsurance program has been in place in If since 2003. In 2017, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

RISK EXPOSURE

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

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

FIGURE 3 – Premium income per country



An analysis of how changes in the combined ratio, premium and claims level affect the result before tax is presented in Table 2.

TABLE 2 – Sensitivity analysis, premium risk

MSEK			Effect on result before tax	
Parameter	Current level 2017	Change	2017	2016
Combined ratio	85.9%	+/- 1 percentage point	+/- 398	+/- 298
Premium level	39,766	+/- 1%	+/- 398	+/- 298
Claims level	27,665	+/- 1%	+/- 277	+/- 206

To show the geographical exposure and sensitivity to premium risk at the end of the reporting period, the result for 2017 from the merged entity If P&C Insurance Company Ltd has been included in full in the volume measures showed in Figure 3 and Table 2. This deviates from the income statement where only the result for the period October 2 to December 31 is included. The comparative figures are unchanged.

RESERVE RISK

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

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

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

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

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

RISK MANAGEMENT AND CONTROL

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

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

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

RISK EXPOSURE

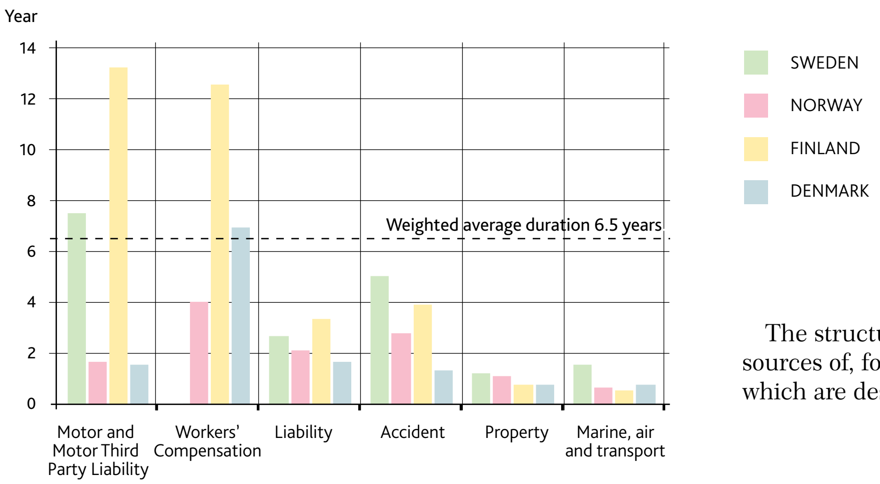
For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2017, the proportion of technical provisions related to MTPL and WC was 68%. The amount of technical provisions broken down by product and country is shown in Table 3.

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

	Sweden		Finland		Norway		Denmark	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Motor and Motor Third Party Liability	24,765	24,198	10,167	162	5,277	5,840	1,575	1,504
Workers' Compensation	-	-	11,801	-	2,144	2,643	2,482	2,468
Liability	2,634	3,032	1,202	-	1,255	1,300	726	638
Accident	3,150	2,836	1,537	-	3,550	3,601	902	855
Property & Other	4,007	4,039	2,227	-	4,672	5,021	971	990
Marine, air and transport	202	225	96	-	470	474	225	160
Total	**34,759**	**34,331**	**27,030**	**162**	**17,368**	**18,879**	**6,881**	**6,615**

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

FIGURE 4 – Duration of technical provisions 2017



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

A sensitivity analysis of the reserve risk is presented in Table 4.

TABLE 4 – Sensitivity analysis, reserve risk

Portfolio	Risk	Change in risk parameter	Country	2017 Effect MSEK	2016 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,806	1,738
			Denmark	115	100
			Norway	506	395
			Finland	368	-
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	652	664
			Denmark	130	134
			Finland	2,947	-
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	242	238
			Denmark	16	16
			Finland	652	-

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	2017	2016
Financial assets at fair value		
Financial assets, mandatory at fair value through profit and loss (trading)	242	131
Financial assets, available for sale	103,626	76,884
Loans and receivables [1]	18,897	12,545
Total financial assets	**122,764**	**89,560**
Financial liabilities, mandatory at fair value through profit and loss (trading)	107	333
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	7,105	7,509
Total financial liabilities	**7,212**	**7,842**

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

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

TABLE 6 – Investment assets categorized from an asset management perspective

	Investment assets and derivative liabilities		Assets under active management		Assets under active management categorized from an asset management perspective					
					Fixed income		Equity		Properties	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Land and buildings	**122**	**2**	122	2					122	2
Investments in associated companies	**11**	**-**								
Financial assets, mandatory at fair value through profit and loss (trading)										
Derivatives [1]	242	131	242	131			3	11		
Financial assets, available for sale										
Shares and participations	14,427	12,322	14,427	12,322			14,427	12,322		
Bonds and other interest-bearing securities	89,199	64,562	89,199	64,562	89,199	64,562				
Loans										
Other loans	811	250	811	250	811	250				
Total other financial investment assets	**104,679**	**77,265**								
Deposits with ceding undertakings	**7**	**7**								
Total investment assets	**104,818**	**77,274**								
Other assets										
Cash and bank			2,347	742	2,347	742				
Collaterals and settlement claims			54	21	34	-	19	21		
Accrued income			456	373	456	373				
Assets under active management			**107,657**	**78,403**	**92,847**	**65,927**	**14,450**	**12,354**	**122**	**2**
Financial liabilities, mandatory at fair value through profit and loss (trading)										
Derivatives [2]	107	333	107	333	23	30				
Total derivative liabilities	**107**	**333**								
Financial liabilities valued at the amount expected to be settled										
Collaterals and settlement liabilities			147	0	147	0				
Accruals			1	-	1	-				
Liabilities under active management			**255**	**333**	**172**	**30**	**-**	**-**	**-**	**-**
Assets under active management, net			**107,401**	**78,070**	**92,675**	**65,897**	**14,450**	**12,354**	**122**	**2**

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 239 (120).
[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 84 (303).

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 MANAGEMENT AND CONTROL

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

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

RISK EXPOSURE

If's investment operations generated a return of 3.1% in 2017. Investment assets amounted to MSEK 107,246. The major market risks comprise interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of values to changes in key risk factors.

TABLE 7 – Allocation of assets under active management

MSEK	2017 Carrying amount	2017 %	2016 Carrying amount	2016 %
Fixed income	92,675	86.4	65,897	84.2
Equities	14,450	13.5	12,354	15.8
Properties	122	0.1	2	0.0
Total	**107,246**	**100**	**78,253**	**100**

In the allocation of assets under active management currency derivatives amounting to MSEK 155 (-183) are excluded.

During the year, the proportion of equity investments decreased from 15.8% to 13.5%. The proportion of fixed income investments increased from 84.2% to 86.4%.

Table 8 shows the sensitivity analysis of the fair values of financial assets and liabilities in different market scenarios. The effects represent the immediate impact on fair value as a result of a change in the underlying market variables as of December 31 each year. The sensitivity analysis includes the effects of derivative positions and is calculated before tax.

TABLE 8 – Sensitivity analysis of the fair values of financial assets and liabilities

	2017				2016			
	Interest rate		Equities	Properties	Interest rate		Equities	Properties
MSEK	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	0	0			4	-4		
Long-term fixed income	1,442	-1,393			960	-924		
Equities			-2,890				-2,471	
Other financial assets				-24				0
Liabilities								
Subordinated loans	-50	48			-62	59		
Derivatives, net	-20	19			-26	25		
Total change in fair value	**1,372**	**-1,326**	**-2,890**	**-24**	**876**	**-844**	**-2,471**	**0**

INTEREST RATE RISK

Interest rate risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates. The interest rate risk is managed by sensitivity limits for instruments sensitive to interest rate changes.

RISK MANAGEMENT AND CONTROL

In accordance with If's Investment Policy, the nature of the insurance commitments with respect to interest rate risk and inflation risk is taken into account in the composition of investment assets.

RISK EXPOSURE

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

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

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 4, in the reserve risk section. The cash flows of financial assets and liabilities are presented by maturities in Table 16, in the liquidity risks section. The duration of fixed income investments was 1.4 years at year-end 2016 (1.3). The duration of fixed income investments is shown in Table 9.

TABLE 9 – Duration and breakdown of fixed income investments per instrument type

	2017			2016		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Short-term fixed income	2,433	2.6	0.0	2,680	4.1	0.2
Scandinavia, long term government and corporate securities	67,247	72.6	1.3	57,558	87.3	1.3
Scandinavia, index-linked bonds	679	0.7	2.9	697	1.1	3.8
Europe, long term government and corporate securities	13,994	15.1	1.9	4,707	7.1	0.7
USA, long term government and corporate securities	6,099	6.6	2.3	255	0.4	1.3
Global securities/credits	2,222	2.4	2.9	-	-	-
Total	**92,675**	**100**	**1.4**	**65,897**	**100**	**1.3**

EQUITY RISK

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

RISK MANAGEMENT AND CONTROL

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

RISK EXPOSURE

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, If's exposure amounted to MSEK 14,450 and the proportion of equities in the investment portfolio was 13.5%.

TABLE 10 – Breakdown of equity investments by industry sectors

	2017		2016	
MSEK	Carrying amount	%	Carrying amount	%
Industrials	5,056	49.1	5,130	47.6
Consumer Discretionary	2,810	27.3	3,390	31.5
Materials	661	6.4	623	5.8
Health Care	654	6.3	541	5.0
Telecommunication Services	588	5.7	591	5.5
Financials	287	2.8	338	3.1
Consumer Staples	132	1.3	-	-
Energy	62	0.6	94	0.9
Information Technology	46	0.4	64	0.6
Total	**10,296**	**100**	**10,771**	**100**

he sector allocation of equity excludes investments made through mutual equity funds of MSEK 4,154 (1,583).

TABLE 11 – Breakdown of equity investments by geographical regions

	2017		2016	
MSEK	Carrying amount	%	Carrying amount	%
Scandinavia	10,296	72.2	10,771	87.2
Europe	1,483	10.4	-	-
North America	1,347	9.4	499	4.0
Far East	860	6.0	845	6.9
Latin America	277	1.9	239	1.9
Total	**14,264**	**100**	**12,354**	**100**

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

CURRENCY RISK

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

RISK MANAGEMENT AND CONTROL

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

RISK EXPOSURE

If's currency positions against the base currency and the sensitivity of the valuation to changes in exchange rates are shown in Table 12.

TABLE 12 – Currency risk

MSEK Currency	EUR	NOK	DKK	GBP	USD	JPY	Other
Open position (SEK), 2017	-1,029	773	70	13	19	-2	-40
10% depreciation of foreign currency against SEK, 2017	103	-77	-7	-1	-2	0	4
10% depreciation of foreign currency against SEK, 2016	38	-36	-5	-4	4	0	23

CREDIT RISK

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

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

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

Credit Risk in Investment Operations

CREDIT RISK IN INVESTMENT OPERATIONS

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

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

RISK MANAGEMENT AND CONTROL

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

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

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

RISK EXPOSURE

If's most significant credit risk exposures arise from fixed income investments. The exposures are shown by sector, asset class and rating category in Table 13.

TABLE 13 – Exposures by sectors, asset classes and rating category 2017

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total [1]	Equities [2]	Proper-ties	Derivatives (Counter-party risk)	Total [3]	Change compared with Dec 31, 2016
Basic Industry			258	457			341	**1,057**	395			**1,452**	265
Capital Goods			729	392			77	**1,198**	5,131			**6,329**	880
Consumer Products		1,017	1,482	2,856			592	**5,946**	3,065			**9,011**	4,114
Energy		402	296		522		1,474	**2,694**	59			**2,754**	-145
Financial Institutions		7,260	11,300	4,194	219		98	**23,072**	279		58	**23,409**	12,801
Governments	904							**904**				**904**	92
Government Guar-anteed	426	731						**1,158**				**1,158**	-84
Health Care	69	102	319	353			26	**870**	654			**1,523**	983
Insurance			394	585	169		213	**1,361**				**1,361**	475
Media							*213*	**213**				**213**	62
Packaging							51	**51**				**51**	51
Public Sector, Other	6,610	1,526						**8,136**				**8,136**	-772
Real Estate		56	832	630	78		4,459	**6,054**		122		**6,176**	1,769
Services				553	215		833	**1,601**				**1,601**	478
Technology and Electronics	83		353				334	**770**	46			**816**	390
Telecommunica-tions				1,121			459	**1,580**	588			**2,169**	553
Transportation		667	42	495			1,639	**2,843**	66			**2,910**	-69
Utilities			302	2,073	450		429	**3,254**				**3,254**	-139
Others		239					122	**361**	8			**369**	361
Covered Bonds	29,256	432						**29,688**				**29,688**	4,500
Funds								**-**	4,154			**4,154**	2,571
Clearing Houses								-				**-**	-
Total	**37,349**	**12,432**	**16,308**	**13,709**	**1,652**	**-**	**11,362**	**92,813**	**14,446**	**122**	**58**	**107,439**	**29,137**
Change compared with Dec 31, 2016	4,151	4,797	9,007	7,221	-668	-	2,376	26,883	2,104	120	30	**29,137**	

1) Total fixed income exposure differs by MSEK 138 from the corresponding financial assets and liabilities in Table 6 because derivatives and collaterals are excluded.
2) otal equity exposure differs by MSEK -4 from the corresponding financial assets and liabilities in Table 6 because derivatives are excluded.
2) Total exposure differs by MSEK 193 from the corresponding financial assets and liabilities in Table 6 because derivatives and collaterals are excluded except for OTC derivatives, for which only the counterparty risk is taken into account.

CREDIT RISK IN REINSURANCE OPERATIONS

In addition to the credit risk associated with investment assets, credit risk arises from insurance operations, most importantly through ceded reinsurance.

Credit risk related to reinsurers arises through reinsurance receivables and through the reinsurers' portion of claims outstanding. Credit risk exposure towards policyholders is very limited, since non-payment of premiums generally results in the cancellation of insurance policies.

RISK MANAGEMENT AND CONTROL

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

RISK EXPOSURE

The distribution of reinsurance recoverables is presented in Table 14. In the table, MSEK 1,567 (1,179) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 14 – Reinsurance recoverables

MSEK Rating (S&P)	2017	%	2016	%
AAA	-	-	-	-
AA	344	63.2	733	77.9
A	187	34.2	170	18.0
BBB	11	2.0	22	2.3
BB - CCC	-	-	-	-
Not rated	3	0.5	17	1.8
Total	**545**	**100**	**942**	**100**

The distribution of ceded treaty and facultative premiums per rating category is presented in Table 15.

TABLE 15 – CCeded treaty and facultative reinsurance premiums per rating category

MSEK Rating (S&P)	2017	%	2016	%
AAA	-	-	-	-
AA	303	58.9	236	52.2
A	212	41.1	216	47.8
BBB	-	-	-	-
BB - CCC	-	-	-	-
Not rated	-	-	-	-
Total	**515**	**100**	**452**	**100**

To show the exposure to credit risk in insurance operations at the end of the reporting period, the ceded premiums for 2017 from the merged entity If Finland has been included in full in the volume measures showed in Table 15. This deviates from the income statement where only the result for the period October 2 to December 31 is included. The comparative figures are unchanged.

ASSET AND LIABILITY MANAGEMENT RISK

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

RISK MANAGEMENT AND CONTROL

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

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

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

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

LIQUIDITY RISK

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

RISK MANAGEMENT AND CONTROL

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

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

RISK EXPOSURE

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 16. In the table, financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. The table also shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

TABLE 16 – Maturities of cash flows for financial assets and liabilities and net technical provisions 2017

				Cash flows						
MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	2018	2019	2020	2021	2022	2023-2032	2033-
Financial assets	122,764	*16,807*	*105,957*	27,663	19,987	21,737	22,163	12,644	5,598	-
Financial liabilities	7,212	*147*	*7,065*	5,950	72	70	1,151	-	-	-
Net technical provisions	86,038			28,870	10,087	6,041	4,869	2,990	19,877	18,441

CONCENTRATION RISK

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

RISK MANAGEMENT AND CONTROL

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

RISK EXPOSURE

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

The ten largest individual reinsurance recoverable balances amounted to MSEK 1,625, representing 74% of the total reinsurance recoverable. If's largest non-captive reinsurer is Munich Re (AA-) which accounts for 10% of the total reinsurance recoverable.

The largest market and credit risk concentrations related to individual counterparties and asset classes are shown in Table 17.

TABLE 17 – Concentration of market and credit risks in individual counterparties and asset classes 2017.

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank AB	-	5,629	1,253	55	-	6,937
Svenska Handelsbanken AB	-	5,865	409	-	-	6,275
Swedbank AB	-	3,169	1,340	5	-	4,514
DnB ASA	-	1,978	1,894	-	-	3,872
Skandinaviska Enskilda Banken, Stockholm	-	2,435	559	116	-	3,110
Kingdom of Norway	-	-	3,080	-	-	3,080
Danske Bank A/S, Copenhagen	-	785	1,789	6	-	2,580
AB Volvo	1,503	-	1,005	-	-	2,508
BNP Paribas	-	-	545	1,755	-	2,299
Landshypotek Bank AB	-	1,826	208	-	-	2,034
Total top ten exposures	**1,503**	**21,687**	**12,081**	**1,937**	**-**	**37,208**

Exposure towards the Kingdom of Sweden amounting to MSEK 5,092 (4,932) is excluded.

OPERATIONAL RISKS

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

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

RISK MANAGEMENT AND CONTROL

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

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

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

OTHER RISKS

STRATEGIC RISK

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

RISK MANAGEMENT AND CONTROL

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

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

COMPLIANCE RISK

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

RISK MANAGEMENT AND CONTROL

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

REPUTATIONAL RISK

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

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

RISK MANAGEMENT AND CONTROL

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

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

EMERGING RISK

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

RISK MANAGEMENT AND CONTROL

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

RISK EXPOSURE

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

NOTES TO THE INCOME STATEMENT

NOTE 6 – Performance analysis per line of insurance

2017 MSEK	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Premiums earned, net of reinsurance	958	143	2	2,310	1,105	367	137	6,188
Allocated investment return transferred from the non-technical account	3	0	0	2	1	2	0	6
Other technical income	-	-	-	-	-	-	-	248
Claims incurred, net of reinsurance	-686	-108	-1	-1,381	-943	-243	-70	-4,677
Operating expenses	-144	-31	0	-265	-194	-80	-23	-977
Technical result from property and casualty insurance	**130**	**5**	**1**	**666**	**-31**	**46**	**44**	**787**
Prior-year claims result	7	-15	0	116	-14	24	7	-94
Provision for unearned premiums and unexpired risks	449	29	-	1,244	482	224	60	5,032
Provision for claims outstanding	2,494	81	0	996	760	1,428	122	703
Technical provisions (gross)	**2,943**	**110**	**0**	**2,240**	**1,242**	**1,652**	**182**	**5,734**
Provision for unearned premiums and unexpired risks	-1	0	-	0	-8	-71	-	-17
Provision for claims outstanding	-5	-1	-	-1	-25	-93	-	-4
Reinsurers' share of technical provisions	**-7**	**-1**	**-**	**-1**	**-33**	**-164**	**-**	**-20**

	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	5	1,813	365	330	13,723	18,545	709	32,977
Allocated investment return transferred from the non-technical account	-	16	0	0	32	143	4	179
Other technical income	-	-	-	-	248	-	-	248
Claims incurred, net of reinsurance	-1	-1,377	-268	-284	-10,041	-12,094	-289	-22,423
Operating expenses	0	-444	-73	-32	-2,265	-3,349	-112	-5,726
Technical result from property and casualty insurance	**3**	**8**	**24**	**14**	**1,697**	**3,246**	**312**	**5,254**
Prior-year claims result	0	45	-4	-2	70	1,478	73	1,621
					0			
Provision for unearned premiums and unexpired risks	3	938	160	180	8,801	10,209	346	19,355
Provision for claims outstanding	0	18,119	157	22	24,881	41,206	2,708	68,795
Technical provisions (gross)	**3**	**19,057**	**317**	**202**	**33,682**	**51,414**	**3,054**	**88,150**
Provision for unearned premiums and unexpired risks	-	0	-42	-	-140	-178	-68	-386
Provision for claims outstanding	-	-9	-42	-	-181	-598	-947	-1,726
Reinsurers' share of technical provisions	**-**	**-9**	**-84**	**-**	**-320**	**-776**	**-1,015**	**-2,112**

SUPPLEMENTARY DISCLOSURES TO PERFORMANCE ANALYSIS

2017 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	1,002	148	2	2,413	1,285	607	140	6,520
Premiums ceded	-7	-1	-	-61	-157	-219	0	-22
Change in provision for unearned premiums and unexpired risks	-36	-3	-	-42	-15	-10	-2	-304
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-1	0	-	0	-8	-10	0	-7
Total	**958**	**143**	**2**	**2,310**	**1,105**	**367**	**137**	**6,188**

	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums written, gross	5	1,843	506	340	14,810	18,463	846	34,119
Premiums ceded	-	-3	-141	-	-611	-664	-144	-1,419
Change in provision for unearned premiums and unexpired risks	0	-27	-3	-10	-453	812	-31	327
Reinsurers' share of change in provision for unearned premiums and unexpired risks"	-	0	2	-	-24	-65	38	-51
Total	**5**	**1,813**	**365**	**330**	**13,723**	**18,545**	**709**	**32,976**

SUPPLEMENTARY DISCLOSURES TO PERFORMANCE ANALYSIS, CONTINUED

2017 MSEK Premiums earned, net of reinsurance	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Claims paid								
Gross	-428	-105	-1	-1,498	-825	-544	-70	-4,532
Reinsurers' share	7	1	0	1	13	96	-	20
Change in provisions for claims outstanding								
Gross	-266	-5	0	117	-135	269	0	-166
Reinsurers' share	2	0	-	-1	4	-63	0	0
Total	**-686**	**-108**	**-1**	**-1,381**	**-943**	**-243**	**-70**	**-4,677**

	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Claims paid								
Gross	-1	-1,395	-425	-282	-10,107	-13,824	-721	-24,652
Reinsurers' share	-	3	129	0	269	155	405	830
					0			
Change in provisions for claims outstanding					0			
Gross	0	11	53	-3	-124	1,581	27	1,483
Reinsurers' share	-	4	-25	0	-79	-6	0	-84
Total	**-1**	**-1,377**	**-268**	**-284**	**-10,041**	**-12,094**	**-289**	**-22,423**

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

		2017			2016	
MSEK	Gross[1)]	Ceded	Net	Gross[1)]	Ceded	Net
Premiums written	34,119	-1,419	32,700	31,422	-1,373	30,049

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

	2017	2016
Sweden	15,183	14,557
Rest of EEA	18,099	16,147
Total	**33,283**	**30,704**

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 from 2017 calculated on the basis of net technical provisions. Interest rates corresponding to current discount rates in each country are used for calculating return on annuities. For other technical provisions, interest rates used in the calculation for each currency match the interest rate for government bonds with a maturity that approximates with the technical provisions. Negative interest rates are not used. The transferred investment return is divided into two parts; one part that adds the annuity result by means of a reduction of costs for the upward adjustment of the annuity provision and one part that is reported separately as the allocated investment return.

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

	2017 Annuities	2017 Other provisions	2016 All provisions
Sweden/SEK	1.7%	0.1%	0.3%
Norway/NOK	2.1%	0.8%	0.9%
Denmark/DKK	0.8%	0.0%	0.0%
Finland/EUR	1.2%	0.0%	0.0%

NOTE 9 – Claims incurred

		2017			2016	
MSEK	Gross	Ceded	Net	Gross	Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-13,392	123	-13,269	-11,659	92	-11,567
Operating expenses for claims adjustment	-1,932	-	-1,932	-1,709	-	-1,709
Change in claims reserve for incurred and reported losses	-5,467	262	-5,205	-5,399	365	-5,034
Change in claims reserve for incurred but not reported losses (IBNR)	-3,777	115	-3,662	-3,401	104	-3,297
Change in annuities reserve	-21	-	-21	0	-	0
Claims-settlement costs	47	-	47	20	-	20
			-24,042			**-21,587**
Claims costs attributable to prior-year operations						
Claims paid	-8,706	707	-7,999	-8,051	521	-7,530
Annuities	-569	-	-569	-826	-	-826
Claims portfolios	0	-	0	12	63	75
Change in claims reserve for incurred and reported losses	5,580	-342	5,237	5,088	-191	4,897
Change in claims reserve for incurred but not reported losses (IBNR)	5,069	-119	4,950	4,715	-313	4,402
			1,621			**1,018**
Total insurance claims	**-23,169**	**746**	**-22,423**	**-21,210**	**641**	**-20,569**
Insurance claims paid						
Claims paid	-22,098	830	-21,269	-19,710	613	-19,097
Annuities paid	-621	-	-621	-374	-	-374
Claims portfolios	0	-	0	12	63	75
Operating expenses for claims adjustment	-1,932	-	-1,932	-1,709	-	-1,709
	-24,652	**830**	**-23,822**	**-21,781**	**676**	**-21,105**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	112	-80	32	-311	174	-137
Change in claims reserve for incurred but not reported losses (IBNR)	1,394	-4	1,390	979	-209	770
Change in claims provision for annuities	-70	-	-70	-117	-	-117
Claims-settlement costs	47	-	47	20	-	20
	1,483	**-84**	**1,399**	**571**	**-35**	**536**
Total insurance claims	**-23,169**	**746**	**-22,423**	**-21,210**	**641**	**-20,569**

The general principles for the valuation of technical provisions are unchanged. The provision for annuities is calculated in accordance with normal actuarial principles taking inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to annuity results, refer to Note 8.

NOT 10 – Operating expenses

MSEK	2017	2016
Specification of operating expenses		
External acquisition costs [1]	-1,311	-1,253
Internal acquisition costs	-2,531	-2,255
Change in deferred acquisition costs, gross	10	-69
Administrative expenses, insurance	-1,670	-1,477
Total operating expenses in insurance operations, gross	**-5,501**	**-5,054**
Reinsurance commission and profit participation in ceded insurance	96	104
Change in deferred acquisition costs, ceded	5	-3
Total reinsurance commission and profit participation in ceded insurance	**101**	**101**
Other operating expenses/Other technical expenses [2]	-326	-263
Total	**-5,726**	**-5,216**
[1] *Of which, commissions in direct insurance*	*-1,260*	*-1,216*
[2] *Of which related to Swedish Motor Insurers business*	*-64*	*-57*
Summary of total operating expenses		
Salaries and remuneration	-2,910	-2,451
Social security costs	-741	-627
Pension costs	-540	-497
Other personnel costs	-153	-135
Total personnel costs	**-4,344**	**-3,710**
Premises costs	-317	-273
Depreciation	-89	-62
External acquisition costs	-1,311	-1,253
Other administration costs	-1,899	-1,787
Total	**-7,960**	**-7,085**

MSEK	2017	2016
Distribution of operating expenses in income statement		
Claims-adjustment costs included in Claims paid	-1,932	-1,709
External and internal acquisition costs included in Operating expenses for insurance operations	-3,842	-3,508
Shared administration costs for insurance operations included in Operating expenses in insurance operations	-1,670	-1,477
Administration costs pertaining to other technical operations included in Other operating expenses/ Other technical expenses	-326	-263
Investment costs included in Investment charges	-190	-128
Total	**-7,960**	**-7,085**

MSEK	2017	2016
Other technical expenses related to Swedish Motor Insurers (TFF) business		
If´s share of fees to Swedish Motor Insurers	114	99
If´s share of claims cost	-180	-161
If´s share of operating expenses	-48	-45
If´s share of financial income and other income	57	46
Net expense calculated for TFF current year	**-56**	**-61**
Adjustment due to settlement regarding TFF preceding year	-8	4
Total other technical expenses related to TFF business	**-64**	**-57**

NOT 11 – Average number of employees

	2017		2016	
	Average number of employees	*Of whom, women %*	Average number of employees	*Of whom, women %*
Sweden [1]	1,881	*49*	1,820	*48*
Finland	436	63	-	-
Denmark	560	*48*	523	*48*
France	6	*33*	6	*33*
Netherlands	6	*53*	6	*51*
Norway	1,330	*48*	1,341	*49*
United Kingdom	6	*54*	6	*47*
Germany	6	*38*	7	*41*
Latvia	111	*24*	77	*22*
Total	**4,342**	***49***	**3,786**	***47***

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

Percentage of women in executive management	2017	2016
Board of Directors	0%	0%
Other senior executives	15%	15%

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

MSEK Expensed salaries, remuneration, pension and social security fees	2017	2016
Salaries and remuneration	2,910	2,451
Pension costs	540	497
Social fees	741	627
Total	**4,191**	**3,575**

MSEK Expensed salaries and remuneration	2017	2016
Senior executives 1)	142	80
of which incentive schemes and other variable compensation 2)	*100*	*43*
Other employees	2,768	2,371
Total	**2,910**	**2,451**

1) Senior executives are defined as board members, president and vice president. The amounts for salary and remuneration also include severance pay of MSEK 2 (-).
2) Regardless of the earnings year.

PRINCIPLES FOR DETERMINING REMUNERATION OF SENIOR EXECUTIVES

Director fees are not paid to Board members employed in If or other companies within the Sampo Group. Remuneration of the President and other senior executives consists in most cases of a basic salary, an annual variable compensation, units in long-term incentive schemes, pension and other benefits. The maximum annual variable compensation payable to the President is 75% of his basic salary. The maximum variable annual compensation payable to other senior executives is 40-75% of the basic salary. The annual variable compensation is based on the If Group results, unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the annual variable compensation is also based on Sampo Group results. A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Board shall evaluate and risk adjust the deferred compensation before any payment is made.

For futher information regarding the company's compensations, see www.if.se

KSEK Remuneration and other benefits during the year	Basic salary/ Directors Fee	Variable payments	Payments pertaining to incentive schemes 1)	Other benefits	Pension costs	2017 Total	2016 Total
Chairman of the Board Torbjörn Magnusson	6,617	4,721	9,362	18	3,682	24,400	29,758
President Ricard Wennerklint	4,013	2,881	8,055	18	2,292	17,259	20,732
Vice President Måns Edsman	1,545	499	2,247	94	698	5,083	7,040
Board member Jouko Oksanen	59	-	-	-	-	59	57
Board member Dag Rehme	2,414	1,032	3,745	209	1,107	8,507	17,011
Board member Knut Arne Alsaker	2,709	1,453	4,868	234	1,283	10,547	16,183
Senior executives 2)	23,196	7,684	22,685	1,072	6,076	60,713	76,296
Total	**40,553**	**18,270**	**50,962**	**1,645**	**15,138**	**126,568**	**167,077**

1) For more information, refer to Long-term incentive schemes below.
2) Senior executives consist of 9 individuals during 2017, 8 individuals during 2016.

KSEK Provision expensed during the year for disbursement during future years	Variable remuneration	Incentive schemes	2017 Total	2016 Total
Chairman of the Board Torbjörn Magnusson	4,317	10,556	14,873	7,688
President Ricard Wennerklint	2,640	6,105	8,745	5,187
Vice President Måns Edsman	545	2,446	2,991	1,300
Board member Dag Rehme	1,060	4,003	5,063	2,511
Board member Knut Arne Alsaker	1,764	5,363	7,127	3,544
Senior executives 2)	9,717	28,073	37,790	12,856
Total	**20,043**	**56,546**	**76,589**	**33,086**

2) Senior executives consist of 9 individuals during 2017, 8 individuals during 2016.

PENSIONS AND SEVERANCE PAY

Alongside statutory retirement pension benefits, the Swedish, Norwegian and Danish senior executives are covered by local occupational retirement pension plans. Swedish senior executives are entitled to individually agreed defined-contribution pension or occupationally agreed pension according to FTP 2. The individually agreed defined-contribution premium corresponds to 38% of the fixed annual salary and 25% of paid annual variable compensation. The age of retirement is 65. Norwegian senior executives are covered by defined contribution pension plans and the Norwegian pension legislation allows for a flexible retirement age between 62 and 75.The contribution corresponds to 7.1% of pensionable salary up to 7.1 G (G = National Insurance basic amount) and 25.1% between 7.1 and 12 G. For pensionable salary exceeding 12 G, the Norwegian senior executives are covered by a temporary pension between 67 and 82 years of age and the premium corresponds to 24% of the annual fixed salary. The Danish member is covered by a defined contribution pension plan. The contribution corresponds to 21.7% of the annual fixed salary and 25% of paid annual variable compensation age of retirement is flexible.

In the event of a termination of employment by the company, the President will be entitled to salary during a 12-month period of notice and severance pay amounting to 18 months' fixed salary.

In the event of a termination of employment by the company, other senior executives are entitled to salary 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 24 months' fixed salary.

LONG-TERM INCENTIVE SCHEMES

A number of senior executives are covered by incentive schemes issued by Sampo Group. In September 2014 and September 2017 schemes covering 60-70 employees each were issued. In September 2017 the last rate of an incentive scheme issued in 2011 was paid and the scheme was thereby terminated. The schemes are subject to performance thresholds and ceilings that cap the size of the payment. The outcome of the schemes is determined over a period of three to five years starting from the issue of the respective scheme and is based on Sampo plc's share-price performance, If's insurance margin and Sampo Group's return on risk-adjusted capital. A number of incentive units has been allocated to each participant in the respective scheme. The incentive unit carries an entitlement to a cash payment, provided that threshold levels are reached. The payment equals the increase in Sampo plc's share price from the issue of the respective scheme up until three defined payment dates. According to the terms and conditions of the schemes, identified staff must buy Sampo A shares with 50 or 60% of the net amount of the reward. The shares are subject to a formal disposal restriction for three years from the date of payment.

The schemes have been measured at fair value at the grant date and at every reporting date thereafter. The fair value of the schemes has been determined using the Black-Scholes pricing model. The calculation of fair value takes into consideration the model's forecast concerning the number of incentive units to be paid as a reward. The earned part of the year-end fair value is recognized as a liability and changes are recognized through profit or loss.

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

KSEK **Outstanding units and their values**	**Number of units**	**Maximum amount**	**Reserved amount**
Chairman of the Board Torbjörn Magnusson	525,000	109,217	18,415
President Ricard Wennerklint	252,500	53,841	10,816
Vice President Måns Edsman	102,000	21,723	4,330
Board member Dag Rehme	150,000	32,465	7,142
Board member Knut Arne Alsaker	238,500	50,340	9,447
Senior executives (7 individuals)	1,064,000	229,872	50,047
Total	**2,332,000**	**497,458**	**100,198**

NOT 13 – Auditors' fees

MSEK	2017	2016
Ernst & Young AB		
Audit fees	14	13
Audit fees outside the audit assignment	0	-
Tax consultancy fees	1	1
Other consultancy fees	0	2
Total fee to Ernst & Young AB	**15**	**16**

NOTE 14 – Performance analysis per class of insurance

2017 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit and surety
Premiums written, gross	4,807	4,069	10,961	826	9,819	1,608	7
Premiums earned, gross	5,024	4,229	10,711	857	9,967	1,646	7
Claims incurred, gross	-2,932	-2,726	-8,013	-789	-6,379	-815	0
Operating expenses, gross [1]	-816	-1,016	-1,471	-141	-1,516	-256	-1
Profit/loss from ceded reinsurance	-52	2	-7	-50	-585	-174	0
Technical result before investment return transferred from the non-technical account	**1,224**	**489**	**1,220**	**-123**	**1,487**	**401**	**6**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	239	5	929	33,270	849	34,119
Premiums earned, gross	256	5	926	33,628	818	34,446
Claims incurred, gross	-138	-1	-682	-22,475	-694	-23,169
Operating expenses, gross [1]	-40	0	-200	-5,457	-122	-5,579
Profit/loss from ceded reinsurance	-1	0	-65	-932	309	-623
Technical result before investment return transferred from the non-technical account	**77**	**4**	**-21**	**4,764**	**311**	**5,075**

Allocated investment return transferred from the non-technical account	**179**
Technical result from property and casualty insurance	**5,254**

[1] The item Operating expenses, gross includes other technical income of MSEK 248 and other technical expense of MSEK -326.

2016 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability
Premiums written, gross	4,210	3,837	10,090	874	9,235	1,384
Premiums earned, gross	4,215	3,837	9,775	884	9,277	1,405
Claims incurred, gross	-2,860	-2,200	-7,053	-564	-6,361	-679
Operating expenses, gross [1]	-711	-831	-1,440	-138	-1,425	-230
Profit/loss from ceded reinsurance	-30	-3	-15	-90	-540	-270
Technical result before investment return transferred from the non-technical account	**614**	**803**	**1,267**	**92**	**951**	**226**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	178	-	887	30,695	727	31,422
Premiums earned, gross	172	-	880	30,445	728	31,173
Claims incurred, gross	-111	-	-593	-20,421	-789	-21,210
Operating expenses, gross [1]	-30	-	-197	-5,002	-118	-5,120
Profit/loss from ceded reinsurance	-1	-	-101	-1,050	389	-661
Technical result before investment return transferred from the non-technical account	**30**	**-**	**-11**	**3,972**	**210**	**4,182**

Allocated investment return transferred from the non-technical account	**224**
Technical result from property and casualty insurance	**4,406**

[1] The item Operating expenses, gross includes other technical income of MSEK 197 and other technical expense of MSEK -263.

NOTE 15 – Investment result

MSEK Investment income	2017	2016
Operating surplus, land and buildings		
Rental income	6	9
Operating expenses	-5	-1
Dividend on shares and participations	366	348
Interest income, etc.		
Bonds and other interest-bearing securities	1,268	1,288
Other interest income	44	33
Other interest income, Group companies	5	5
Exchange-rate gains, net	6	1
Capital gains, net		
Shares and participations	748	351
Other loans	416	-
Total	-	29
Summa	**2,854**	**2,063**

MSEK Unrealized gains on investment assets recognized in the income statement	2017	2016
Land and buildings	2	-
Derivatives	0	-
Total	**2**	**-**

MSEK Investment charges	2017	2016
Asset management costs	-220	-152
Interest costs, etc.		
Derivatives	-10	-
Other interest costs	-128	-72
Other interest costs, Group companies	-16	-11
Capital losses, net		
Bonds and other interest-bearing securities	-	-109
Derivatives	-	-5
Total	**-374**	**-349**

MSEK Unrealized losses on investment assets recognized in the income statement	2017	2016
Shares and participations	-258	-87
of which, impairment losses	*-258*	*-87*
Bonds and other interest-bearing securities	-453	-135
of which, impairment losses	*-453*	*-135*
Derivatives	-22	-13
Total	**-734**	**-235**

MSEK Reconciliation of financial assets available for sale	2017	2016
Opening balance, financial assets available for sale	**5,102**	**4,107**
Addition due to legal merger	736	-
Unrealized results, financial assets available for sale	1,098	1,014
Recognized in income statement	-459	-19
Translation difference	15	-
Closing balance, financial assets available for sale	**6,492**	**5,102**
Net change, financial assets avaiable for sale recognized in comprehensive income	639	995

	Fair value Dec 31, 2017		Fair value Dec 31, 2016		Return 2017		Return 2016	
Return on investment assets [1]	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Interest-bearing securities	92,675	86	65,897	84	1,692	2.3	1,644	2.7
Equities	14,450	13	12,354	16	1,079	9.2	1,023	8.6
Currency (active positions)	6	0	-1	0	-23	-	48	-
Currency (other) [2]	149	0	-182	0	29	-	-47	-
Properties	122	0	2	0	4	-	9	-
Other	-	-	0	0	-393	-	-203	-
Total investment assets	**107,401**	**100**	**78,070**	**100**	**2,388**	**3.1**	**2,474**	**3.3**

[1] Accrued interest and the investment operations' 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 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	2017	2016
Subordinated loan, issued in 2011	6.00%	-65	-64
Total		**-65**	**-64**

NOTE 17 – Goodwill amortization

MSEK	2017	2016
Amortization of goodwill attributable to assets and liabilities arising from the formation of If (Amortization is based on an useful life of 20 years)	-277	-273
Total	**-277**	**-273**

NOTE 18 – Taxes

MSEK	2017	2016
Current tax	-1,877	-1,211
Deferred tax	-24	30
Total tax in the income statement	**-1,901**	**-1,181**
Specification of current taxes		
Swedish entities	-504	-575
Non-Swedish entities	-1,373	-636
Total current tax	**-1,877**	**-1,211**
Specification of deferred tax		
Temporary differences pertaining to goodwill	61	60
Other temporary differences	-85	-30
Total deferred tax	**-24**	**30**

MSEK	2017	2016
Specification of taxes related to other comprehensive income		
Related to financial assets available-for-sale	-151	-219
Other	-118	-77
Total current and deferred tax	**-269**	**-296**
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	8,780	5,300
Tax according to current tax rate, 22%	-1,932	-1,166
Permanent differences, net	-30	-16
Adjustment of prior-year taxes	5	1
Different tax rates in foreign units	56	-
Reported tax in the income statement	**-1,901**	**-1,181**

NOTES TO THE BALANCE SHEET

NOTE 19 – Intangible assets

MSEK	Goodwill 2017	Goodwill 2016	Other intangible assets 2017	Other intangible assets 2016
Accumulated acquisition value	5,918	6,190	305	183
Accumulated amortization	-5,606	-5,581	-128	-72
Closing planned residual value	**312**	**609**	**177**	**111**

An amount corresponding to the closing planned residual value for other internally generated intangible assets capitalized from 2016 is presented as a fund within restricted equity (Fund for costs of development).

NOTE 20 – Land and buildings

	Carrying amount MSEK	Carrying amount per leasable sq.m., SEK	Total area sq.m.	Vacancy rate	Direct yield
Office and commercial properties	120	3,850	31,220	38.7%	4.8%
Industrial properties and warehouses	1	382	2,890	-	43.4%
Other properties	0	1,712	230	-	6.2%
Total	**122**	**3,543**	**34,340**	**35.2%**	**5.0%**
Preceding year	2	574	2,890	-	30.4%

MSEK Geographical distribution, carrying amount	2017	2016
Finland	121	-
Norway	1	2
Total	**122**	**2**

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

MSEK	2017	2016
Carrying amount, opening balance	**2**	**2**
Due to merger	116	-
Supplementary capitalizations	-	-
Sales and scrappage	-	-
Net changes in current value	1	0
Translation differences	2	0
Carrying amount, closing balance	**122**	**2**

Total future minimum rents	2017	2016
<1 year	13	0
1–5 years	10	-
> 5 years	-	-

NOTE 21 – Other financial investment assets and derivative liabilities

THE CLASSIFICATION OF OTHER FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES

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

	Acquisition value		Fair value		Carrying amount	
MSEK	2017	2016	2017	2016	2017	2016
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	6	4	242	131	242	131
Financial assets available for sale						
Shares and participations	10,477	8,732	14,427	12,322	14,427	12,322
Bonds and other interest-bearing securities	89,186	65,136	89,199	64,562	89,199	64,562
Total financial assets, at fair value	**99,669**	**73,872**	**103,868**	**77,015**	**103,868**	**77,015**
Loans [1]						
Other loans	811	250	815	262	811	250
Total financial investment assets	**100,480**	**74,122**	**104,682**	**77,277**	**104,679**	**77,265**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	2	107	333	107	333
Total financial liabilities, at fair value	**-**	**2**	**107**	**333**	**107**	**333**

[1] Loans are in accordance with the If's application of IAS 39 accounted for at amortized cost. The fair value is only shown for information.

Financial instruments with fair value given for information are classified in three different hierarchy levels depending on their liquidity and valuation methods. All loans are classified in level 3 and the fair value of these loans are based on cash-flow valuations.

SPECIFICATION OF OTHER FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES

BONDS AND OTHER INTEREST-BEARING SECURITIES

If's bonds and other interest-bearing securities by type of issuer at December 31, 2017 are shown below.

MSEK Type of issuer	Nominal value		Fair value		Carrying amount	
Swedish government	694	1%	902	1%	902	1%
Swedish public sector, other	5,727	6%	5,777	6%	5,777	6%
Swedish mortgage companies	10,918	12%	11,395	13%	11,395	13%
Swedish financial companies	13,737	16%	14,042	16%	14,042	16%
Other Swedish companies	7,997	9%	8,098	9%	8,098	9%
Foreign governments	1,097	1%	1,147	1%	1,147	1%
Foreign public sector, other	2,537	3%	2,620	3%	2,620	3%
Foreign financial companies	22,278	25%	22,429	25%	22,429	25%
Other foreign companies	23,297	26%	22,788	26%	22,788	26%
Total	**88,284**	**100%**	**89,199**	**100%**	**89,199**	**100%**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-30	Total
Fair value %, 2017	13	19	23	24	14	3	2	0	0	-	-	**100**
Fair value %, 2016	15	15	20	24	20	3	2	1	0	0	-	**100**

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

DERIVATIVES

MSEK Derivative assets	2017 Fair value	2017 Carrying amount	2017 Nominal amount	2016 Fair value	2016 Carrying amount	2016 Nominal amount
Equity derivatives						
Options	3	3	4	11	11	3
Total equity derivatives	**3**	**3**	**4**	**11**	**11**	**3**
of which, cleared by clearing house	-	-	-	-	-	-
Fixed income derivatives	-	-	-	-	-	-
Currency derivatives						
Options	1	1	108	2	2	143
Futures	238	238	22,012	118	118	7,568
Total currency derivatives	**239**	**239**	**22,120**	**120**	**120**	**7,711**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**242**	**242**		**131**	**131**	
Derivative liabilities						
Equity derivatives	-	-	-	-	-	-
Fixed income derivatives						
Swaps	23	23	500	30	30	500
Total fixed income derivatives	**23**	**23**	**500**	**30**	**30**	**500**
of which, cleared by clearing house	*23*	*23*	*500*	*30*	*30*	*500*
Currency derivatives						
Options	-	-	-	0	0	143
Futures	84	84	21,789	303	303	7,951
Total currency derivatives	**84**	**84**	**21,789**	**303**	**303**	**8,094**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**107**	**107**		**333**	**333**	

NOTE 22 – Financial investment assets and derivative liabilities at fair value

DETERMINATION OF FAIR VALUE OF FINACIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES IN FAIR VALUE HIERARCHY

MSEK	2017 Level 1	2017 Level 2	2017 Level 3	2017 Total fair value	2016 Level 1	2016 Level 2	2016 Level 3	2016 Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	3	-	3	-	11	-	11
Foreign exchange derivatives	-	239	-	239	-	120	-	120
Financial assets, available for sale								
Shares and participations [1]	14,233	-	194	14,427	12,314	-	8	12,322
Bonds and other interest-bearing securities	67,716	21,482	0	89,199	41,054	23,508	0	64,562
Total financial assets, at fair value	**81,950**	**21,724**	**194**	**103,868**	**53,368**	**23,639**	**8**	**77,015**
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	23	-	23	-	30	-	30
Foreign exchange derivatives	-	84	-	84	-	303	-	303
Total financial liabilities, at fair value	**-**	**107**	**-**	**107**	**-**	**333**	**-**	**333**

[1] Mutual equity funds recognized in the above balances totaled MSEK 4,151 (1,580) of which MSEK 3,965 (1,580) was allocated to level 1 and MSEK 186 (0) to level 3.

FINANCIAL INVESTMENT ASSETS AND DERIVATIVE LIABILITIES IN LEVEL 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2017, the assets presented in level 3 amounted to MSEK 194 (8). These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

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

MSEK 2017	Carrying amount Jan 1	Addition due to legal merger	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	8	197	-	-7	-	-8	-	3	194	0
Bonds and other interest-bearing securities	0	-	17	0	-	-17	-	0	0	-
Total financial assets, at fair value	**8**	197	**17**	**-7**	**-**	**-26**	**-**	**3**	**194**	**0**

MSEK 2016										
Financial assets, available for sale										
Shares and participations	8	-	30	-	0	-30	-	-	8	-
Bonds and other interest-bearing securities	0	-	-	0	-	0	-	0	0	-
Total financial assets, at fair value	**8**	-	**30**	**0**	**0**	**-30**	**-**	**0**	**8**	**-**

SENSITIVITY ANALYSIS OF THE FAIR VALUES OF FINANCIEL ASSETS AND DERIVATIVE LIABILITIES IN LEVEL 3

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

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

	2017		2016	
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]	194	-39	8	-2
Bonds and other interest-bearing securities	0	0	0	0
Total financial assets, at fair value	**194**	**-39**	**8**	**-2**

[1] Includes holding in equity funds.

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

MSEK Assets	2017	2016
Derivatives		
Gross amount of recognized assets	242	120
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**242**	**120**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-46	-103
Cash collateral received	34	-
Net amount	**230**	**17**

MSEK Liabilities	2017	2016
Derivatives		
Gross amount of recognized liabilities	107	333
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**107**	**333**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-46	-103
Cash collateral pledged	182	41
Net amount	**243**	**271**

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

NOTE 24 – Reinsurers' share of technical provisions

	2017		2016	
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	379	1,741	389	1,703
Addition due to legal merger	67	128	-	-
Change in provision	-51	-84	-30	-35
Translation differences	-9	-60	21	73
Closing balance	**386**	**1,726**	**380**	**1,741**

A specification of the reinsurers' share of technical provisions is presented in Note 33 Technical provisions.

NOTE 25 – Debtors arising out of direct insurance

MSEK	2017	2016
Receivables from policyholders	11,933	9,250
Receivables from insurance brokers	0	0
Receivables from insurance companies	57	40
Bad-debts provision	-276	-254
Total [1]	**11,713**	**9,036**

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

MSEK Age analysis	Not due and younger than six months	Older than six months	Total
Debtors	11,487	502	11,989
Of which, provision	-10	-266	-276
Total	**11,477**	**236**	**11,713**

Generally, provision is made on a standard computation base, the amount includes individual provision of negative MSEK -4 (-4).

NOTE 26 – Debtors arising out of reinsurance

MSEK	2017	2016
Receivables from reinsurers	469	430
Bad-debts provision	-4	-4
Total [1]	**465**	**426**

[1] Of which, MSEK 4 (6) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and younger than six months	Older than six months	Total
Debtors	451	18	469
Of which, provision	0	-4	-4
Total	**451**	**14**	**465**

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

NOTE 27 – Other debtors

MSEK	2017	2016
Receivable from Group companies	1,564	1,537
Debtor, patient-insurance pool for the public sector	1,125	-
Bad-debt provision	-	-
Other	92	110
Total [1]	**2,781**	**1,647**

[1] Of which, MSEK 1,069 (5) is expected to be received later than 12 months after the closing date.

NOTE 28 – Tangible assets

MSEK	2017	2016
Closing accumulated acquisition value	408	244
Closing accumulated depreciation	-242	-156
Closing planned residual value	**167**	**88**

MSEK Operational leasing agreements (lessee) Due dates	Operational leasing agreements 2017	 2016
< 1 year	252	191
1-5 years	863	720
> 5 years	481	415
Total	**1,596**	**1,326**

The company's operational leasing pertains mainly to premises and vehicles.

MSEK	2017	2016
Total lease payments during the period	**302**	**212**
Of which, minimum lease payments	*297*	*209*
Of which, contingent rents	*5*	*3*

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

NOTE 29 – Deferred acquisition costs

MSEK	2017	2016
Opening balance	**985**	**999**
Addition due to legal merger	165	-
Net change during the year	10	-69
Translation difference	-24	55
Closing balance	**1,137**	**985**

Acquisition expenditure during the year amounted to MSEK 3,842 (3,508). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

NOTE 30 – Other deferred costs and accrued income

MSEK	2017	2016
Accrued income	262	43
Deferred costs	324	177
Total	**587**	**220**

NOTE 31 – Untaxed reserves

MSEK	2016	Addition due to legal merger	Change recognized in income statement	Translation difference	2017
Contingency reserve	7,090	-	-	-133	6,957
Finnish equalization reserve	-	2,504	-2,495	-9	-
Closing balance	**7,090**	**2,504**	**-2,495**	**-142**	**6,957**

Through the Norwegian branch, If 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 NOK corresponding to Natural perils capital in the Norwegian branch.

As presented in Note 43, the merged company If P&C Insurance Company Ltd contained an untaxed reserve reported in EUR in accordance with Finnish regulations. The reserve was dissolved in its entirety after the merger.

NOTE 32 – Subordinated debt

				2017		2016	
MSEK	Original nominal value	Maturity	Interest rate	Fair value [1]	Carrying amount	Fair value [1]	Carrying amount
Subordinated loan, issued 2011	110 MEUR	30 year	6.00%	1,165	1,078	1,157	1,045
Total				**1,165**	**1,078**	**1,157**	**1,045**

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

The loan is issued with fixed interest rate terms for the first ten years. After that period it will become subject to variable interest rate but it also include terms stating the right of redemption at this point in time. The loan is listed on the Luxembourg Stock Exchange (BdL Market). The loan and terms of the loan are approved by the supervisory authority as being utilizable for solvency purposes.

MSEK Changes in liabilities arising from financing activities	
January 1, 2017	**1,045**
Cash flows - Repayment subordinated loan	-
Non-cash changes - Translation difference	32
Non-cash changes - Other	1
December 31, 2017	**1,078**

NOTE 33 – Technical provisions, gross

MSEK Change during the year	2017 Provision for unearned premiums and unexpired risks	Provision for claims outstanding	2016 Provision for unearned premiums and unexpired risks	Provision for claims outstanding
Opening balance	**15,851**	**46,257**	**14,897**	**45,224**
Addition due to legal merger	4,111	24,487	-	-
Unwinding of discounted annuities	-	148	-	14
Change in provision	-327	-1,483	249	-571
Translation differences	-280	-614	705	1,590
Closing balance	**19,355**	**68,795**	**15,851**	**46,257**

MSEK Technical provisions and reinsurers' share	2017	2016
Technical provisions, gross		
Unearned premiums and unexpired risks	19,355	15,851
Provision for incurred and reported claims	14,674	13,218
Provision for incurred but not reported claims	30,134	24,995
Provision for annuities	21,521	6,212
Provision for claims-settlement costs	2,466	1,832
Total	**88,150**	**62,108**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	386	380
Provision for incurred and reported claims	1,040	1,002
Provision for incurred but not reported claims	686	739
Provision for annuities	-	-
Provision for claims-settlement costs	-	-
Total	**2,112**	**2,121**
Technical provisions for own account		
Unearned premiums and unexpired risks	18,969	15,471
Provision for incurred and reported claims	13,634	12,216
Provision for incurred but not reported claims	29,448	24,256
Provision for annuities	21,521	6,212
Provision for claims-settlement costs	2,466	1,832
Total	**86,038**	**59,987**

VALUATION OF TECHNICAL LIABILITIES

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

PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISK

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

PROVISIONS FOR UNSETTLED CLAIMS

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

The provisions for unsettled claims is 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 Finnish 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 uses a number of statistical methods to determine the final claims cost that If must pay. The most common methods are Chain-ladder and Bornhuetter-Ferguson. The Chain-ladder method may be based on various types of data such as outgoing payments, claims costs or 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 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 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
- effect of legislative amendments and court practices

INFLATION

The anticipated inflation trend is observed in all provisions, but is primarily important in claims settled over a long period of time. For long-term business, such as Motor Third-party Liability and Workers' Compensation, assessments are made in-house regarding the future cost trend. This is based on external assessments of the future inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of compensation. Compensation 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 compensation paid in the form of vested 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 considers that control and follow-up of the Finnish business is facilitated by the recognition complying with standard practices in the Finnish insurance sector.

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

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

MSEK	2017	2016
Denmark		
Amount vested annuities	1,183	1,173
Discount rate	0.83%	0.72%
Finland		
Amount vested annuities	15,269	58
Amount IBNR	2,710	10
Discount rate	1.20%	1.50%
Sweden		
Amount vested annuities	4,977	4,902
Discount rate	1.70%	1.65%
Norway		
Amount vested annuities	92	79
Discount rate	2.08%	1.00%

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 15,886 (65), discounted IBNR would have been recognized in an amount of MSEK 2,765 (11) and the average discount interest rate would have been 0.96% 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 deteriorated by about MSEK 160.

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

EFFECTS OF LEGISLATIVE AMENDMENTS AND COURT PRACTICES
When setting provisions, it is virtually impossible to take into account amendments to legislation and practices that affect future costs. However, there are methods for managing 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 2017
No significant changes in methods were implemented during the year.

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. This increased the gross claims reserve by almost SEK 24.5 billion and increased the ceded claims reserve by more than SEK 0.1 billion. Nominal changes in claims reserves during 2017 are therefore huge. Furthermore, when looking at the changes in claims reserves for If P&C Insurance Ltd in 2017 one must bear in mind that only changes in Finland during the last three months of 2017 affect the figures.

During the year, the reported increase in gross claims provisions amounted to more than SEK 22.5 billion. Effects of exchange rate changes amounted to a decrease of SEK 0.6 billion while the effect of the transfer of the Finnish business was an increase of SEK 24.5 billion. The real change in gross claims reserves adjusted for currency effects and transfer of business amounted to a decrease of SEK 1.3 billion.

By geographical area, the major reserve changes were as follows:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, decreased by SEK 0.3 billion. Reserves for Accident insurance increased by SEK 0.3 billion mostly due to portfolio increase, reserves for Liability insurance decreased by SEK 0.7 billion mostly due to settlement of some very large claims. Reserves for Motor Hull insurance increased almost SEK 0.2 billion mostly due to portfolio increases while the reserves for Property and Marine showed modest decreases.
- Claims provisions in the Norwegian operation decreased by more than SEK 0.5 billion. Reserves for Workers' Compensation insurance decreased by SEK 0.4 billion and reserves for Motor Third Party Liability Insurance decreased by SEK 0.3 billion, while reserves for Property insurance increased by SEK 0.1 billion and reserves for Liability insurance increased by SEK 0.1 billion.
- Claims provisions in the Danish operation increased by less than SEK 0.1 billion. There were no major changes by line of business.
- Claims provision in the Finnish operation decreased by more than SEK 0.5 billion (this only reflects changes during the last quarter of 2017 after the transfer). Reserves for Property insurance and Liability insurance each decreased by about SEK 0.2 billion while there were smaller decreases in reserves for Workers' Compensation insurance and Motor Third Party Liability insurance.

The reinsured share of claims provisions decreased slightly in nominal terms. The real change adjusted for currency effect and transfer of portfolio amounted to an decrease of SEK 0.1 billion whereof ceded reserves for Property insurance increased by SEK 0.5 billion and ceded reserves for Liability insurance decreased by SEK 0.6 billion.

SIGNIFICANT EVENTS
This year's outcome for large claims was significantly worse than plan on a Nordic level. The largest single claim in 2017 was a cargo claim due to a fire on board a transport vessel estimated at close to SEK 0.2 billion.

CLAIMS COSTS TREND
In addition to the sensitivity analysis, prior-year estimates of the claims costs for individual claims years also represent a measure of If´s ability to foresee final claims costs. The tables below show the cost trend for the claims years 2008-2017, before and after reinsurance. For claims years 2007 and earlier, the information is aggregated to one column and includes only payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002 as well as the complete claims years 2003-2007.

The upper part of the table shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. Since If has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate at December 31, 2017. 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. In order to present an informative claims cost triangle, the entire triangle has been updated for all claims years to include the historical development also 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	2007 and prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimated claims cost												
at the close of the claims year	160,776	24,586	24,727	25,857	26,733	27,175	26,184	26,020	26,173	26,504	26,929	
one year later	159,944	24,250	24,303	26,255	27,789	27,055	26,428	25,948	26,344	26,811		
two years later	159,689	23,725	24,061	25,747	27,753	27,209	26,435	26,012	26,218			
three years later	159,373	23,496	23,706	25,741	27,662	27,123	26,495	26,122				
four years later	158,179	23,310	23,544	25,677	27,410	26,849	26,545					
five years later	157,044	23,187	23,341	25,656	27,266	26,534						
six years later	156,960	23,012	23,331	25,512	27,051							
seven years later	156,996	23,079	23,075	25,449								
eight years later	158,106	22,904	22,970									
nine years later	157,628	22,712										
ten years later	157,429											
Current estimate of total claims costs	157,429	22,712	22,970	25,449	27,051	26,534	26,545	26,122	26,218	26,811	26,929	
Total disbursed	129,653	20,902	21,021	23,220	24,714	24,082	23,410	22,503	22,117	21,382	15,437	
Provision reported in the balance sheet	27,776	1,810	1,949	2,229	2,337	2,452	3,135	3,619	4,101	5,429	11,492	66,329
Of which annuities	*15,525*	*647*	*634*	*758*	*740*	*740*	*809*	*777*	*545*	*302*	*44*	*21,521*
Provision for claims-settlement costs												2,466
Total provision reported in the balance sheet												**68,795**

MSEK Claims cost, net of reinsurance Claims year	2007 and prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimated claims cost												
at the close of the claims year	150,209	23,528	23,651	24,584	25,260	25,305	25,719	25,650	25,727	25,924	26,343	
one year later	149,408	23,302	23,386	25,038	25,942	25,166	25,963	25,543	25,863	26,017		
two years later	148,906	22,802	23,129	24,640	25,819	25,317	25,996	25,454	25,705			
three years later	148,763	22,584	22,895	24,588	25,794	25,336	26,070	25,555				
four years later	147,739	22,430	22,746	24,562	25,512	25,115	26,090					
five years later	146,762	22,321	22,536	24,544	25,410	24,801						
six years later	146,747	22,156	22,534	24,391	25,182							
seven years later	146,892	22,225	22,307	24,315								
eight years later	147,888	22,058	22,202									
nine years later	147,372	21,868										
ten years later	147,229											
Current estimate of total claims costs	147,228	21,868	22,202	24,315	25,182	24,801	26,090	25,555	25,705	26,017	26,343	
Total disbursed	119,775	20,078	20,283	22,137	22,904	22,407	23,041	22,039	21,779	20,979	15,284	
Provision reported in the balance sheet	27,453	1,790	1,919	2,179	2,278	2,395	3,049	3,516	3,926	5,038	11,060	64,603
Of which annuities	*15,525*	*647*	*634*	*758*	*740*	*740*	*809*	*777*	*545*	*302*	*44*	*21,521*
Provision for claims-settlement costs												2,466
Total provision reported in the balance sheet												**67,069**

COMMENTS

In 2017, If had reinsurance coverage with self-retention of MSEK 250 per event and between MSEK 100 and 250 per risk depending on the line of business.

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 21,521, MSEK 15,525 applies to 2007 and previous years.

NOTE 34 – Deferred tax

MSEK Changes in deferred tax 2017	Opening balance 2017	Addition due to legal merger	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2017
Deferred tax assets						
Provisions	104	-	1	-	-	105
Other temporary differences	-	-	18	-	5	23
Accumulated depreciation	8	-	-2	-	-	6
Total deferred tax asset	**112**	**-**	**16**	**-**	**5**	**133**
Netted deferred tax asset against deferred tax liability	**-112**					**-133**
Deferred tax asset according to balance sheet	**-**					**-**
Deferred tax liability						
Valuation of investment assets at fair value	685	68	83	3	47	886
Other temporary differences	43	-	-43	-	-	-
Deferred tax attributable to untaxed reserves	91	-	-	3	-	94
Total deferred tax liability	**819**	**68**	**40**	**6**	**47**	**980**
Netted deferred tax liability against deferred tax asset	**-112**					**-133**
Deferred tax liability according to balance sheet	**707**					**847**
Deferred tax expense according to income statement 2017			**-24**			

MSEK Changes in deferred tax 2016	Opening balance 2016	Addition due to legal merger	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2016
Deferred tax assets						
Provisions	131	-	-27	-	-	104
Accumulated depreciation	11	-	-3	-	-	8
Total deferred tax asset	**142**	**-**	**-30**	**-**	**-**	**112**
Netted deferred tax asset against deferred tax liability	**-142**					**-112**
Deferred tax asset according to balance sheet	**-**					**-**
Deferred tax liability						
Valuation of investment assets at fair value	512	-	-	-	173	685
Other temporary differences	88	-	-60	-	15	43
Deferred tax attributable to untaxed reserves	87	-	-	4	-	91
Total deferred tax liability	**687**	**-**	**-60**	**4**	**188**	**819**
Netted deferred tax liability against deferred tax asset	**-142**					**-112**
Deferred tax liability according to balance sheet	**545**					**707**
Deferred tax income according to income statement 2016			**30**			

NOTE 35 – Other provisions

MSEK	2017	2016
Provision for pensions and similar commitments	260	288
Other	344	348
Total	**604**	**636**

The provision for pensions pertains to unfunded pension obligations in the Norwegian branch, accounted for in accordance with the accounting policies applied since If was established. The Other item pertains to restructuring reserves for approved organizational changes in Sweden and Norway. It also includes provisions for premature pension benefits, in accordance with Swedish collective agreements, and for other commitments and uncertain obligations.

NOTE 36 – Creditors arising out of direct insurance

MSEK	2017	2016
Payables to policyholders	1,698	1,257
Payables to insurance brokers	79	63
Payables to insurance companies	19	17
Total [1]	**1,795**	**1,337**

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

NOTE 37 – Other creditors

MSEK	2017	2016
Tax debt (current)	1,096	857
Accounts payable	57	55
Payables to Group companies	194	2,912
Collaterals and settlement liabilities	147	-
Creditor, patient-insurance pool for the public sector	1,103	-
Premium Tax	491	356
Employee withholding taxes	112	105
Other Tax	45	18
Other	209	246
Total [1]	**3,455**	**4,549**

[1] Of which, MSEK 1,079 (22) matures later than 12 months after the closing date.

NOTE 38 – Other accruals and deferred income

MSEK	2017	2016
Accrued interest expense, subordinated debt	4	4
Accrued interest expense, other	1	-
Other accrued expenses	1,636	1,177
Deferred income	50	1
Total	**1,692**	**1,182**

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

NOTE 39 – Pledged assets

MSEK **Pledged assets and equivalent securities given for own liabilities and for commitments reported as provisions, each type individually**	2017	2016
Other financial investment assets	2,309	2,364
Cash and bank	3	0
Total	**2,313**	**2,364**
Of which, on behalf of Group companies	-	-

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

MSEK **Pledged assets and the pledging purposes are distributed as follows:**	2017	2016
Financial investment assets		
Collateral for insurance undertakings	2,164	2,211
Collateral for futures trading	145	153
Total	**2,309**	**2,364**
Cash and bank balances		
Collateral for insurance undertakings	1	-
Collateral for permission to conduct insurance operations	1	-
Security for rent	1	0
Total	**3**	**0**
Total	**2,313**	**2,364**

MSEK **Policyholders' beneficiary rights**	2017	2016
Assets covered by policyholders' beneficiary rights	104,355	75,850
Technical provisions, net	-72,231	-50,151
Surplus of registered securities	**32,124**	**25,699**

NOTE 40 – Contingent liabilities and other commitments

MSEK	2017	2016
Surety and guarantee undertakings	32	37
Other commitments	111	0
Total	**143**	**37**

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

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

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

NOTE 41 – Events after the balance sheet date

No significant events have occurred after the balance sheet date.

NOTE 42 – Appropriation of earnings

Unrestricted funds in the company, including the Fair value reserve, amounts to SEK 21,583,541,930. No allocation to statutory reserves is proposed.

Funds available for appropriation by the Annual General Meeting in accordance with the balance sheet amounts to SEK 21,583,541,930, of which the net profit accounts for SEK 6,879,637,020. The Board of Directors and the President propose that SEK 7,000,000,000 be paid as dividend, SEK 9,513,769,242 be carried forward and that MSEK 5,069,772,688 be carried as Fair value reserve.

NOT 43 – Merger with sister company

As of October 1, 2017, the former sister company If P&C Insurance Company Ltd, Finland (corporate registration number 1614120-3) was merged with If P&C Insurance Ltd (publ). Since both companies were wholly owned by the Parent Company If P&C Insurance Holding Ltd (publ), no merger consideration was paid. In conjunction with the merger, the assets and liabilities in the Finnish company were allocated to If P&C Insurance's existing Finnish branch and are recognized in the amounts at which they were measured in the consolidated accounts for the Parent Company If P&C Insurance Holding Ltd on September 30, 2017 adjusted where necessary to follow other accounting policies applied by If P&C Insurance Ltd. The Finnish company's operations up until the merger date, in accordance with the amounts recognized below, are not included in the 2017 income statement for If P&C Insurance Ltd. This means that the difference between assets and liabilities (including untaxed reserves) in the transferor company as of the merger date is recognized as a merger gain in the statement of changes in equity. The assumed Finnish untaxed reserves were dissolved in their entirety immediately after the merger and the majority of the investment assets received in the merger have been transferred to the company's centralized asset management function.

MSEK **Condensed balance sheet,** **for If P&C Insurance Company Ltd as of** **transferred to If P&C Insurance Ltd as of**	**2017-09-30** **2017-10-01**
Assets	
Intangible assets	48
Investment assets	28,974
Reinsurer's share of technical provisions	192
Debtors	3,871
Other assets	3,901
Prepayment and accrued income	608
Total assets	**37,593**
Shareholders equity, provisions and liabilities	
Shareholders'equity/merger gain	4,672
Untaxed reserves	2,504
Technical provisions	28,032
Provisions for other risks and charges	76
Creditors	2,013
Accruals and deferred income	296
Total shareholders'equity, provisions and liabilities	**37,593**

MSEK **Condensed income statement,** **If P&C Insurance Company Ltd**	**Jan-Sep** **2017**
Premiums earned, net of reinsurance	6,789
Allocated investment return transferred from the non-technical account	0
Other technical income	89
Claims incurred, net of reinsurance	-5,241
Operating expenses in insurance operations, net of reinsurance	-1,088
Other operating expenses/Other technical expenses	-86
Technical result from property and casualty insurance	**463**
Investment result	653
Allocated investment return transferred to the technical account	-168
Interest expense etc, subordinated debt	-69
Income from associates	2
Appropriations	349
Result before income tax	**1,230**
Taxes	-251
Net profit for the year	**979**

SIGNATURES

e 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 1, 2018

Torbjörn Magnusson
Chairman of the Board

Knut Arne Alsaker
Board member

Patrick Lapveteläinen
Board member

Jouko Oksanen
Board member

Dag Rehme
Board member

Ingar Brotnov
Board member

Johan Sjöstedt
Board member

Ricard Wennerklint
President

Our audit report was issued on March 1, 2018
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant
Auditor in charge

Daniel Eriksson
Authorized Public Accountant

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 year 2017. The annual accounts of the company are included on pages 3-60 in this document.

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 the company as of December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Insurance Companies.

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

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

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

BASIS FOR OPINIONS

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

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

KEY AUDIT MATTERS

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

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

VALUATION AND EXISTENCE OF OTHER FINANCIAL INVESTMENT ASSETS

As of December 31, 2017 other financial investment assets amounted to 105 billion SEK, which constitutes 82% of the company's total assets. Other financial assets valued at fair value amounted to 104 billion SEK. Financial instruments valued at fair value are classified in different levels in a fair value hierarchy (level 1, 2 and 3), where level 1 consist of financial instruments for which quoted market prices on active markets for identical assets or liabilities are available. For financial instruments in level 2, assumptions and estimates might be required when establishing the fair value, however, the need of assumptions and estimates is significantly lower than what is required for establishing fair value for financial instruments in level 3. As of December 31, 2017, 79% of other financial investments assets valued at fair value are classified as level 1, 21% as level 2 and 0% as level 3.

Information on valuation of other financial investments assets is found in note 1 Accounting policies, note 2 Significant considerations and assessments affecting the Financial Statements and note 5 Risks and risk management. Further, information is found in note 21 Other financial investment assets and derivative liabilities and note 22 Financial investment assets and derivative liabilities at fair value.

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

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

VALUATION OF PROVISION FOR CLAIMS OUTSTANDING

As of December 31 2017, provision for claims outstanding amounted to 69 billion SEK, which constitutes 66% of the Company's total liabilities.

Information on provision for claims outstanding is found in note 1 Accounting policies, note 2 Significant considerations and assessments affecting the financial statements and note 5 Risks and risk management. Further, information is found in note 33 Technical provisions, gross.

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

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

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

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 64-66. The Board of Directors and the President are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The Board of Directors and the President are responsible for the preparation of the annual accounts and 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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 a 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, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Ltd (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company 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 RESPONSIBILITIES

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act 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.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of If P&C Insurance Ltd (publ) by the general meeting of the shareholders on the 9 March 2017 and has been the company's auditor since the 29 March 2005.

Stockholm, March 1, 2018

Ernst & Young AB

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

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 comprises contingent assets that the company has at its disposal but that are not found in its solvency balance sheet. An item that is not included in basic own funds may be included in available own funds in the form of ancillary funds on the condition that such contingent liabilities can be used to absorb losses and approval has been granted by a supervisory authority.

BASIC OWN FUNDS
Basic own funds are derived from the solvency balance sheet in which the undertaking's assets and liabilities are valued 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.

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

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

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

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

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

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

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

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

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

[1)] Refers to alternative performance measurements

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

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

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

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

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

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

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

MINIMUM CAPITAL REQUIREMENT (MCR)
The Minimum Capital Requirement should reflect a level of eligible own funds where the company in 85 percent 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 which has been transferred to a separate administrative unit.

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

[1)] Refers to alternative performance measurements

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

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

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

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

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

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

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

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

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

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