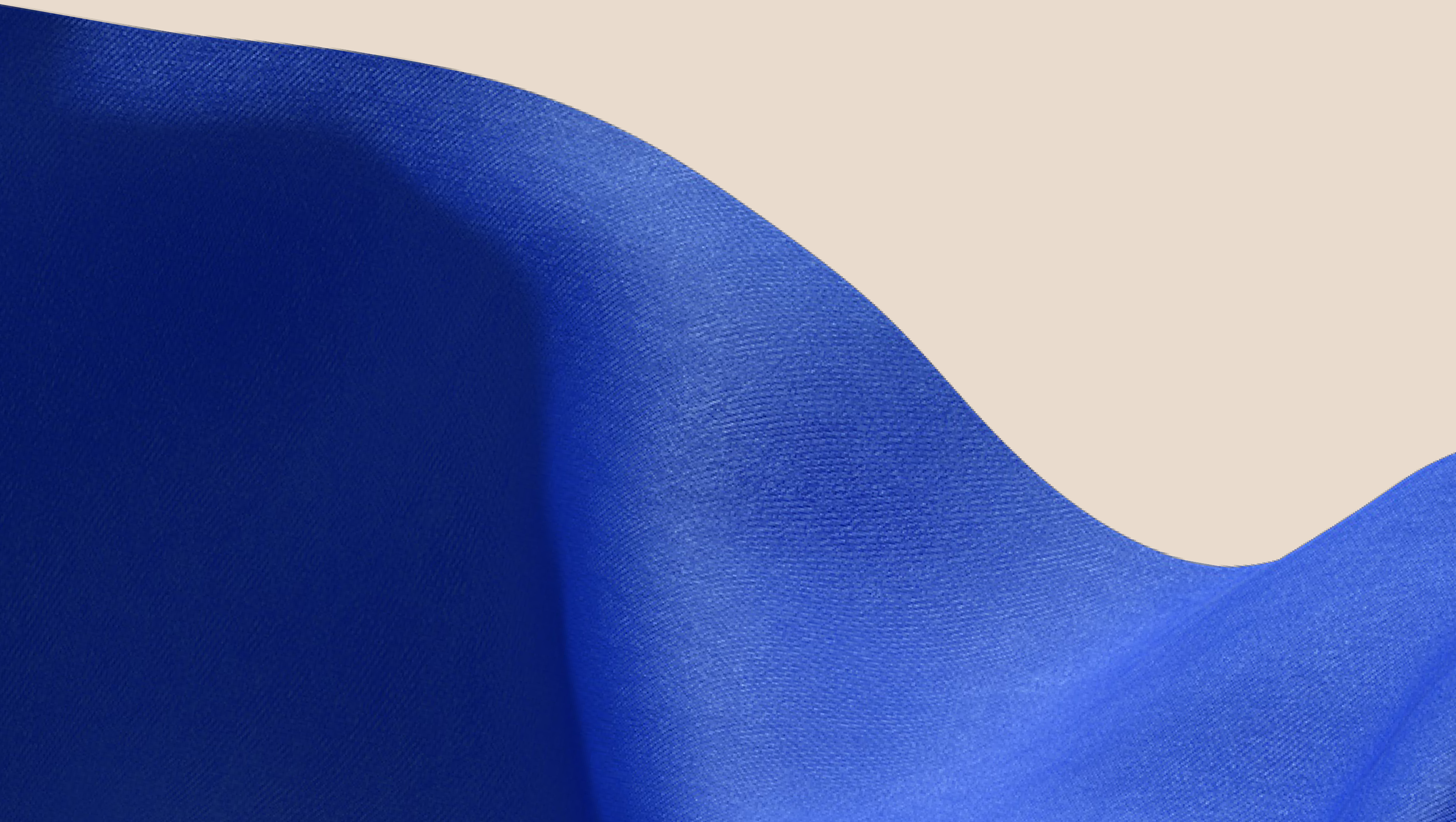
Annual report 2019

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



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Board of Directors' report

The Board of Directors and the President of If P&C Insurance Ltd (publ), corporate registration number 516401-8102, hereby issue their Annual Report for the 2019 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.

If P&C Insurance Ltd conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland, Estonia 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 reporting period

In February 2019 changes were made to both management and the Board. Måns Edsman was appointed as the new President and Morten Thorsrud was elected as the new Chairman of the Board.

Result from operation

Results

The result before income taxes was MSEK 8,859 (7,888). The technical result of property and casualty insurance operations amounted to MSEK 6,775 (6,115).

Premiums written

Gross written premiums for the year amounted to MSEK 47,466 (44,141). Adjusted for exchange-rate effects, the underlying increase in premium volumes was 5.8%. The increase was mainly in the Private and Industrial business areas.

Claims incurred and operating expenses

Net claims incurred amounted to MSEK 30,720 (29,322), which corresponded to a claims ratio of 69.0% (69.5). Operating expenses in the insurance operation totaled to MSEK 7,062 (6,818). The expense ratio improved compared with 2018 to 15.9% (16.2) The combined ratio was 84.9% (85.7).

Investment result

At full market value, profit from asset management increased to MSEK 5,632 (-823), corresponding to a total return of 5,3% (-0,8%).

Net investment return amounted to MSEK 2,696 (2,590) in the income statement and MSEK 2,936 (-3,413) in other comprehensive income.

Risk willingness returned to the financial markets during 2019 and almost all asset classes where If had holdings showed positive results.

In the beginning of the year stock markets around the world had just ended at the lowest levels noted during 2018 caused by concerns about a looming downturn in the global economy. This was partly explained by the ongoing trade war between the US and China. As a result of this concern, market interest rates continued to decline and at the same time the Federal Reserve System lowered the policy interest rate in the summer, even though only a few months earlier it had indicated an increase in the policy. Lower interest rates and global economy that still delivered growth during the year led to stock markets recovering sharply, ending on highs for the year and in some cases reaching their highest levels ever. However, during the last months of the year, interest rates also started to rise from very low levels, and the result from interest-bearing instruments weakened slightly. During the year, increased risk tolerance caused the credit risk premium to fall from high levels, which contributed positively to the return on interest-bearing instruments. All in all, 2019 was a very strong year in terms of the total result from asset management.

Interest-bearing assets returned 2.3% (1.1%) for the year. The increase in return is mainly attributable to lower credit spreads and overall positive development in the corporate bond market. The duration for the interest-bearing assets was 1.3 (1.4) at the end of the year.

The total return on equities was positive for the year, 34,1% compared with -10.4% in the preceding year. All the stock markets were If has an investment, had a positive return for the year. The strongest contributors to the positive return were the Swedish and North American stock markets.

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

Returns for interest-bearing assets were weaker than their benchmark indices, mainly attributable to rising yields in the last quarter of 2019. Equities however, where almost in line with their benchmarks.

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

Net profit and tax costs

Net profit was MSEK 6,932 (6,132). The effective tax rate for the year was 21.8% (22.3). Of total taxes, current tax expenses accounted for MSEK 1,943 (1,781) and deferred tax income was MSEK 16 (income 24).

Solvency capital, cash flow and appropriation of earnings

The solvency ratio amounted to 68.9% (64.4). Solvency capital increased to MSEK 31,250 (27,290). Cash flow from operating activities amounted to MSEK 5,891 (5,824). A total dividend of MSEK 6,200 (7,000) was paid.

Unrestricted funds in the company, including the Fair value reserve, amounts to SEK 21,269,118,233. 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 21,269,118,233, of which the net profit accounts for SEK 6,931,666,383. The Board of Directors and the President propose that SEK 6,900,000,000 be paid as dividend, SEK 9,654,785,483 be carried forward and that SEK 4,714,332,750 be carried as Fair value reserve.

Technical provisions (reserves)

Gross provisions at year-end decreased to MSEK 89,553 (89,654).

Currency effects arising from the conversion of provisions in foreign currencies increased the provisions by MSEK 1,463. After adjustments for exchange-rate effects the premium reserve increased by MSEK 956 and the claims reserve decreased by MSEK 2,520.

Reinsurers' share of technical provisions increased slightly and amounted to MSEK 2,168 (2,105). After adjustments for exchange-rate effects, reinsurers' share of technical provisions decreased by MSEK 15.

Corporate Governance sStatement

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 to ensure that there are efficient systems for follow-up and control of the company's business and financial position. The central finance and accounting department is responsible in part for control systems, control, accounting and reporting in accordance with generally accepted accounting principles, and in part for liquidity, funding and capital. The work with internal control of financial reporting is based on If's Internal Control Policy, which is based on the framework established by the Committee of Sponsoring of the Treadway Commission, COSO. The aim is to exclude material errors in the financial reports. The control environment includes aspects such as the organizational structure, roles and responsibilities, integrity-steering documents, ethical values and the competence of If's employees. Control activities consist of steering documents, approval procedures, routine descriptions and controls to manage the identified risks. Implemented controls include activities such authorization rules and referrals according to appropriate rules, for instance the four-eyes principle.

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

The Parent Company If P&C Insurance Holding Ltd (publ), corporate reg. no. 556241-7559, whose headquarter is in Solna, has prepared a sustainability report named If Sustainability Report 2019. It covers the parent company and its subsidiaries and is available on the website https://www.if.se. If P&C Insurance Ltd (publ) has therefore chosen not to prepare its own sustainability report.

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 P&C Insurance Ltd (publ) uses an approved partial internal model (PIM) to calculate the solvency capital requirement (SCR) for the majority of the insurance risks while other risks are calculated using the standard formula.

As per December 31, 2019, the SCR amounted to MSEK 15,186 (14,205) and the eligible own funds amounted to MSEK 25,358 (24,269).

Personnel

In 2019, the number of employees increased and amounted to 6,260 (6,006) at year-end. The average number of employees during the year was 6,196 (5,932), of whom 54% (54) were women.

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

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 2019 fiscal year, there were no new or amended standards that caused any significant changes or new requirements for If's accounting.

Outlook

The way the global economy will develop in 2020 is difficult to predict. Despite increased competition in the market, the underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

Five-year summary

MSEK	2019	2018	2017	2016	2015
Condensed income statement					
Premiums written, net of reinsurance	45,375	42,353	32,700	30,049	29,965
Premiums earned, net of reinsurance	44,490	42,172	32,977	29,770	29,702
Allocated investment return transferred from the non-technical account	165	128	179	224	435
Other technical income	417	373	248	197	210
Claims incurred, net of reinsurance	-30,720	-29,322	-22,423	-20,569	-21,243
Of which, claims-adjustment costs	*-2,624*	*-2,431*	*-1,932*	*-1,709*	*-1,783*
Operating expenses in insurance operations, net of reinsurance	-7,062	-6,818	-5,400	-4,953	-5,028
Other operating expenses/other technical expenses	-516	-418	-326	-263	-218
Technical result from property and casualty insurance	**6,775**	**6,115**	**5,254**	**4,406**	**3,858**
Investment return	2,696	2,590	1,748	1,479	2,550
Allocated investment return transferred to the technical account	-467	-448	-327	-238	-477
Interest expense, subordinated debt	-71	-69	-65	-64	-95
Amortization goodwill	-48	-288	-277	-273	-281
Income from associates	-	38	-	-	-
Result before income taxes and appropriations	**8,884**	**7,938**	**6,334**	**5,310**	**5,555**
Untaxed reserves	-	-	2,495	-	-
Group contribution	-25	-50	-48	-10	-
Result before income taxes	**8,859**	**7,888**	**8,780**	**5,300**	**5,555**
Income taxes	-1,927	-1,757	-1,901	-1,181	-1,237
Net profit for the year	**6,932**	**6,132**	**6,880**	**4,119**	**4,318**
Balance sheet, December 31					
Assets					
Intangible assets	317	282	489	720	934
Investment assets	105,825	102,990	104,818	77,274	69,999
Reinsurers' share of technical provisions	2,168	2,105	2,112	2,121	2,092
Debtors	17,289	16,080	14,960	11,109	9,461
Other assets, prepayments and accrued income	3,912	3,849	4,747	2,429	2,163
Total assets	**129,511**	**125,306**	**127,125**	**93,653**	**84,649**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	22,073	18,939	22,180	14,384	9,180
Untaxed reserves	7,118	7,043	6,957	7,090	6,837
Subordinated debt	1,146	1,124	1,078	1,045	1,004
Deferred tax liability	912	184	847	707	545
Technical provisions	89,553	89,654	88,150	62,108	60,121
Creditors	6,492	6,256	5,589	6,472	4,991
Provisions, accruals and deferred income	2,217	2,105	2,324	1,847	1,971
Total shareholders' equity, provisions and liabilities	**129,511**	**125,306**	**127,125**	**93,653**	**84,649**
Key data, property and casualty operations					
Claims ratio	69.0%	69.5%	68.0%	69.1%	71.5%
Expense ratio	15.9%	16.2%	16.4%	16.6%	16.9%
Combined ratio	84.9%	85.7%	84.4%	85.7%	88.4%
Risk ratio [1)]	63.2%	63.8%	62.1%	63.4%	65.5%
Cost ratio [1)]	21.8%	21.9%	22.2%	22.4%	22.9%
Insurance margin [1)]	15.5%	14.6%	16.2%	15.0%	13.0%
Key data, asset management					
Total investment return [2)]	5.3%	-0.8%	3.1%	3.3%	2.0%
Capital strength according to Solvency I regulation					
Capital base [3) 4)]	-	-	-	-	16,491
Solvency requirement [4)]	-	-	-	-	5,058
Capital strength according to Solvency II regulation [5)]					
Own funds (capital base)	25,358	24,269	25,512	19,881	-
- Basic own funds	25,358	24,269	25,512	19,881	-
- Ancillary own funds	-	-	-	-	-
Solvency capital requirement (scr)	15,186	14,205	15,593	11,717	-
Eligible own funds to cover the minimum capital requirement	22,052	21,129	22,752	16,697	-
Minimum capital requirement (mcr)	6,834	6,392	7,017	5,273	-
Other key data					
Solvency capital	31,250	27,290	31,062	23,226	17,566
Solvency ratio	68.9%	64.4%	95.0%	77.3%	58.6%

[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	2019	2018
TECHNICAL ACCOUNT OF PROPERTY AND CASUALTY INSURANCE			
Premiums earned, net of reinsurance			
Premiums written, gross	7	47,466	44,141
Premiums ceded	7	-2,091	-1,788
Change in provision for unearned premiums and unexpired risks		-956	- 186
Reinsurers' share of change in provision for unearned premiums and unexpired risks		71	4
		44,490	**42,172**
Allocated investment return transferred from the non-technical account	8	165	128
Other technical income		417	373
Claims incurred, net of reinsurance			
Claims paid			
Gross		-34,505	-31,228
Reinsurers' share		1,049	596
Change in provision for claims outstanding			
Gross		2,822	1,463
Reinsurers' share		-86	- 152
	9	**-30,720**	**-29,322**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-7,206	-6,941
Commission and profit participation in ceded reinsurance		144	123
		-7,062	**-6,818**
Other operating expenses/other technical expenses		-516	- 418
	10,12,13	**-7,577**	**-7,236**
Technical result from property and casualty insurance	14	**6,775**	**6,115**
NON-TECHNICAL-ACCOUNT			
Investment result			
Investment income		3,390	3,535
Unrealized gains on investment assets		60	155
Investment charges		-546	- 695
Unrealized losses on investment assets		-209	- 405
	15	**2,696**	**2,590**
Allocated investment return transferred to the technical account	8	-467	-448
Interest expense, subordinated debt	16	-71	-69
Amortization, goodwill	17	-48	-288
Result from associated companies		-	*38*
Result before income taxes and appropriations		**8,884**	**7,938**
Appropriations			
Change in untaxed reserves		-	-
Group contribution		-25	-50
		-25	**-50**
Result before income taxes		**8,859**	**7,888**
Tax	18	-1,927	-1,757
Net profit for the year		**6,932**	**6,132**

Statement of Comprehensive Income

MSEK	Note	2019	2018
Net profit for the year		**6,932**	**6,132**
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		139	362
Remeasuring of financial assets, available for sale		3,812	-2,357
Value changes recognized in income statement on financial assets available for sale		-876	-1,056
Taxes related to items which will be reclassified when specific conditions are met	18	-673	678
		2,403	**-2,373**
Total comprehensive income		**9,334**	**3,759**

Balance sheet

Assets, December 31

MSEK	Note	2019	2018
Intangible assets			
Goodwill		5	52
Other intangible assets		312	230
	19	**317**	**282**
Investment assets			
Land and buildings	20	35	44
Other financial investment assets	21, 23	105,782	102,939
Deposits with ceding undertakings		7	7
	22	**105,825**	**102,990**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		516	425
Provisions for claims outstanding		1,653	1,679
	24	**2,168**	**2,105**
Debtors			
Debtors arising out of direct insurance operations	25	14,123	13,078
Debtors arising out of reinsurance operations	26	709	456
Other debtors	27	2,457	2,546
		17,289	**16,080**
Other assets			
Tangible assets	28	189	185
Cash and bank balances		1,323	1,396
Collaterals and settlement claims		228	66
		1,740	**1,648**
Prepayments and accrued income			
Accrued interest and rental income		431	452
Deferred acquisition costs	29	1,257	1,156
Other prepayments and accrued income	30	483	593
		2,171	**2,201**
Total assets		**129,511**	**125,306**

Shareholders equity, provisions and liabilities, December 31

MSEK	Note	2019	2018
Shareholders' equity			
Share capital		104	104
Statutory reserve		388	388
Fund for costs of development		312	209
Fair value reserve		4,714	2,423
Profit brought forward		9,623	9,683
Net profit for the year		6,932	6,132
		22,073	**18,939**
Untaxed reserves	31	**7,118**	**7,043**
Subordinated debt	32	**1,146**	**1,124**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		21,598	20,203
Provisions for claims outstanding		67,956	69,452
	33	**89,553**	**89,654**
Provisions for other risks and charges			
Deferred tax liability	34	912	184
Other provisions	35	451	432
		1,363	**616**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	36	1,745	1,812
Creditors arising out of reinsurance operations		252	237
Derivatives	21, 22, 23	258	45
Other creditors	37	4,237	4,162
		6,492	**6,256**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		42	32
Other accruals and deferred income	38	1,724	1,642
		1,765	**1,673**
Total shareholders' equity, provisions and liabilities		**129,511**	**125,306**

Changes in Shareholders' Equity

MSEK	Restricted equity: Share capital	Statutory reserve	Fund for costs of development	Fair value reserve [1]	Unrestricted equity: Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2018	**104**	**388**	**104**	**5,070**	**16,514**	**-**	**22,180**
Total comprehensive income	-	-	-	-2,647	274	6,132	3,759
Dividend	-	-	-	-	-7,000	-	-7,000
Transfer between restricted and unrestricted equity	-	-	105	-	-105	-	-
Equity at end of 2018	**104**	**388**	**209**	**2,423**	**9,683**	**6,132**	**18,939**
Equity at beginning of 2019	**104**	**388**	**209**	**2,423**	**15,815**	**-**	**18,939**
Total comprehensive income	-	-	-	2,292	111	6,932	9,334
Dividend	-	-	-	-	-6,200	-	-6,200
Transfer between restricted and unrestricted equity	-	-	103	-	-103	-	-
Equity at end of 2019	**104**	**388**	**312**	**4,714**	**9,623**	**6,932**	**22,073**

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

The share capital comprises 1,044,306 shares with a quotient value of SEK 100 each.
The accumulated translation difference corresponded to MSEK 149 (10).

Cash Flow Statement

MSEK	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from insurance operations		
Premium flows, direct insurance	46,734	44,489
Claim payments, direct insurance	-34,485	-31,118
Reinsurance	-1,344	-1,221
Costs of operations	-6,758	-7,285
	4,148	**4,864**
Cash flow from asset management		
Interest received	1,945	1,938
Interest paid	-323	-446
Dividends received, shares	432	488
Cash flow from properties	114	0
Net investments in financial investment assets	2,017	1,606
	4,185	**3,586**
Interest payment, subordinated debt	-70	-68
Realized foreign exchange transactions	-95	-471
Group internal flows, net	-497	222
Paid income tax	-1,780	-2,309
	5,891	**5,824**
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend and sale of shares, associates	-	50
	-	**50**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-6,200	-7,000
	-6,200	**-7,000**
Cash flow for the year	**-309**	**-1,125**
Cash and bank		
Cash and bank balances on january 1	1,396	2,347
Effect of exchange rate changes	236	174
Cash flow during the period	-309	-1,125
Cash and bank balances on December 31	**1,323**	**1,396**

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 March 4, 2020 and will be presented to the 2020 Annual Meeting for approval. The company is a Swedish public company with its registered office in Stockholm and its headquarters in Solna, Sweden.

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

Statement of compliance with regulations applied

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.

IFRS 16 Leases took effect on January 1, 2019, but in accordance with RFR 2 Accounting for legal entities, the standard is not applied to the financial statements for If P&C Insurance Ltd. The company does not recognize a right-of-use asset or lease liability in the balance sheet, but rather recognizes all lease payments as an expense in the income statement.

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

IFRS 9 Financial Instruments took effect on January 1, 2018. In accordance with an EU-adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that, under certain circumstances, insurance companies may delay their initial application of IFRS 9 so that the date coincides with the initial application of IFRS 17 Insurance Contracts (see below). If meets these requirements since If has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, If has decided to delay the application of IFRS 9. Accordingly, the transition from IAS 39 to IFRS 9 is not expected to have any significant impact on If's financial reporting until 2022. However, expanded disclosure requirements have been introduced for financial instruments, which will facilitate comparisons with companies that have already implemented IFRS 9. For more information, refer to Note 21 Other financial investment assets and derivative liabilities.

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

IFRS 17 Insurance Contracts was published in May 2017 and was originally expected to take effect on January 1, 2021. The standard has not yet been adopted by the EU. In June 2019, the IASB published an Exposure draft including a proposed amendment that the standard take effect one year later and that the initial mandatory application of IFRS 9 be delayed. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. It has not yet been determined to what extent IFRS 17 is to be applied for accounting of insurance contracts in the legal entity.

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 economically hedge currency exposure in the balance sheet are measured at fair value and the effects are also reported in their entirety as exchange-rate gains/losses.

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

	2019	2018
Danish kroner	1.40	1.37
Euro	10.45	10.25
Norwegian kroner	1.06	1.03
Us dollars	9.30	8.96

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 amortization.

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

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

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

The estimated useful life of goodwill in acquired companies and portfolios is generally 10 years. The goodwill associated with assets and liabilities resulting from the merger of Skandia's and Storebrand's property and casualty insurance portfolios was considered to have such a long-term value that the amortization period has been set at 20 years, ending in 2019.

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

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

Shares

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

Interest-bearing securities

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

Derivatives

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

Receivables

Receivables are reported in the amounts expected to be received.

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

Tangible assets

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

Acquisitions of assets financed through leasing agreements are within the scope of IFRS 16 Leases. IFRS 16 took effect on January 1, 2019, but in accordance with RFR 2 Accounting for legal entities, the standard is not applied to the financial statements for If P&C Insurance Ltd. The company does not recognize a right-of-use asset or lease liability in the balance sheet, but rather recognizes all lease payments as an expense in the income statement.

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

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

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

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

Subordinated debt
Issued subordinated loans are reported in their original currency at amortised cost. The amortised cost includes premiums/ discounts arising on the issue date and other external transaction costs attributable to borrowing. During the term of the loan, costs for subordinated loans are reported using the effective interest rate method, whereby premiums/ discounts and capitalized borrowing expenses are distributed over the term of the loan; however, no later than the interest-adjustment date in the case of loans with adjustable interest rates.

Technical provisions
Technical provisions consist of:
– Provision for unearned premiums and unexpired risks.; and
– Provision for claims outstanding.

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

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

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

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

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

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

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

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

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

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

Allocated investment return transferred from the non-technical account
The investment result is reported in the non-technical result. Part of the income is transferred from the investment result to the technical

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

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

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

Investment result

The investment result is divided into four items in the income statement and specified in the disclosure notes. As a general rule, unrealized value changes are reported in Other comprehensive income until realized. Unrealized value changes constitute the difference between acquisition cost and fair value. At disposition, the unrealized changes in value are reversed so that the realized gains and losses comprise the difference between acquisition cost and sale price. The result also comprises impairment losses from Available-for-sale financial assets that were deemed necessary in accordance with the specific impairment requirements in IAS 39.

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

Taxes

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

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

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

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

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

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

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

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

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

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

Appropriations and untaxed reserves

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

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

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

Policies applying to items in the cash flow statement

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

In the company's income statement, the 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 and expenses. The link between the income statement and cash flow is recognized in the company'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. Due to extensive insurance 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 some that are marked as alternative performance measures.

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

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

Note 2 – Significant 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 2019 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

Valuation of investment assets

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

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If 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 claims result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claims results in recent years is available in Note 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 2019, a net exchange rate gain of MSEK 79 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**	**2019**	**2018**
Conversion of items in the income statement and balance sheet	395	621
Realized effects of currency derivatives	-95	-485
Unrealized effects of currency derivatives	-221	-73
Total exchange rate result	**79**	**63**

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	2019	2018
Premiums written received	30	28

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	2019	2018
Commission	102	85

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	2019	2018
IT expenses	1,284	1,174

If P&C Insurance Ltd and its sister company If Services AB has entered into agreements under which various services are provided. If P&C Insurance Ltd performs certain services for If Services AB such as accounting and HR. If Services AB performs, inter alia, claims handling and mediates, as a tied insurance intermediary to If P&C Insurance Ltd, If P&C Insurance Ltd's insurances in Norway and Finland. Based on these agreements, the following expenses have been distributed.

MSEK	2019	2018
Invoiced from If P&C Insurance Ltd (publ)	5	2
Invoiced from If Services AB	24	18

Relations with If group's associates

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

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

The Parent Company If P&C Insurance Holding Ltd (publ) owns directly (10.5%) and indirectly via If P&C Insurance Ltd (15.3%) a share of 25.7% of SOS International A/S, a company providing assistance services to insurance companies.

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

Relations with Sampo

If P&C Insurance Ltd is included in the Sampo Group via its parent company, If P&C Insurance Holding Ltd (publ). Relations with Sampo 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.

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 but the companies have a joint and several liability.

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 and Finland for which they are paid commission.

Transactions with related companies (excluding If Group companies)

	Income		Expenses		Assets		Liabilities	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018
If Group's associates	-	4	-48	-97	40	5	-	-
Sampo	1	1	-21	-20	0	0	0	-1
Nordea	74[1]	64[1]	-28[2]	-19[2]	7,572	7,115	-24	-41
Other related parties								
Subsidiaries of Sampo	42	40	-	-	186	175	-3	-1
Other associates, Sampo	3	1	-	-	244	50	-	-

[1] Including interest income

[2] Including interest expense

Note 5 – Risks and risk management

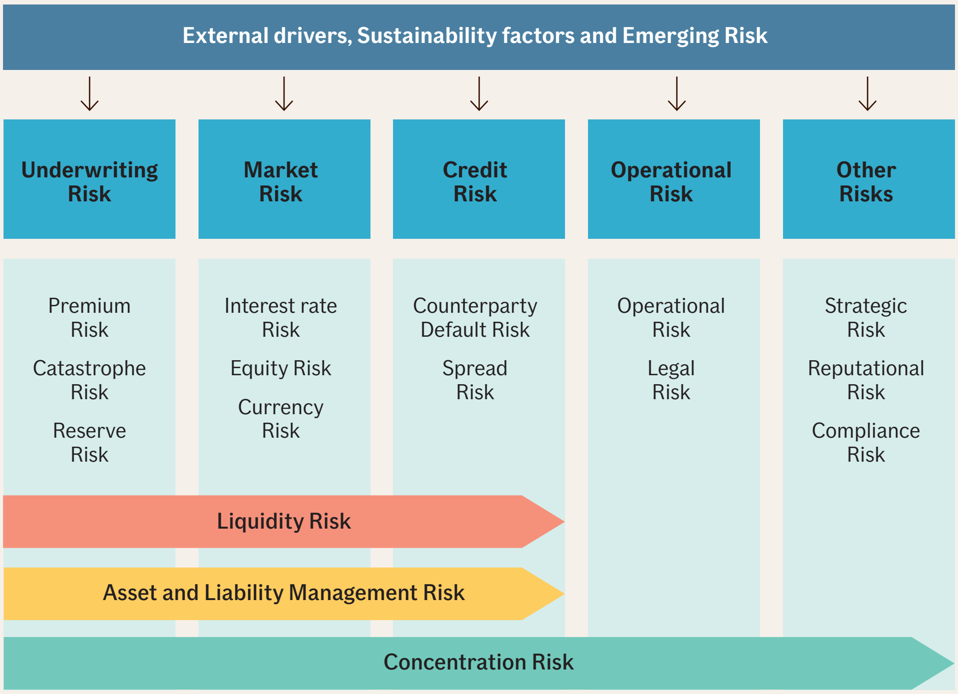
Risk Management System

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

The Risk Management System comprises strategies, processes and reporting procedures necessary to continuously identify, 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 are: underwriting risk, market risk, credit risk and operational risk. External drivers, sustainability factors and emerging risk have a potential impact on all risk categories, see Figure 1. Each key risk is subject to a dedicated risk management process.

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

Figure 1 – Risks encompassed in the Risk Management System



Risk strategy

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

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

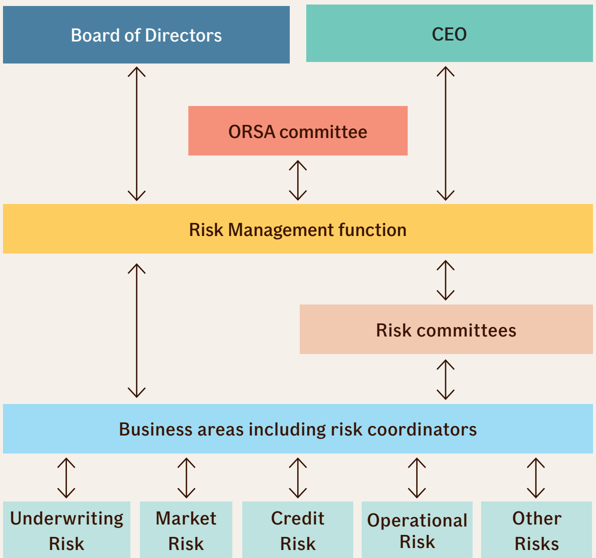
Risk management process

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

Reporting structure and risk governance

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

Figure 2 – Risk management reporting structure



Board of Directors

The Board of Directors is the corporate body responsible for risk control, internal control, and for ensuring that If P&C Insurance Ltd 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 a sound risk culture.

Committees in the Risk Management System

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

There are also additional committees in place for key risk areas. These committees have the responsibility to monitor that risks are identified and managed in accordance with the steering documents. The chairmen of the committees are responsible for the reporting to the ORSA committee. The committees also monitor the effectiveness of the steering documents and give input with respect to changes and updates, if needed. None of the 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 P&C Insurance Ltd and consists of the CRO, the risk control unit and the capital management unit. The function is responsible for coordinating the risk management activities on behalf of the Board of Directors and the CEO.

Line organization

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

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

Capital management

If P&C Insurance Ltd 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 the risk-appetite statement of If P&C Insurance Ltd, which provides further details on risk preferences and risk tolerances. These are established through steering documents decided by the Board of Directors. The risk profile, capital requirements and available capital are measured, analyzed and reported to the ORSA committee and the Board of Directors on a quarterly basis, or more often when deemed necessary.

In order to maintain a sufficient level of capital, If P&C Insurance Ltd:

- 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; and
- Assures its dividend capacity through the effective use of reinsurance, group synergies and diversification benefits.

Risk and capital modelling

In order to assess the overall risk profile, 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 P&C Insurance Ltd has an internal model to calculate economic capital for underwriting risk and market risk. Through simulations of both insurance and investment operations, the effect of for example reinsurance structures and investment allocations are 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 the Investment Policy and limits; and
- Evaluation of risks over the business planning horizon.

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

Capital position

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

Regulatory measures

Insurance is a regulated business with EU common rules for calculating capital requirements and available capital. The partial internal model (PIM) is used to calculate the solvency capital requirement (SCR) for the majority of the insurance risk, while other risks are calculated using the standard formula. The company fulfilled regulatory capital requirements during 2019.

Table 1 – Regulatory capital measures

MSEK	2019	2018
SCR	15,186	14,205
Own funds	25,358	24,269

Internal economic measures

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

Risks

Underwriting risk

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

Premium risk and catastrophe risk

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

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

Risk management and control

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

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

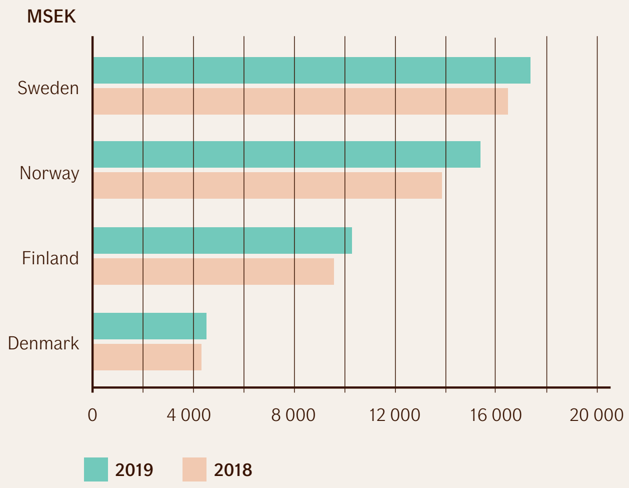
A Group-wide reinsurance program has been in place in If P&C Insurance Ltd since 2003. In 2019, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

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 P&C Insurance Ltd mainly underwrites insurance policies in Sweden, Norway, Finland and Denmark. The company 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 2019**	**Change**	**2019**	**2018**
Combined ratio	84.9%	+/- 1 percentage point	+/- 445	+/- 422
Premium level	44,490	+/- 1%	+/- 445	+/- 422
Claims level	30,720	+/- 1%	+/- 307	+/- 293

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 sheet 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 claims 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 decides on the guidelines governing the calculation of technical provisions. The Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient.

The actuarial estimates are based on historical claims data and exposures that are available at the closing date. 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, 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 own estimations of costs for various types of claims.

Risk exposure

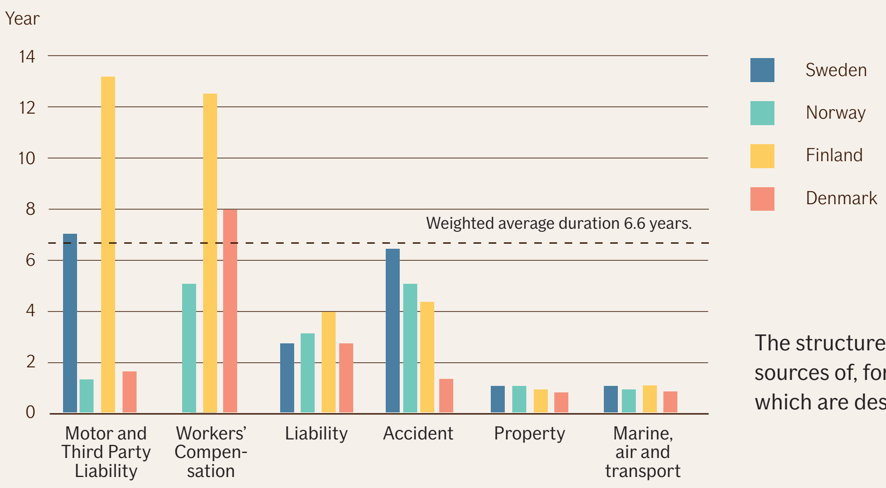
For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2019, the proportion of technical provisions related to MTPL and WC was 54%. 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	2019	2018	2019	2018	2019	2018	2019	2018
Motor and Motor Third Party Liability	22,143	23,860	10,661	10,522	5,579	5,399	1,672	1,679
Workers' Compensation	-	-	12,209	12,051	1,943	2,093	2,699	2,590
Liability	2,921	2,685	1,098	1,133	1,189	1,135	803	784
Accident	3,785	3,401	1,770	1,646	4,013	3,820	1,046	990
Property & Other	4,233	4,407	2,494	2,435	5,146	4,778	1,077	1,089
Marine, air and transport	266	226	83	127	378	412	179	287
Total	**33,347**	**34,578**	**28,315**	**27,914**	**18,247**	**17,637**	**7,476**	**7,420**

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

Figure 4 – Duration of technical provisions 2019



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. The result of changes in the technical provisions will be a corresponding change in claims incurred.

Table 4 – Sensitivity analysis, reserve risk

Portfolio	Risk	Change in Risk parameter	Country	2019 Effect MSEK	2018 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,646	1,891
			Denmark	127	158
			Norway	526	497
			Finland	349	347
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	710	681
			Denmark	186	156
			Finland	3,128	3,005
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	256	248
			Denmark	18	17
			Finland	700	678

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	2019	2018
Financial assets at fair value		
Financial assets, mandatory at fair value through profit and loss (trading)	140	94
Financial assets, available for sale	103,768	101,850
Loans and receivables [1]	21,354	19,270
Total financial assets	**125,262**	**121,214**
Financial liabilities, mandatory at fair value through profit and loss (trading)	258	45
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	9,542	8,313
Total financial liabilities	**9,800**	**8,358**

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

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

Table 6 – Investment assets categorized from an asset management perspective

MSEK	Investment assets and derivative liabilities		Assets under active management		Assets under active management categorized From an asset management perspective					
					Fixed income		Equity		Properties	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Land and buildings	**35**	**44**	**35**	**44**					**35**	**44**
Investments in associated companies										
Financial assets, mandatory at fair value through profit and loss (trading)										
Derivatives [1]	140	94	140	94	9		0	0		
Financial assets, available for sale										
Shares and participations	13,516	11,561	13,516	11,561			13,516	11,561		
Bonds and other interest-bearing securities	90,252	90,289	90,252	90,289	90,252	90,289				
Loans										
Other loans	1,874	995	1,874	995	1,874	995				
Total other financial investment assets	**105,782**	**102,939**								
Deposits with ceding undertakings	**7**	**7**								
Total investment assets	**105,825**	**102,990**								
Other assets										
Cash and bank			1,323	1,396	1,323	1,396				
Collaterals and settlement claims			228	66	172	12	56	54		
Accrued income			431	452	431	452				
Assets under active management			**107,799**	**104,898**	**94,061**	**93,144**	**13,572**	**11,616**	**35**	**44**
Financial liabilities, mandatory at fair value through profit and loss (trading)										
Derivatives [2]	258	45	258	45	11	18				
Total derivative liabilities	**258**	**45**								
Financial liabilities valued at the amount expected to be settled										
Collaterals and settlement liabilities			24	81	24	81				
Accruals			2	1	2	1				
Liabilities under active management			**284**	**128**	**37**	**101**				
Assets under active management, net			**107,515**	**104,770**	**94,024**	**93,043**	**13,572**	**11,616**	**35**	**44**

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 131 (94).

[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 247 (27).

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 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 the 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 specifies 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

The investment operations generated a return of 5.3% in 2019. Investment assets amounted to MSEK 107,631. The main market risks are interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of values to changes in key risk factors.

During the year, the proportion of equity investments increased from 11.1% to 12.6%. The proportion of fixed income investments decreased from 88.9% to 87.4%.

Table 7 – Allocation of assets under active management, from an asset management perspective

MSEK	2019 Carrying amount	2019 %	2018 Carrying amount	2018 %
Fixed income	94,024	87.4	93,043	88.9
Equities	13,572	12.6	11,616	11.1
Properties	35	0.0	44	0.0
Total	**107,631**	**100**	**104,703**	**100**

Currency derivatives amounting to net MSEK -116 (67) are excluded from the allocation of assets under active management.

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 per 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

	2019				2018			
	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	2	-2			1	-1		
Long-term fixed income	1,344	-1,298			1,457	-1,410		
Equities			-2,714				-2,323	
Other financial assets				-7				-9
Liabilities								
Derivatives	-53	50			-15	14		
Total change in fair value	**1,292**	**-1,249**	**-2,714**	**-7**	**1,443**	**-1,397**	**-2,323**	**-9**
Effect recognised in profit/loss	**-53**	**50**	**-**	**-7**	**-15**	**14**	**-**	**-9**
Effect recognised in equity	**1,292**	**-1,249**	**-2,714**	**-7**	**1,443**	**-1,397**	**-2,323**	**-9**

Interest rate risk

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

Risk management and control

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

Risk exposure

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

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

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 4, in the reserve risk section. The 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 1.3 at year-end 2019 (1.4). The duration of fixed income investments is shown in Table 9.

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

	2019			2018		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Short-term fixed income	2,596	2.8	0.1	2,177	2.3	0.1
Scandinavia, long-term government and corporate securities	71,213	75.7	1.1	66,046	71.0	1.3
Scandinavia, index-linked bonds	190	0.2	0.9	655	0.7	1.9
Europe, long-term government and corporate securities	15,727	16.7	1.9	15,851	17.0	1.8
USA, long-term government and corporate securities	2,840	3.0	2.3	6,190	6.7	2.0
Global, long-term government and corporate securities	1,458	1.6	3.5	2,124	2.3	2.3
Total	**94,024**	**100**	**1.3**	**93,043**	**100**	**1.4**

Equity risk

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

Risk management and control

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

Table 10 – Breakdown of equity investments by industry sectors

	2019		2018	
MSEK	Carrying amount	%	Carrying amount	%
Industrials	4,464	48.9	3,704	46.9
Consumer Discretionary	2,198	24.1	1,960	24.8
Health Care	857	9.4	598	7.6
Materials	754	8.3	609	7.7
Telecommunication Services	624	6.8	651	8.2
Energy	174	1.9	260	3.3
Consumer Staples	59	0.6	113	1.4
Financials	4	0.0	4	0.0
Total	**9,134**	**100**	**7,899**	**100**

The sector allocation of equity excludes investments made through ETF's, mutual and private equity funds of MSEK 4,438 (3,717).

Table 11 – Breakdown of equity investments by geographical regions

	2019		2018	
MSEK	Carrying amount	%	Carrying amount	%
Scandinavia	9,041	67.5	7,899	69.2
Far East	1,527	11.4	1,235	10.8
Europe	1,455	10.9	1,149	10.1
North America	872	6.5	877	7.7
Latin America	499	3.7	262	2.3
Total	**13,394**	**100**	**11,422**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 178 (194).

Risk exposure

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, the exposure amounted to MSEK 13,572 and the proportion of equities in the investment portfolio was 12.6%.

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

Risk exposure

The 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 2019**	**EUR**	**NOK**	**DKK**	**GBP**	**USD**	**JPY**	**Other**
Investments	24,146	21,863	1,362	1	4,733	1	8
Derivatives	9,889	-1,179	7,100	18	-3,600	0	115
Insurance operations	-34,304	-20,535	-8,330	-30	-1,498	-6	-204
Open position (SEK)	-269	149	132	-11	-364	-5	-82
10% depreciation of foreign currency against SEK	27	-15	-13	1	36	0	8
Effect recognized in profit/loss	67	39	-13	1	48	0	8
Effect recognised in equity	27	-15	-13	1	36	0	8

MSEK **Currency 2018**	**EUR**	**NOK**	**DKK**	**GBP**	**USD**	**JPY**	**Other**
Investments	20,107	21,693	808	18	15,659	1	7
Derivatives	12,367	474	7,614	0	-14,316	0	202
Insurance operations	-33,626	-21,244	-8,268	-33	-1,385	-4	-223
Open position (SEK)	-1,153	924	154	-15	-43	-3	-15
10% depreciation of foreign currency against SEK	115	-92	-15	2	4	0	1
Effect recognized in profit/loss	93	-27	-17	2	-26	0	1
Effect recognised in equity	115	-92	-15	2	4	0	1

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 spread risk, counterparty default risk or market risk concentrations.

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

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

Credit risk in investment operations

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

Additional risks, stemming either from lack of diversification in the asset portfolio or from 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 the Investment Policy. In the policy, limits are set for maximum exposures towards single issuers, type of debt category and per rating class. The spread risk is further limited by sensitivity restrictions for instruments sensitive to spread changes.

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

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

Risk exposure

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

Table 13 – Exposures by sectors, asset classes and rating category 2019

	Fixed income											
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	Not rated	Total [1]	Equities	Proper-ties	Derivatives (Counter-party risk)	Total [2]	Change compared with Dec 31, 2018
Basic Industry			157	783	214	38	**1,192**	408			**1,600**	226
Capital Goods			585	320	103	1,023	**2,031**	4,745			**6,776**	1,563
Consumer Products			1,628	2,456	160	732	**4,976**	2,313			**7,288**	-655
Energy					359	1,246	**1,605**	82			**1,687**	-1,431
Financial Institutions	385	8,277	10,174	7,104	877	343	**27,160**			34	**27,195**	1,608
Governments	95						**95**				**95**	-1,271
Government Guaranteed	95	256					**350**				**350**	8
Health Care	74		106	230		369	**779**	852			**1,631**	63
Insurance			398	805	167	438	**1,808**				**1,808**	194
Media						162	**162**				**162**	-55
Packaging						128	**128**				**128**	75
Public Sector, Other	4,940	483					**5,422**				**5,422**	-1,272
Real Estate		56	788	2,484	573	5,675	**9,575**		35		**9,610**	2,125
Services				418	713	306	**1,437**				**1,437**	-251
Technology and Electronics			191	77	92	1,095	**1,455**				**1,455**	449
Telecommunications			202	1,272	500		**1,974**	624			**2,598**	-172
Transportation		569	252	301		2,410	**3,533**	10			**3,543**	877
Utilities			620	987	1,203	298	**3,108**				**3,108**	-387
Covered Bonds	25,737	723	119				**26,579**				**26,579**	26,194
Funds							**-**	4,437			**4,437**	-22,068
Others		252				259	**511**	100			**611**	-3,106
Total	**31,325**	**10,616**	**15,220**	**17,237**	**4,961**	**14,521**	**93,880**	**13,572**	**35**	**34**	**107,521**	**2,715**
Change compared with Dec 31, 2018	-2,092	-576	-1,094	1,285	1,144	2,080	748	1,956	-9	20	2,715	

[1] Total fixed income exposure differs by MSEK -144 from the corresponding financial assets and liabilities in Table 6 because other derivatives and collaterals are excluded.

[2] Total equity exposure differs by MSEK -109 from the corresponding financial assets and liabilities in Table 6 because derivatives are exckluded.

Credit risk in reinsurance operations

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

Risk management and control

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

Risk exposure

The distribution of recoverables and receivables concerning ceded reinsurance is presented in Table 14. In the table, MSEK 1,412 (1,448) is excluded, which mainly relates to captives and statutory pool solutions.

Table 14 – Reinsurance recoverables

MSEK Rating (S&P)	2019	%	2018	%
AAA	-	-	-	-
AA	623	64.4	520	63.7
A	336	34.7	290	35.4
BBB	6	0.6	6	0.7
BB - CCC	-	-	-	-
Not rated	3	0.3	1	0.1
Total	**968**	**100**	**818**	**100**

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

Table 15 – Ceded treaty and facultative reinsurance premiums per rating category

MSEK Rating (S&P)	2019	%	2018	%
AAA	-	-	-	-
AA	344	59.2	325	61.4
A	237	40.8	204	38.6
BBB	-	-	-	-
BB - CCC	-	-	-	-
Not rated	-	-	-	-
Total	**581**	**100**	**529**	**100**

Asset and Liability Management risk

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

Risk management and control

ALM is taken into account through the risk appetite framework and is governed by the 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 P&C Insurance Ltd 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 P&C Insurance Ltd is exposed to changes in inflation and nominal interest rates.

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

Liquidity risk

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

Risk management and control

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

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

Risk exposure

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 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

2019 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2020	2021	2022	2023	2024	2025-2034	2035-
Financial assets	125,263	*15,011*	*110,252*	32,026	22,094	19,603	14,690	18,385	8,687	-
Derivative liabilities	-258	-	*-258*	-275	-12	-	-	-	-	-
Other financial liabilities	-8,285	*-24*	*-8,261*	-69	-1,218	-	-	-	-	-
Net technical provisions	-87,385	*-87,385*	-	-30,903	-10,099	-5,979	-4,238	-3,404	-19,231	-17,585

2018 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2019	2020	2021	2022	2023	2024-2033	2034-
Financial assets	121,214	*12,970*	*108,244*	-29,677	-19,685	-25,847	-19,113	-10,579	-8,194	-
Derivative liabilities	-45	-	-45	-59	-7	-5	-	-	-	-
Other financial liabilities	-8,313	*-81*	*-8,187*	-7,325	-68	-1,196	-	-	-	-
Net technical provisions	-87,550	*-87,550*	-	-29,879	-10,626	-5,974	-4,116	-3,377	-19,726	-19,226

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 the 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 1,676 (1,528), representing 70% (67%) of the total reinsurance recoverables. Out of the ten largest reinsurance recoverables, 34% were from at least A-rated reinsurers, while the rest were from non-rated captives.

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 2019

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank Oyj	-	4,789	2,618	202	-	7,610
Svenska Handelsbanken AB	-	5,066	335	0	-	5,401
Kingdom of Norway	-	0	4,859	0	-	4,859
DnB ASA	-	2,019	2,394	0	-	4,413
Swedbank AB	-	2,892	957	1	-	3,850
Danske Bank A/S, Copenhagen	-	1,565	897	60	-	2,522
Landshypotek Bank AB	-	1,957	551	0	-	2,509
Volvo AB	1,395	0	887	0	-	2,283
Swedish National Housing Finance Corporation	-	737	1,444	0	-	2,181
Skandinaviska Enskilda Banken, Stockholm	-	1,846	57	53	-	1,956
Total top ten exposures	**1,395**	**20,870**	**15,000**	**316**	**-**	**37,582**

The ten largest exposures amount to MSEK 37,582 (37,874), representing 35% (36) of the investment assets under active management.

Operational risk

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

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

If P&C Insurance Ltd 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 P&C Insurance Ltd 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. 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, of the market and of regulatory changes.

The Corporate Control and Strategy unit is responsible for coordinating and facilitating strategic risk assessments within If. The strategy process for If P&C Insurance Ltd 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, mitigating, monitoring and reporting compliance risk exposure. Compliance risks identified by the business areas and Corporate functions are reported to the Compliance function. Business area leaders and the IT function report twice a year while Corporate functions report once a year. Compliance risks are also reported when deemed necessary. The risks are signed-off by the Head of business areas/Corporate functions in accordance with the OCRA process.

Reputational risk

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

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

Risk management and control

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

Some processes are especially sensitive to reputational risk, such as marketing and claims handling. Individual incidents can also receive high attention in media. Professional handling and communication are key to mitigate the risk. There are established procedures for customer complaints and incident reporting. If P&C Insurance Ltd also provides training for employees in ethical guidelines and how potential reputational risks should be handled. What is written about If P&C Insurance Ltd 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 risk of a potentially large accumulation of emerging risks that could negatively affect the long-term solvency, Risk Management has established the Emerging Risk Core Team, consisting of key persons from the various business areas who meet regularly. This team follows up and analyses important emerging risks factors 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 lack of adaptation to climate changes, cyber risks, nanotechnology and terrorism.

Notes to the income statement

Note 6 – Performance analysis per line of insurance

2019 MSEK	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Premiums earned, net of reinsurance	1,104	152	2	2,498	1,120	570	147	7,083
Allocated investment return transferred from the non-technical account	-	-	-	-	-	-	-	-
Other technical income	-	-	-	-	-	-	-	-
Claims incurred, net of reinsurance	-885	-145	-2	-1,663	-781	-21	-79	-5,301
Operating expenses	-178	-24	0	-283	-168	-86	-22	-856
Technical result from property and casualty insurance	**41**	**-17**	**0**	**551**	**170**	**463**	**45**	**926**
Prior-year claims result	39	-29	-1	36	13	316	-4	-82
Provision for unearned premiums and unexpired risks	516	37	0	1,332	526	311	62	5,295
Provision for claims outstanding	3,053	83	0	911	921	1874	132	761
Technical provisions (gross)	**3,569**	**120**	**0**	**2,244**	**1,447**	**2,185**	**194**	**6,056**
Provision for unearned premiums and unexpired risks	-7	-0,1	-	-	-26	-63	-	-15
Provision for claims outstanding	-5	-0,1	-	-1	-125	-243	-	-2
Reinsurers' share of technical provisions	**-12**	**0**	**0**	**-1**	**-151**	**-305**	**-**	**-17**

	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	13	1,660	386	344	15,078	28,292	1120	44,490
Allocated investment return transferred from the non-technical account	-	-	-	-	-	162	3	165
Other technical income	-	-	-	417	417	-	0	417
Claims incurred, net of reinsurance	-9	398	-424	-286	-9,199	-20623	-898	-30,720
Operating expenses	0	-381	-66	-533	-2,596	-4797	-184	-7,577
Technical result from property and casualty insurance	**4**	**1,678**	**-104**	**-58**	**3,700**	**3034**	**41**	**6,775**
Prior-year claims result	-	1,654	-43	-2	1,896	417	-312	2,002
Provision for unearned premiums and unexpired risks	10	790	169	180	9,227	11,877	493	21,598
Provision for claims outstanding	2	15,308	234	22	23,302	42,776	1,877	67,956
Technical provisions (gross)	**12**	**16,098**	**403**	**202**	**32,529**	**54,654**	**2,371**	**89,553**
Provision for unearned premiums and unexpired risks	-	0	-24	-	-135	-272	-109	-516
Provision for claims outstanding	-	-7	-14	-	-396	-748	-508	-1,653
Reinsurers' share of technical provisions	**-**	**-7**	**-38**	**-**	**-532**	**-1,020**	**-617**	**-2,168**

Supplementary disclosures to performance analysis

2019 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	1,161	156	2	2,605	1,419	853	149	7,244
Premiums ceded	-16	0	-	-48	-264	-240	0	-28
Change in provision for unearned premiums and unexpired risks	-46	-4	-	-60	-41	-29	-2	-134
Reinsurers' share of change in provision for unearned premiums and unexpired risks	5	0	-	0	5	-14	-	1
Total	**1,104**	**152**	**2**	**2,498**	**1,120**	**570**	**147**	**7,083**

	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums written, gross	16	1,591	528	346	16,070	29,969	1,427	47,466
Premiums ceded	-	-3	-140	0	-738	-1,095	-259	-2,091
Change in provision for unearned premiums and unexpired risks	-3	72	-1	-1	-248	-640	-67	-956
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-	-	-2	0	-6	58	19	71
Total	**13**	**1,660**	**386**	**344**	**15,078**	**28,292**	**1,120**	**44,490**

Supplementary disclosures to performance analysis, continued

2019 MSEK **Claims incurred, net of reinsurance**	**Accident and health**	**Healthcare**	**Security**	**Householders and homeowners**	**Commercial and real estate**	**Liability**	**Legal protection**	**Motor**
Claims paid								
Gross	-580	-124	-2	-1,709	-1,127	-339	-66	-5,227
Reinsurers' share	7	0	-	1	126	50	-	15
Change in provisions for claims outstanding								
Gross	-313	-21	0	46	220	394	-13	-89
Reinsurers' share	0	0	0	0	0	-126	0	0
Total	**-885**	**-145**	**-2**	**-1,663**	**-781**	**-21**	**-80**	**-5,301**

	Assistance	**Motor, third party liability**	**Marine, air and transport**	**Other property**	**Total Swedish direct insurance**	**Direct insurance abroad**	**Reinsurance accepted**	**Total**
Claims paid								
Gross	-7	-1,539	-464	-286	-11,469	-22,065	-971	-34,505
Reinsurers' share	-	2	103	-	305	482	262	1049
Change in provisions for claims outstanding								
Gross	-2	1,936	-46	-1	2111	865	-154	2,822
Reinsurers' share	-	0	-18	-	-146	96	-36	-86
Total	**-9**	**398**	**-425**	**-286**	**-9,199**	**-20,623**	**-898**	**-30,720**

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

		2019			**2018**	
MSEK	**Gross[1]**	**Ceded**	**Net**	**Gross[1]**	**Ceded**	**Net**
Premiums written	47,466	-2,091	45,375	44,141	-1,788	42,353

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

Sweden	16,476	15,711
Rest of EEA	29,575	27,287
Total	**46,052**	**42,999**

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

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

	2019		2018	
	Annuities	**Other provisions**	**Annuities**	**Other provisions**
Sweden/SEK	1.3%	0.0%	1.7%	0.0%
Norway/NOK	2.0%	0.9%	2.3%	0.7%
Denmark/DKK	0.4%	0.0%	0.9%	0.0%
Finland/EUR	1.2%	0.0%	1.2%	0.0%

Note 9 – Claims incurred

	2019			2018		
MSEK	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims costs attributable to current-year operations						
Claims paid	-18,546	325	-18,222	-17,204	183	-17,021
Operating expenses for claims adjustment	-2,624	-	-2,624	-2,431	-	-2,431
Change in claims reserve for incurred and reported losses	-6,526	226	-6,300	-6,930	331	-6,599
Change in claims reserve for incurred but not reported losses (ibnr)	-5,820	97	-5,723	-5,070	43	-5,027
Change in annuities reserve	-41	-	-41	-73	-	-73
Change in reserves for claims adjustment	187	-	187	98	-	98
			-32,722			**-31,053**
Claims costs attributable to prior-year operations						
Claims paid	-12,032	724	-11,308	-10,239	412	-9,827
Annuities	-1,589	-	-1,589	-1,216	-	-1,216
Claims portfolios	17	-	17	-	-	-
Change in claims reserve for incurred and reported losses	7,391	-362	7,029	5,935	-191	5,744
Change in claims reserve for incurred but not reported losses (ibnr)	7,900	-47	7,852	7,364	-335	7,029
			2,002			**1,731**
Total insurance claims	**-31,683**	**963**	**-30,720**	**-29,766**	**444**	**-29,322**
Insurance claims paid						
Claims paid	-30,578	1,049	-29,529	-27,443	596	-26,847
Annuities paid	-1,320	-	-1,320	-1,355	-	-1,355
Claims portfolios	17	-	17	-	-	-
Operating expenses for claims adjustment	-2,624	-	-2,624	-2,431	-	-2,431
	-34,505	**1,049**	**-33,456**	**-31,228**	**596**	**-30,633**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	865	-136	730	-995	140	-854
Change in claims reserve for incurred but not reported losses (ibnr)	1,038	50	1,088	2,201	-292	1,909
Change in claims provision for annuities	731	-	731	159	-	159
Change in reserves for claims adjustment	187	-	187	98	-	98
	2,822	**-86**	**2,736**	**1,463**	**-152**	**1,311**
Total insurance claims	**-31,683**	**963**	**-30,720**	**-29,766**	**444**	**-29,322**

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	2019	2018
Specification of operating expenses		
External acquisition costs [1]	-1,452	-1,463
Internal acquisition costs	-3,606	-3,263
Change in deferred acquisition costs, gross	80	-11
Administrative expenses, insurance	-2,229	-2,204
Total operating expenses in insurance operations, gross	**-7,206**	**-6,941**
Reinsurance commission and profit participation in ceded insurance	153	124
Change in deferred acquisition costs, ceded	-9	-1
Total reinsurance commission and profit participation in ceded insurance	**144**	**123**
Other operating expenses/other technical expenses [2]	-516	-418
Total	**-7,577**	**-7,236**
[1] Of which, commissions in direct insurance	*-971*	*-1,397*
[2] Of which related to Swedish Motor Insurers business	*-70*	*-35*
Summary of total operating expenses		
Salaries and remuneration	-4,092	-3,771
Social security costs	-865	-795
Pension costs	-692	-663
Other personnel costs	-238	-215
Total personnel costs	**-5,887**	**-5,444**
Premises costs	-427	-413
Depreciation	-98	-139
External acquisition costs	-1,452	-1,463
Other administration costs	-2,749	-2,529
Total	**-10,613**	**-9,988**

MSEK	2019	2018
Distribution of operating expenses In income statement		
Claims-adjustment costs included in claims paid	-2,624	-2,431
External and internal acquisition costs included in operating expenses for insurance operations	-5,058	-4,726
Shared administration costs for insurance operations included in operating expenses in insurance operations	-2,229	-2,204
Administration costs pertaining to other technical operations included in other operating expenses/other technical expenses	-516	-418
Investment costs included in investment charges	-187	-209
Total	**-10,613**	**-9,988**

MSEK	2019	2018
Other technical expenses related to Swedish Motor Insurers (TFF) business		
If´s share of fees to swedish motor insurers	107	104
If´s share of claims cost	-184	-163
If´s share of operating expenses	-51	-47
If´s share of financial income and other income	56	54
Net expense calculated for TFF current year	**-72**	**-52**
Adjustment due to settlement regarding TFF preceding year [1]	2	17
Total other technical expenses related to TFF business	**-70**	**-35**

[1] For the year 2018, in addition to the adjustment for the previous year, this entry also include repayment of MSEK 6.7 for the years 2015-2016.

Not 11 – Average number of employees

	2019		2018	
	Average number of employees	***Of whom, women %***	**Average number of employees**	***Of whom, women %***
Sweden [1]	2,194	*51*	2,047	*50*
Finland	1,728	*63*	1,712	*63*
Denmark	602	*49*	597	*48*
France	6	*33*	6	*33*
Netherlands	5	*62*	6	*51*
Norway	1,335	*48*	1,297	*48*
United kingdom	6	*50*	6	*51*
Germany	5	*26*	6	*33*
Latvia	172	*26*	137	*26*
Estonia	143	*93*	119	*93*
Total	**6,196**	***54***	**5,932**	***54***

[1] Agents are not included. If has 13 (16) spare-time agents in Sweden.

Percentage of women in executive management	2019	2018
Board of directors	0%	0%
Other senior executives	30%	17%

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

MSEK **Expensed salaries, remuneration, pension and social security fees**	**2019**	**2018**
Salaries and remuneration	4,092	3,771
Pension costs	692	663
Social fees	865	795
Total	**5,649**	**5,229**

MSEK **Expensed salaries and remuneration**	**2019**	**2018**
Senior executives [1]	67	66
of which incentive schemes and other variable compensation [2]	*35*	*25*
Other employees	4,025	3,705
Total	**4,092**	**3,771**

[1] Senior executives are defined as board members, presidents and vice president. The amounts for salary and remuneration also include severance pay of MSEK - (-).

[2] Regardless of the earnings year.

Principles for determining remuneration of senior executives

Director fees are in principle 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 fixed salary, annual variable compensation, units in long-term incentive schemes, pension and other benefits. The maximum annual variable compensation payable to the President is 50% of the annual fixed salary. The maximum annual variable compensation payable to other senior executives is 50-75% of the annual fixed salary. The annual variable compensation is based on the If Group results, business unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the annual variable compensation is also based on Sampo Group results. A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Board shall evaluate and, if needed, risk adjust the deferred compensation before any payment is made.

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

KSEK **Remuneration and other benefits during 2019**	**Basic salary/ Directors Fee**	**Variable payments**	**Payments pertaining to incentive schemes** [1]	**Other benefits**	**Pension costs**	**Total**
Chairman of the Board Morten Thorsrud [2]	5,157	1,511	5,530	39	1,538	13,775
Chairman of the Board Torbjörn Magnusson [3]	624	-	-	2	390	1,016
President Måns Edsman [2]	2,044	528	2,586	81	690	5,929
President Ricard Wennerklint [3]	342	-	-	2	273	617
Board member Jouko Oksanen	63	-	-	-	-	63
Board member Dag Rehme	2,500	1,038	4,310	211	1,200	9,259
Senior executives (10 individuals)	19,327	6,270	29,204	1,001	6,788	62,590
Total	**30,057**	**9,347**	**41,630**	**1,336**	**10,879**	**93,249**

[1] For more information, refer to Long-term incentive schemes below.
[2] Amount presented are total remuneration paid and benefits provided during 2019 regardless position within the Group management team and the Board.
[3] Amount presented are total remuneration paid and benefits provided until february 7, 2019.

KSEK **Remuneration and other benefits during 2018**	**Basic salary/ Directors Fee**	**Variable payments**	**Payments pertaining to incentive schemes** [1]	**Other benefits**	**Pension costs**	**Total**
Chairman of the Board Torbjörn Magnusson	6,646	4,785	12,716	18	3,748	27,913
President Ricard Wennerklint	4,111	2,854	7,630	19	2,321	16,935
Vice President Måns Edsman	1,591	480	3,052	75	540	5,738
Board member Jouko Oksanen	63	-	-	-	-	63
Board member Dag Rehme	2,488	1,096	5,087	213	1,131	10,015
Board member Knut Arne Alsaker	2,784	1,702	6,613	195	2,051	13,345
Senior executives (9 individuals)	19,041	9,265	35,123	1,097	5,368	69,894
Total	**36,724**	**20,182**	**70,221**	**1,617**	**15,159**	**143,903**

KSEK **Provision expensed during 2019 for disbursement during future years**	**Variable rennumeration**	**Incentive schemes**	**Total**
Chairman of the Board Morten Thorsrud	3,628	1,604	5,232
Chairman of the Board Torbjörn Magnusson	-	-	-
President Måns Edsman	900	899	1,799
President Ricard Wennerklint	-	-	-
Board member Jouko Oksanen	-	-	-
Board member Dag Rehme	1,103	1,010	2,113
Senior executives (6 individuals)	8,062	6,151	14,213
Summa	13,693	9,664	23,357

KSEK **Provision expensed during 2018 for disbursement during future years**	**Variable rennumeration**	**Incentive schemes**	**Total**
Chairman of the Board Torbjörn Magnusson	4,404	-352	4,052
President Ricard Wennerklint	2,693	-306	2,387
Vice President Måns Edsman	556	-121	435
Board member Dag Rehme	1,082	-232	850
Board member Knut Arne Alsaker	1,799	-1,507	292
Senior executives (9 individuals)	7,926	-1,601	6,325
Summa	**18,460**	**-4,119**	**14,341**

Pensions

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

Sweden

Swedish senior executives are entitled to an individually agreed Defined Contribution pension plan or collectively agreed pension according to FTP1. The retirement age for all senior executives is 65.

Individually agreed pension plan

The annual premium corresponds to 38% of the annual fixed salary and 25% of paid annual variable compensation.

FTP1

One senior executive is covered by the FTP1 plan. On salary levels below 7.5 Swedish income base amount (IBA) the contribution for 2019 is 5.1% and on salary above 7.5 IBA, the contribution for 2019 is 30.8%.

Norway

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

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

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

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

Denmark

The Danish senior executive is covered by a defined contribution pension plan. The contribution corresponds to 22.7% of the annual fixed salary and 25 % of paid annual variable compensation.

The retirement age is flexible.

Severance pay

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

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

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

KSEK **Outstanding units and their values 2019**	**Number of units**	**Maximum amount**	**Reserved amount**
Chairman of the Board Morten Thorsrud	127,000	32,439	2,282
Chairman of the Board Torbjörn Magnusson [1]	-	-	-
President Måns Edsman	80,000	19,891	1,234
President Ricard Wennerklint [1]	-	-	-
Board member Jouko Oksanen	-	-	-
Board member Dag Rehme	80,000	20,434	1,437
Senior executives (7 individuals)	487,000	124,392	8,751
Others covered by the incentive schemes	1,102,875	280,997	19,832
Total	**1,876,875**	**478,153**	**33,536**

[1] Variable remuneration and incentive programs are not funded by If P&C Insurance Ltd in the coming years.

The expensed cost of the incentive program during the year amounted to MSEK 49 (16).

Not 13 – Auditors' fees

MSEK	2019	2018
KPMG		
Audit fees	16	17
Audit fees outside the audit assignment	0	-
Tax consultancy fees	0	-
Other consultancy fees	1	-
Total fee to KPMG	**17**	**17**

MSEK	2019	2018
Ernst & Young AB		
Audit fees	-	1
Audit fees outside the audit assignment	-	-
Tax consultancy fees	-	1
Other consultancy fees	0	0
Total fee to Ernst & Young AB	**0**	**2**

Note 14 – Performance analysis per class of insurance

2019 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	8,122	5,356	14,045	1,141	13,173	2,372	20
Premiums earned, gross	7,989	5,394	13,735	1,128	12,863	2,274	21
Claims incurred, gross	-5,852	-1,939	-10,557	-917	-8,726	-890	-2
Operating expenses, gross [1]	-1,408	-1,068	-2,094	-184	-1,727	-320	-3
Profit/loss from ceded reinsurance	46	-5	-5	-70	-828	-226	0
Technical result before investment return transferred from the non-technical account	**775**	**2,381**	**1,079**	**-43**	**1,583**	**838**	**16**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	532	16	1,261	46,039	1,427	47,466
Premiums earned, gross	524	13	1,209	45,150	1,360	46,510
Claims incurred, gross	-364	-9	-1,303	-30,560	-1,124	-31,683
Operating expenses, gross [1]	-67	0	-224	-7,095	-210	-7,305
Profit/loss from ceded reinsurance	-1	0	166	-924	11	-913
Technical result before investment return transferred from the non-technical account	**91**	**4**	**-152**	**6,571**	**38**	**6,609**
Allocated investment return transferred from the non-technical account						**165**
Technical result from property and casualty insurance						**6,775**

[1] The item Operating expenses, gross includes other technical income of MSEK 417 (373) and other technical expense of MSEK -516 (-418).

2018 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	7,521	5,275	13,179	1,062	12,191	2,098	24
Premiums earned, gross	7,454	5,379	13,018	1,068	12,187	2,067	24
Claims incurred, gross	-4,917	-3,066	-9,697	-671	-8,839	-1,968	-4
Operating expenses, gross [1]	-1,289	-1,168	-1,878	-177	-1,743	-294	-3
Profit/loss from ceded reinsurance	-22	-6	-5	-104	-620	106	-
Technical result before investment return transferred from the non-technical account	**1,226**	**1,139**	**1,438**	**116**	**985**	**-89**	**17**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	491	6	1,139	42,986	1,155	44,141
Premiums earned, gross	489	6	1,131	42,823	1,132	43,955
Claims incurred, gross	-289	-1	-1,052	-30,504	738	-29,766
Operating expenses, gross [1]	-68	-	-179	-6,799	-187	-6,986
Profit/loss from ceded reinsurance	-1	-	-41	-693	-524	-1,217
Technical result before investment return transferred from the non-technical account	**131**	**5**	**-141**	**4,827**	**1,159**	**5,987**
Allocated investment return transferred from the non-technical account						**128**
Technical result from property and casualty insurance						**6,115**

[1] The item Operating expenses, gross includes other technical income of MSEK 373 (248) and other technical expense of MSEK -418 (-326).

Note 15 – Investment result

MSEK **Investment income**	**2019**	**2018**
Operating surplus, land and buildings		
Rental income	8	23
Operating expenses	-10	-22
Dividend on shares and participations	426	483
Interest income, etc.		
Bonds and other interest-bearing securities	1,645	1,567
Other interest income	72	84
Other interest income, group companies	11	8
Exchange-rate gains, net	79	63
Capital gains, net		
Land and buildings	76	37
Shares and participations	975	1,104
Bonds and other interest-bearing securities	106	165
Derivatives	-	9
Other loans	-	15
Total	**3,390**	**3,535**

MSEK **Unrealized gains on investment assets recognized in the income statement**	**2019**	**2018**
Land and buildings	1	-
Bonds and other interest-bearing securities	5	155
Derivatives	54	-
Total	**60**	**155**

MSEK **Investment charges**	**2019**	**2018**
Asset management costs	-229	-253
Interest costs, etc.		
Derivatives	-9	-9
Other interest costs	-298	-419
Other interest costs, group companies	-10	-13
Capital losses, net		
Bonds and other interest-bearing securities	-	-
Derivatives	-	-
Total	**-546**	**-695**

MSEK **Unrealized losses on investment assets recognized in the income statement**	**2019**	**2018**
Land and buildings	-	-24
Shares and participations	-209	-368
of which, impairment losses	*-209*	*-368*
Bonds and other interest-bearing securities	-	-
of which, impairment losses	-	-
Derivatives	-	-13
Total	**-209**	**-405**

MSEK Reconciliation of value changes of financial assets available for sale	2019	2018
Opening balance, value changes of financial assets available for sale	**3,099**	**6,492**
Unrealized change in value of financial assets available for sale	3,812	-2,357
Changes in value recognized in income statement	-876	-1,056
Translation difference	5	20
Closing balance, value changes of financial assets available for sale	**6,041**	**3,100**
Net value change, financial assets avaiable for sale	2,936	-3,413

	Fair value Dec 31, 2019		Fair value Dec 31, 2018		Return 2019		Return 2018	
Return on investment assets [1]	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Interest-bearing securities	94,024	87	93,043	89	2,250	2,3	1,069	1,1
Equities	13,572	13	11,616	11	3,654	34,1	-1,364	-10,4
Currency (active positions)	16	-	-4	0	24	-	102	-
Currency (other) [2]	-132	-	71	0	79	-	-38	-
Properties	35	-	44	0	75	-	13	-
Other	0	-	0	0	-450	-	-604	-
Total investment assets	**107,515**	**100**	**104,770**	**100**	**5,632**	**5,3**	**-823**	**-0,8**

[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	2019	2018
Subordinated loan, issued in 2011	6.00%	-71	-69
Total		**-71**	**-69**

Note 17 – Goodwill amortization

MSEK	2019	2018
The amortization is primarily related to goodwill attributable to assets and liabilities arising from the formation of If on March 1, 1999 (amortized based on an useful life of 20 years)	-48	-288
Total	**-48**	**-288**

Note 18 – Taxes

MSEK	2019	2018
Current tax	-1,943	-1,781
Deferred tax	16	24
Total tax in the income statement	**-1,927**	**-1,757**
Specification of current taxes		
Swedish entities	-958	-766
Non-Swedish entities	-986	-1,015
Total current tax	**-1,943**	**-1,781**
Specification of deferred tax		
Temporary differences pertaining to goodwill	10	61
Other temporary differences	6	-37
Total deferred tax	**16**	**24**

MSEK	2019	2018
Specification of taxes related to other comprehensive income		
Related to financial assets available-for-sale	-648	750
Other	-25	-72
Total current and deferred tax	**-673**	**678**
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	8,859	7,888
Tax according to current tax rate, 22%	-1,896	-1,735
Permanent differences, net	-38	-29
Adjustment of prior-year taxes	2	3
Different tax rates in foreign units	4	8
Changes in tax rates	-	-4
Reported tax in the income statement	**-1,927**	**-1,757**

Notes to the balance sheet

Note 19 – Intangible assets

MSEK	2019 Goodwill	2019 Other intangible assets	2019 Total intangible assets	2018 Goodwill	2018 Other intangible assets	2018 Total intangible assets
Accumulated acquisition value						
Opening balance	**6,089**	**395**	**6,484**	**5,918**	**305**	**6,223**
Additions	-	103	103	9	105	114
Disposals	-	-20	-20	-	-24	-24
Translation differences	152	7	158	162	9	171
Closing balance	**6,241**	**484**	**6,725**	**6,089**	**395**	**6,484**
Accumulated depreciation and impairment						
Opening balance	**-6,037**	**-165**	**-6,202**	**-5,606**	**-128**	**-5,734**
Amortization and impairments during the year	-49	-23	-72	-288	-57	-345
Disposals	-	20	20	-	24	24
Translation differences	-150	-4	-154	-143	-4	-147
Closing balance	**-6,236**	**-172**	**-6,408**	**-6,037**	**-165**	**-6,202**
Carrying amount, closing balance	**5**	**312**	**317**	**52**	**230**	**282**

An amount corresponding to the carrying amount 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	34	4,734	7,283	43,0 %	-4,4%
Industrial properties and warehouses	0	58	2,890	-	0,0%
Other properties	0	1,817	230	-	7,3%
Total	**35**	**3,370**	**10,403**	**30,1 %**	**-4,3 %**
Preceding year	44	2,028	21,804	16,5 %	17,1%

MSEK **Geographical distribution, carrying amount**	**2019**	**2018**
Finland	35	44
Norway	0	1
Total	**35**	**44**

MSEK	2019	2018
Rental income during the fiscal year	**8**	**23**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	4	14
Operating expenses pertaining to premises that did not generate income during the fiscal year	4	4

MSEK	2019	2018
Carrying amount, opening balance	**44**	**122**
Sales and scrappage	-11	-95
Net changes in current value	1	12
Translation differences	1	6
Carrying amount, closing balance	**35**	**44**

Total future minimum rents	2019	2018
<1 year	2	12
1–5 years	0	9
> 5 years	-	-

Note 21 – Other financial investment assets and derivative liabilities

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

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

MSEK	Acquisition value 2019	Acquisition value 2018	Fair value 2019	Fair value 2018	Carrying amount 2019	Carrying amount 2018
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	15	13	140	94	140	94
Financial assets available for sale						
Shares and participations	9,483	10,260	13,516	11,561	13,516	11,561
Bonds and other interest-bearing securities	90,057	90,672	90,252	90,289	90,252	90,289
Total financial assets, at fair value	**99,556**	**100,945**	**103,908**	**101,944**	**103,908**	**101,944**
Loans [1]						
Other loans	1,874	995	1,882	1,001	1,874	995
Total financial investment assets	**101,430**	**101,940**	**105,790**	**102,945**	**105,782**	**102,939**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	-	258	45	258	45
Total financial liabilities, at fair value	**-**	**-**	**258**	**45**	**258**	**45**

[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 ls 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.

Classification of other financial investment assets in accordance with IFRS 9

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

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

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

MSEK	Fair value 2019	Fair value 2018	Change in fair value
Financial assets, at fair value through profit or loss			
Shares and participations	13,516	11,561	1,955
Bonds and other interest-bearing securities	90,252	90,289	-37
Derivative assets	140	94	46
Total	**103,908**	**101,944**	**1,964**
Financial investment assets at amortized cost			
Deposits with credit institutions	-	-	-
Other loans	1,882	1,001	881
Total	**1,882**	**1,001**	**881**
Total financial investment assets	**105,790**	**102,945**	**2,845**

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

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, 2019 are shown below.

MSEK Type of issuer	Nominal value	%	Fair value	%	Carrying amount	%
Swedish government	66	0%	95	0%	95	0%
Swedish public sector, other	1,979	2%	2,008	2%	2 ,008	2%
Swedish mortgage companies	9,28	10%	9,270	10%	9,270	10%
Swedish financial companies	13,638	15%	13,826	15%	13,826	15%
Other Swedish companies	12,909	14%	13,099	15%	13,099	15%
Foreign governments	311	0%	349	0%	349	0%
Foreign public sector	3,659	4%	3,671	4%	3,671	4%
Foreign financial companies	28,676	32%	28,828	32%	28,828	32%
Other foreign companies	19,431	22%	19,106	21%	19,106	21%
Total	**89,698**	**100%**	**90,252**	**100%**	**90,252**	**100%**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-30	Total
Fair value %, 2019	14	23	21	15	19	4	4	0	-	-	**100**
Fair value %, 2018	14	20	27	20	11	4	2	1	0	-	100

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

Derivatives

MSEK Derivative assets	2019 Fair value	2019 Carrying amount	2019 Nominal amount	2018 Fair value	2018 Carrying amount	2018 Nominal amount
Equity derivatives						
Options	0	0	4	0	0	4
Total equity derivatives	**0**	**0**	**4**	**0**	**0**	**4**
of which, cleared by clearing house	-	-	-	-	-	-
Fixed income derivatives	*9*	*9*	*1,000*	-	-	-
Currency derivatives						
Options	18	18	807	2	2	195
Futures	113	113	16,802	92	92	19,902
Total currency derivatives	**131**	**131**	**17,609**	**94**	**94**	**20,097**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**140**	**140**		**94**	**94**	
Derivative liabilities						
Equity derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Fixed income derivatives						
Swaps	11	11	500	18	18	500
Total fixed income derivatives	**11**	**11**	**500**	**18**	**18**	**500**
of which, cleared by clearing house	*11*	*11*	*500*	*18*	*18*	*500*
Currency derivatives						
Options	-	-	-	-	-	-
Futures	247	247	17,111	27	27	19,876
Total currency derivatives	**247**	**247**	**17,111**	**27**	**27**	**19,876**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**258**	**258**		**45**	**45**	

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

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

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

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

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

Assets and liabilities in the category include shares, listed funds (ETF), equity and interest rate funds and interest-bearing assets that have quoted prices in an active market at the time of valuation. 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 that are valued at level 2 include interestbearing 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 that 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 trading has essentially ceased to exist.

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

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

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

Financial investment assets and derivative liabilities in fair value hierarchy

MSEK	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total fair value	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	9	-	9				
Foreign exchange derivatives	-	131	-	131	-	94	-	94
Financial assets, available for sale								
Shares and participations [1]	13,330	-	186	13,516	11,359	-	202	11,561
Bonds and other interest-bearing securities	62,130	28,122	0	90,252	64,726	25,563	0	90,289
Total financial assets, at fair value	**75,460**	**28,262**	**186**	**103,908**	**76,085**	**25,657**	**202**	**101,944**
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	11	-	11	-	18	-	18
Foreign exchange derivatives	-	247	-	247	-	27	-	27
Total financial liabilities, at fair value	**-**	**258**	**-**	**258**	**-**	**45**	**-**	**45**

[1] Mutual equity funds recognized in the above balances totaled MSEK 4,432 (3,711) of which MSEK 4,347 (3,517) was allocated to level 1 and MSEK 86 (194) to level 3.

Financial investment assets in level 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2019, the assets presented in level 3 amounted to MSEK 186 (202). These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

MSEK 2019	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	202	-	-	-28	97	-90	-	5	186	-
Bonds and other interest-bearing securities	0	-	-	-	-	-	-	-	0	-
Total financial assets, at fair value	**202**	**-**	**-**	**-28**	**97**	**-90**	**-**	**5**	**186**	**-**

MSEK 2018	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	194	-	0	-18	25	-6	-	8	202	-18
Bonds and other interest-bearing securities	0	-	-	0	-	-	-	-	0	0
Total financial assets, at fair value	**194**	-	**0**	**-18**	**25**	**-6**	**-**	**8**	**202**	**-18**

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

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

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

MSEK	2019 Carrying amount	2019 Effect of reasonably possible alternative assumptions	2018 Carrying amount	2018 Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations [1]	186	-37	202	-40
Bonds and other interest-bearing securities	0	0	0	0
Total financial assets, at fair value	**186**	**-37**	**202**	**-40**

[1] Includes holding in equity funds.

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

MSEK ASSETS	2019	2018
Derivatives		
Gross amount of recognized assets	140	94
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**140**	**94**
Amounts not set off but subject to master netting agreements and similar agreements [1)]		
Financial instruments	-89	-27
Cash collateral received	24	81
Net amount	**75**	**148**

MSEK LIABILITIES	2019	2018
Derivatives		
Gross amount of recognized liabilities	258	45
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**258**	**45**
Amounts not set off but subject to master netting agreements and similar agreements [1)]		
Financial instruments	-89	-27
Cash collateral pledged	209	37
Net amount	**378**	**56**

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

Note 24 – Reinsurers' share of technical provisions

MSEK Change during the year	2019 Provision for unearned premiums and unexpired risks	2019 Provision for claims outstanding	2018 Provision for unearned premiums and unexpired risks	2018 Provision for claims outstanding
Opening balance	**425**	**1,679**	**386**	**1,726**
Change in provision	71	-86	4	-152
Translation differences	20	59	36	105
Closing balance	**516**	**1,653**	**425**	**1,679**

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	2019	2018
Receivables from policyholders	14,332	13,311
Receivables from insurance brokers	0	-12
Receivables from insurance companies	44	58
Bad-debts provision	-253	-279
Total [1]	**14,123**	**13,078**

[1] Of which, MSEK 5 (7) 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	13,884	493	14,376
Of which, provision	-14	-239	-253
Total	**13,869**	**254**	**14,123**

Generally, provision is made on a standard computation base, the amount includes individual provision of negative MSEK -7 (-6).

Note 26 – Debtors arising out of reinsurance

MSEK	2019	2018
Receivables from reinsurers	713	460
Bad-debts provision	-4	-4
Total [1]	**709**	**456**

[1] Of which, MSEK - (0) 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	679	33	713
Of which, provision	0	-3	-4
Total	**679**	**30**	**709**

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

Note 27 – Other debtors

MSEK	2019	2018
Receivable from group companies	1,632	1,214
Debtor, patient-insurance pool for the public sector	737	1,224
Bad-debt provision	-	-
Other	88	109
Total [1]	**2,457**	**2,546**

[1] Of which, MSEK 682 (1,167) is expected to be received later than 12 months after the closing date.

Note 28 – Tangible assets

MSEK	2019	2018
Accumulated acquisition value		
Opening balance	**452**	**408**
Additions	74	82
Disposals	-40	-47
Translation differences	6	10
Closing balance	**492**	**452**
Accumulated depreciation and impairment		
Opening balance	**-267**	**-242**
Depreciation and impairments during the year	-61	-55
Disposals	29	35
Translation differences	-3	-5
Closing balance	**-303**	**-267**
Carrying amount, closing balance	**189**	**185**

MSEK **Operational leasing agreements (lessee)** **Due dates**	**Operational leasing agreements** **2019**	**2018**
< 1 year	266	256
1-5 years	886	766
> 5 years	1 061	360
Total	**2,212**	**1,382**

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

MSEK	2019	2018
Total lease payments during the period	**297**	**298**
Of which, minimum lease payments	*285*	*288*
Of which, contingent rents	*12*	*10*

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 35 (44).

Note 29 – Deferred acquisition costs

MSEK	2019	2018
Opening balance	**1,156**	**1,137**
Net change during the year	80	-11
Translation difference	21	30
Closing balance	**1,257**	**1,156**

Acquisition expenditure during the year amounted to MSEK 5,058 (4,726). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include such operating expenses as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

Note 30 – Other deferred costs and accrued income

MSEK	2019	2018
Accrued income	202	273
Deferred costs	281	320
Total	**483**	**593**

Note 31 – Untaxed reserves

MSEK	2018	Change recognized in income statement	Translation difference	2019
Contingency reserve	7,043	-	74	7,118
Closing balance	**7,043**	**-**	**74**	**7,118**

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 corre-sponding to Natural perils capital in the Norwegian branch.

Note 32 – Subordinated debt

				2019		2018	
MSEK	Original nominal value	Maturity	Interest rate	Fair value [1]	Carrying amount	Fair value [1]	Carrying amount
Subordinated loan, issued 2011	MEUR 110	30 years	6.00%	1,200	1,146	1,200	1,124
Total				**1,200**	**1,146**	**1,200**	**1,124**

[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	2019	2018
Opening balance	**1,124**	**1,078**
Cash flows	-	-
Non-cash changes - Translation difference	21	45
Non-cash changes - Other	1	1
Closing balance	**1,146**	**1,124**

Note 33 – Technical provisions, gross

MSEK Change during the year	2019 Provision for unearned premiums and unexpired risks	2019 Provision for claims outstanding	2018 Provision for unearned premiums and unexpired risks	2018 Provision for claims outstanding
Opening balance	**20,203**	**69,452**	**19,355**	**68,795**
Unwinding of discounted annuities	-	302	-	320
Change in provision	956	-2,822	186	-1,463
Translation differences	439	1,024	662	1,799
Closing balance	**21,598**	**67,956**	**20,203**	**69,452**

MSEK Technical provisions and reinsurers' share	2019	2018
Technical provisions, gross		
Unearned premiums and unexpired risks	21,598	20,203
Provision for incurred and reported claims	15,479	16,059
Provision for incurred but not reported claims	26,811	28,506
Provision for annuities	23,397	22,463
Provision for claims-settlement costs	2,269	2,422
Total	**89,553**	**89,654**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	516	425
Provision for incurred and reported claims	1,149	1,240
Provision for incurred but not reported claims	503	439
Provision for annuities	-	-
Provision for claims-settlement costs	-	-
Total	**2,168**	**2,105**
Technical provisions for own account		
Unearned premiums and unexpired risks	21,082	19,777
Provision for incurred and reported claims	14,330	14,820
Provision for incurred but not reported claims	26,307	28,067
Provision for annuities	23,397	22,463
Provision for claims-settlement costs	2,269	2,422
Total	**87,385**	**87,550**

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

Apart from provisions for claims-related annuities and provisions for unknown but probable claims that pertain to 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 and
- effect of legislative amendments and court practice.

Inflation

The anticipated inflation trend is observed in all provisions but is primarily important in claims settled over a long period of time. For long-term business, such as Motor Third Party Liability and Workers' Compensation, assessments are made in-house regarding the future cost trend. This is based on external assessments of the future inflation trend in various areas, such as the consumer price index and payroll index, combined with 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 are 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	2019	2018
Denmark		
Amount vested annuities	1,534	1,360
Discount rate	0.21%	0.77%
Finland		
Amount vested annuities	16,427	15,830
Amount IBNR	2,433	2,696
Discount rate	0.95%	1.20%
Sweden		
Amount vested annuities	5,227	5,132
Discount rate	1.19%	1.57%
Norway		
Amount vested annuities	209	141
Discount rate	2.08%	2.16%

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 18,201 (16,707), discounted IBNR would have been recognized in an amount of MSEK 2,643 (2,745) and the average discount interest rate would have been 0.29% (0.84) 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 1,050.

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 2019

No significant changes in methods were implemented during the year.

During the year, the reported decrease in gross claims provisions amounted to SEK 1.5 billion. Effects of exchange rate changes amounted to an increase of 1.0 billion, while the real changes in gross claims reserves adjusted for currency effects amounted to a decrease of SEK 2.5 billion. The discount rate in Finland was reduced from 1.20% to 0.95% which increased the reserves by SEK 0.6 billion on a stand alone basis. By geographical area, the major reserve changes were as follows;

- Claims provisons in the Swedish operation, including branches of the Industrial business area, decreased by SEK 1.6 billion. The largest decrease was seen in reserves for Motor Third Party Liability insurance, which were reduced by almost SEK 1.9 billion. Reserves for Property insurance were reduced by close to SEK 0.4 billion while other lines showed small changes.
- Claims provisions in the Norwegian operation decreased by more than SEK 0.6 billion, The largest reserve reductions were seen in reserves for Motor Third Party Liability insurance with close to SEK 0.3 billion and reserves for Workers' Compensation insurance with more than SEK 0.2 billion.
- Claims provisions in the Danish operation decreased by more than SEK 0.1 billion. The largest change was in reserves for claims in Marine insurance which decreased by over SEK 0.1 billion.
- Claims provisions in the Finnish operation decreased by more than SEK 0.1 billion. The largest decreases were seen in reserves for Motor Third Party Liability insurance and reserves for Workers' Compensation insurance which both decreased by close to SEK 0.1 billion. Other lines showed minor changes.

The reinsured share of the claims provision decreased only slightly in nominal terms. The real change adjusted for currency effects was a decrease of almost SEK 0.1 billion. The main driver was a decrease in ceded reserves for Property partly offset by an increase in ceded reserves for Liability.

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 2010-2019, before and after reinsurance. For claims years 2009 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 2003-2009.

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, 2019. 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 also include the historical development of the acquired business. The triangle thus presents the development of claims cost for the two companies viewed together both before and after the formal merger.

MSEK **Claims cost, gross** **Claims year**	**2009 and prior years**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimated claims cost												
at the close of the claims year	216,810	26,892	27,793	28,215	27,228	27,035	27,190	27,531	27,949	29,360	30,648	
one year later	215,492	27,297	28,903	28,095	27,464	26,952	27,368	27,839	28,341	30,405		
two years later	213,765	26,770	28,859	28,250	27,479	27,012	27,240	27,859	28,295			
three years later	212,006	26,762	28,768	28,172	27,547	27,134	26,983	27,444				
four years later	211,637	26,704	28,509	27,895	27,602	27,198	26,714					
five years later	211,285	26,683	28,365	27,565	27,471	26,901						
six years later	212,518	26,532	28,139	27,381	27,351							
seven years later	211,558	26,465	28,086	27,215								
eight years later	211,043	26,302	28,083									
nine years later	209,516	26,177										
ten years later	208,241											
Current estimate of total claims costs	208,241	26,177	28,083	27,215	27,351	26,901	26,714	27,444	28,295	30,405	30,648	
Total disbursed	180,608	24,416	26,160	25,357	24,964	24,175	24,077	24,267	24,330	25,069	18,367	
Provision reported in the balance sheet	27,633	1,761	1,924	1,859	2,388	2,726	2,637	3,177	3,964	5,336	12,282	65,687
of which annuities	*16,762*	*803*	*781*	*799*	*870*	*869*	*740*	*625*	*539*	*570*	*40*	*23,397*
Provision for claims-settlement costs												2,269
Total provision reported in the balance sheet												**67,956**

MSEK **Claims cost, Net of reinsurance** **Claims year**	**2009 and prior years**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimated claims cost												
at the close of the claims year	203,559	25,571	26,264	26,307	26,752	26,656	26,738	26,943	27,345	28,801	30,011	
one year later	202,612	26,036	26,976	26,161	26,990	26,538	26,880	27,027	27,786	29,643		
two years later	201,057	25,624	26,843	26,313	27,031	26,444	26,717	27,009	27,690			
three years later	199,625	25,568	26,820	26,341	27,114	26,557	26,554	26,694				
four years later	199,352	25,548	26,531	26,118	27,139	26,576	26,263					
five years later	199,117	25,530	26,429	25,788	27,021	26,251						
six years later	200,240	25,370	26,190	25,635	26,881							
seven years later	199,277	25,291	26,073	25,470								
eight years later	198,823	25,135	25,952									
nine years later	197,364	25,016										
ten years later	196,095											
Current estimate of total claims costs	196,095	25,016	25,952	25,470	26,881	26,251	26,263	26,694	27,690	29,643	30,011	
Total disbursed	168,709	23,270	24,259	23,627	24,551	23,698	23,693	23,684	23,860	24,534	18,048	
Provision reported in the balance sheet	27,387	1,746	1,693	1,843	2,330	2,553	2,570	3,010	3,830	5,109	11,963	64,034
of which annuities	*16,762*	*803*	*781*	*799*	*870*	*869*	*740*	*625*	*539*	*570*	*40*	*23,397*
Provision for claims-settlement costs												2,269
Total provision reported in the balance sheet												**66,303**

Comments

In 2019, 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 23,397, MSEK 16,762 applies to 2009 and previous years.

Note 34 – Deferred tax

MSEK Changes in deferred tax 2019	Opening balance 2019	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2019
Deferred tax assets					
Provisions	69	6	-	6	82
Other temporary differences	79	10	-	0	89
Accumulated depreciation	4	-1	-	-1	1
Total deferred tax asset	**152**	**15**	**-**	**5**	**172**
Netted deferred tax asset against deferred tax liability	**-152**				**-172**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	239	-1	1	745	984
Deferred tax attributable to untaxed reserves	97	-	2	-	99
Total deferred tax liability	**336**	**-1**	**3**	**745**	**1,083**
Netted deferred tax liability against deferred tax asset	**-152**				**-172**
Deferred tax liability according to balance sheet	**184**				**912**
Deferred tax income according to income statement 2019		**16**			

MSEK Changes in deferred tax 2018	Opening balance 2018	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2018
Deferred tax assets					
Provisions	105	-37	-	2	69
Other temporary differences	23	61	-	-4	79
Accumulated depreciation	6	-2	-	-	4
Total deferred tax asset	**133**	**22**	**-**	**-3**	**152**
Netted deferred tax asset against deferred tax liability	**-133**				**-152**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	886	-2	4	-649	239
Deferred tax attributable to untaxed reserves	94	-	4	-	97
Total deferred tax liability	**980**	**-2**	**8**	**-649**	**336**
Netted deferred tax liability against deferred tax asset	**-133**				**-152**
Deferred tax liability according to balance sheet	**847**				**184**
Deferred tax income according to income statement 2018		**24**			

Note 35 – Other provisions

MSEK	2019	2018
Provision for pensions and similar commitments	255	251
Other	196	180
Total	**451**	**432**

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. It also includes a provision for other commitments and uncertain obligations.

Note 36 – Creditors arising out of direct insurance

MSEK	2019	2018
Payables to policyholders	1,632	1,725
Payables to insurance brokers	71	68
Payables to insurance companies	41	18
Total [1]	**1,745**	**1,812**

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

Note 37 – Other creditors

MSEK	2019	2018
Tax debt (current)	677	564
Accounts payable	36	47
Payables to group companies	132	103
Collaterals and settlement liabilities	24	81
Creditor, patient-insurance pool for the public sector	722	1,200
Premium tax	1,837	1,786
Employee withholding taxes	111	116
Other tax	54	44
Other	643	220
Total [1]	**4,237**	**4,162**

[1] Of which, MSEK 736 (1,157) matures later than 12 months after the closing date.

Note 38 – Other accruals and deferred income

MSEK	2019	2018
Accrued interest expense, subordinated debt	4	4
Accrued interest expense, other	2	1
Other accrued expenses	1,576	1,537
Deferred income	141	99
Total	**1,724**	**1,642**

Other accrued expenses consist mainly of personnel-relate 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**	2019	2018
Other financial investment assets	2,495	2,275
Cash and bank	18	23
Total	**2,513**	**2,298**
Of which, on behalf of Group companies	-	-

MSEK **Pledged assets and the pledging purposes Are distributed as follows:**	2019	2018
Financial investment assets		
Collateral for insurance undertakings	2,355	2,143
Collateral for futures trading	140	132
Total	**2,495**	**2,275**
Cash and bank balances	**18**	**23**
Total	**2,513**	**2,298**

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

MSEK **Policyholders' beneficiary rights**	2019	2018
Assets covered by policyholders' beneficiary rights	104,890	101,974
Technical provisions, net	-72,289	-71,946
Surplus of registered securities	**32,601**	**30,029**

Note 40 – Contingent liabilities and other commitments

MSEK	2019	2018
Surety and guarantee undertakings	19	25
Other commitments	98	165
Total	**116**	**190**

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 totaling MSEK 51, which is the maximum amount that the company has committed to invest in the funds. Capital may be called to these funds over several years as the funds make investments. In addition, If P&C Insurance Ltd has outstanding commitments to borrowers totaling approximately MSEK 46.

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 21,269,118,233. 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 21,269,118,233, of which the net profit accounts for SEK 6,931,666,383. The Board of Directors and the President propose that SEK 6,900,000,000 be paid as dividend, SEK 9,654,785,483 be carried forward and that SEK 4,714,332,750 be carried as Fair value reserve.

Signatures

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

Stockholm, March 4, 2020

Morten Thorsrud
Chairman of the Board

Patrick Lapveteläinen
Board member

Jouko Oksanen
Board member

Dag Rehme
Board member

Ingar Brotnov
Board member

Johan Sjöstedt
Board member

Måns Edsman
Board member and President

Our audit report was issued on March 4, 2020

KPMG AB

Gunilla Wernelind
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of If P&C Insurance Ltd (publ), corp. id 516401-8102

Report on the annual accounts

Opinions

We have audited the annual accounts of If P&C Insurance Ltd (publ) for the year 2019.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies, and present fairly, in all material respects, the financial position of If P&C Insurance Ltd (publ) as of 31 December 2019 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.

Our opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the 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 If P&C Insurance Ltd (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts 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.

Provision for claims outstanding

See Note 33 and accounting principles on page 14 in the annual accounts for detailed information and description of the matter.

Description of key audit matter

Provision for claims outstanding, reported as part of technical provisions, amounts to 67 956 million SEK as of December 31, 2019, which constitutes 52% of the company's totalt assets.

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

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

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

Response in the audit

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

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

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

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

Valuation of financial investment assets classified as level 2 and 3

See Note 22 and accounting principles on page 13 in the annual accounts for detailed information and description of the matter.

Description of key audit matter

The company's financial instruments in level 2 and 3 amounts to 28 448 million SEK, as of December 31, 2019, which constitutes 27 percent of the company's financial investment assets.

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

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

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

Response in the audit

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

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

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

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

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

Responsibilities of the Board of Directors and the President

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

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

Auditor's responsibility

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Ltd (publ) for the year 2019 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 If P&C Insurance Ltd (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President

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

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

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

Auditor's responsibility

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of If P&C Insurance Ltd (publ) by the general meeting of the shareholders on March 4, 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm March 4, 2020

KPMG AB

Gunilla Wernelind
Authorized Public Accountant

Glossary and definitions

Allocated investment return transferred from the non-technical account
Net return on average technical provisions, with deductions for deferred acquisition costs, the technical result before allocated interest and average outstanding balances. The allocated investment return is based on risk-free interest.

Allocated investment return transferred to the technical account
Allocated investment return transferred from the non-technical account excluding the part added to the annuity result by means of a reduction of costs for the upward adjustment of the annuity provision.

Ancillary own funds
Ancillary own funds 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, spread risk or market risk concentrations. Credit risk pertains to both reinsurance operations and derivative instruments.

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

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

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

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

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

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

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

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

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

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

[1)] Refers to alternative performance measurements

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.

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.

[1)] Refers to alternative performance measurements

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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