Annual Report 2021

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

Contents

Board of Directors' report

The Board of Directors and the President of If P&C Insurance Ltd (publ), corporate registration number 516401-8102, hereby issue their annual report for the 2021 fiscal year.

Organization

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

If P&C Insurance conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland, Estonia 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. From January 2021, claims management was merged into one Nordic unit. Support functions such as Human Resources, IT and Group Services, Communication, Risk Management, Legal and Finance are organized as a support to the business.

Significant events and effects during the year and after the balance sheet date

2021 was a year marked by continued challenges due to the Covid-19 pandemic. Priority was given to business continuity and continued service and support to If P&C Insurance's customers, while many of the employees have worked from home offices during a large part of the year. The pandemic's impact on If P&C Insurance's results decreased in 2021 following the roll-out of mass vaccinations and eased pandemic restrictions allowing for greater mobility. Compared to 2020, there was an increase in Motor claims frequencies as traffic returned to more normal levels. Travel claims remained at a lower level than normal, although increased during the latter part of the year. The effect of Covid-19 on the combined ratio was a reduction of approximately 2 percentage points (3).

In February 2022, Russia attacked Ukraine, which has dramatically changed the political situation in Europe and contributed to significant uncertainty in financial markets. If P&C Insurance has implemented decided sanctions and follows the development of events closely. Affected insurance exposure is assessed to be low and the financial turbulence can be handled with a continued good solvency situation.

Earnings and financial position

Results

The technical result for insurance operations increased to MSEK 8,636 (7,970) and the combined ratio improved to 81.6% (82.5). The investment result increased to MSEK 2,338 (1,583). Profit before tax for the year amounted to MSEK 10,539 (9,050).

Premiums

Gross written premiums amounted to MSEK 49,866 (48,517). Adjusted for currency effects, the increase was 4.1% (4,7), supported by an increasing degree of renewal among existing customers, a growing customer base and premium adjustments. All business areas show good growth.

Net premiums earned amounted to MSEK 46,328 (45,033).

Claims and claims reserves

Claims incurred, net of reinsurance, amounted to MSEK 30,696 (30,204). The risk ratio was 60.6% (61.2), including an adverse but slightly lower large claims result compared with last year and a positive impact of prior year development.

At year end, gross claims reserves amounted to MSEK 67,004 (64,799). Adjusted for currency effects, gross claims reserves increased by MSEK 455 compared with the preceding year. The change during the year was primarily attributable to a reserve reduction in motor third-party liability (MTPL) insurance and a reserve increase in property insurance.

Reinsurers' share of claims provision amounted to MSEK 2,555 (2,234). Adjusted for currency effects, the increase during the year was MSEK 154 MSEK.

Expenses

Operating expenses in insurance operations, net of reinsurance, amounted to MSEK 7,101 MSEK (6,962). Adjusted for currency effects, the increase was 2.3% (2.3). The cost ratio improved to 21.0% (21.3).

Investment result and asset allocation

At full market value, profit from asset management increased to MSEK 4,999 (2,577), driven by a strong year for equity investments and high-yield corporate bonds. Total return was 4.6% (2.5). Net investment return amounted to MSEK 2,338 (1,583) in the income statement and MSEK 2,661 (994) in other comprehensive income.

Asset allocation remained fairly stable. Fixed income comprises 85% (87) and equities 15% (13) of the total investment assets. At year end, the duration of the fixed income assets was 1.1 (1.4).

Tax expense and net profit

The effective tax rate for the year was 21.1% (21.7). The decrease was primarily attributable to a lower nominal tax rate in Sweden. Of total taxes, current tax expense accounted for MSEK 2,205 (1,960) and deferred tax expense for MSEK 15 (7).

Net profit for the year was MSEK 8,319 (7,082).

Solvency and financing

Insurance is a regulated business with EU-wide rules for calculating capital requirements and available capital. If P&C Insurance Ltd (publ) uses an approved partial internal model (PIM) to calculate the solvency capital requirement (SCR) for the majority of the insurance risks while other risks are calculated using the standard formula. As per December 31, 2021, the SCR amounted to MSEK 17,629 (14,683) and the eligible own funds amounted to MSEK 30,906 (25,857).

A dividend of MSEK 5,500 (6,900) was paid during the year and subordinated loans were repaid by MSEK 1,128 (-).

Personnel

During the year, the number of employees increased and amounted to 6,332 (6,184) at year-end. The average number of employees during the year was 6,270 (6,237), of whom 53% (53) were women.

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

Outlook

The development of the global economy is difficult to predict as uncertainty remains about the next phase of the pandemic. Despite this, the underlying profitability of the insurance operation is expected to remain solid. A key success factor is continued accuracy in pricing insurance contracts, while ongoing efficiency improvements are important for long-term profitability.

Applied accounting policies

If P&C Insurance Ltd (publ) applies to the extent possible accounting policies that comply with International Financial Reporting Standards (IFRS) as adopted by the EU, known as IFRS restricted by law. For the 2021 fiscal year, there were no new or amended standards that caused any significant changes or new requirements for the company's accounting.

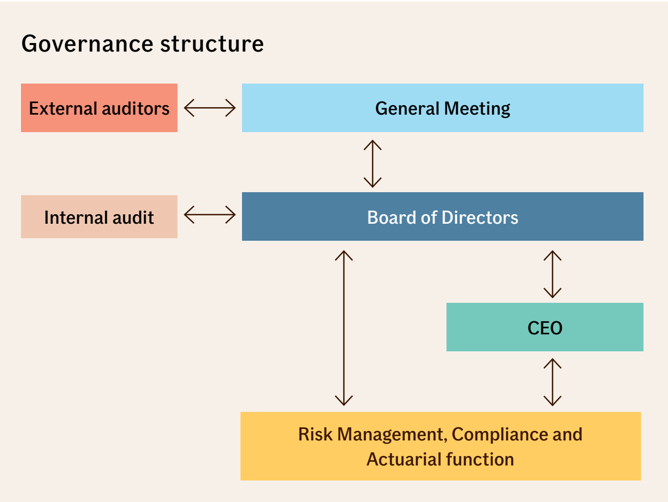
Objectives and policies for financial risk management

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

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

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

Corporate Governance



If P&C Insurance Ltd (publ) is a wholly owned subsidiary of If P&C Insurance Holding Ltd (publ), which in turn is a wholly owned subsidiary of the listed Finnish company, Sampo plc. The shareholder's right to participate in company decisions is exercised at the Annual Meeting and at Extraordinary General Meetings.

The Articles of Association, which is the fundamental control document for the company, states, inter alia, the object of the company's operation, the size of the share capital, the number of members of the Board of Directors and auditors, as well as the period for such assignments, matters that shall be addressed at the Annual General Meeting and how notice convening the General Meetings shall be sent out.

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

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

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

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

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

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

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

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

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

Sustainability report

The Parent Company If P&C Insurance Holding Ltd (publ), corporate reg. no. 556241-7559, whose headquarter is in Solna, has prepared a sustainability report named If Sustainability Report 2021. It covers the Parent Company and its subsidiaries and is available on the website https://www.if.se. If P&C Insurance Ltd (publ) has therefore chosen not to prepare its own sustainability report.

Appropriation of earnings

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

SEK	
Net profit for the year	8,318,781,469
Profit brought forward	11,441,847,411
Fair value reserve	7,649,200,406
	27,409,829,286

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	8,000,000,000
Profit to be carried forward	11,760,628,880
Be carried as Fair value reserve	7,649,200,406
	27,409,829,286

Five-year summary

MSEK	2021	2020	2019	2018	2017
Condensed income statement					
Premiums written, net of reinsurance	47,069	46,085	45,375	42,353	32,700
Premiums earned, net of reinsurance	46,328	45,033	44,490	42,172	32,977
Allocated investment return transferred from the non-technical account	144	171	165	128	179
Other technical income	494	452	417	373	248
Claims incurred, net of reinsurance	-30,696	-30,204	-30,720	-29,322	-22,423
Of which, claims-adjustment costs	*-2,641*	*-2,628*	*-2,624*	*-2,431*	*-1,932*
Operating expenses in insurance operations, net of reinsurance	-7,101	-6,962	-7,062	-6,818	-5,400
Other operating expenses/other technical expenses	-534	-520	-516	-418	-326
Technical result from property and casualty insurance	**8,636**	**7,970**	**6,775**	**6,115**	**5,254**
Investment return	2,338	1,583	2,696	2,590	1,748
Allocated investment return transferred to the technical account	-360	-401	-467	-448	-327
Interest expense, financing	-64	-71	-71	-69	-65
Amortization goodwill	-2	-2	-48	-288	-277
Income from associates	-	-	-	38	-
Result before income taxes and appropriations	**10,549**	**9,080**	**8,884**	**7,938**	**6,334**
Untaxed reserves	-	-	-	-	2,495
Group contribution	-10	-30	-25	-50	-48
Result before income taxes	**10,539**	**9,050**	**8,859**	**7,888**	**8,780**
Income taxes	-2,220	-1,967	-1,927	-1,757	-1,901
Net profit for the year	**8,319**	**7,082**	**6,932**	**6,132**	**6,880**
Balance sheet, December 31					
Assets					
Intangible assets	2	147	317	282	489
Investment assets	109,118	102,443	105,825	102,990	104,818
Reinsurers' share of technical provisions	3,263	2,813	2,168	2,105	2,112
Debtors	18,685	17,157	17,289	16,080	14,960
Other assets, prepayments and accrued income	3,978	3,971	3,912	3,849	4,747
Total assets	**135,047**	**126,532**	**129,511**	**125,306**	**127,125**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	27,902	22,588	22,073	18,939	22,180
Untaxed reserves	7,032	6,859	7,118	7,043	6,957
Subordinated debt	-	1,102	1,146	1,124	1,078
Deferred tax liability	1,633	859	912	184	847
Technical provisions	90,178	86,425	89,553	89,654	88,150
Creditors	6,173	6,497	6,492	6,256	5,589
Provisions, accruals and deferred income	2,128	2,202	2,217	2,105	2,324
Total shareholders' equity, provisions and liabilities	**135,047**	**126,532**	**129,511**	**125,306**	**127,125**
Key data, property and casualty operations					
Claims ratio	66.3%	67.1%	69.0%	69.5%	68.0%
Expense ratio	15.3%	15.5%	15.9%	16.2%	16.4%
Combined ratio	81.6%	82.5%	84.9%	85.7%	84.4%
Risk ratio [1]	60.6%	61.2%	63.2%	63.8%	62.1%
Cost ratio [1]	21.0%	21.3%	21.8%	21.9%	22.2%
Insurance margin [1]	18.7%	17.8%	15.5%	14.6%	16.2%
Key data, asset management					
Total investment return [2]	4.6%	2.5%	5.3%	-0.8%	3.1%
Capital strength according to Solvency II regulation					
Own funds (capital base)	30,906	25,857	25,358	24,269	25,512
- Basic own funds	30,906	25,857	25,358	24,269	25,512
Solvency capital requirement (SCR)	17,629	14,683	15,186	14,205	15,593
Eligible own funds to cover the minimum capital requirement	28,979	22,826	22,052	21,129	22,752
Minimum capital requirement (MCR)	7,933	6,607	6,834	6,392	7,017
Other key data					
Consolidation capital	36,568	31,408	31,250	27,290	31,062
of which deferred tax	1,633	859	912	184	847
Consolidation margin	77.7%	68.2%	68.9%	64.4%	95.0%

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

Income statement

MSEK	Note	2021	2020
TECHNICAL ACCOUNT OF PROPERTY AND CASUALTY INSURANCE			
Premiums earned, net of reinsurance			
Premiums written, gross	7	49,866	48,517
Premiums ceded	7	-2,797	-2,432
Change in provision for unearned premiums and unexpired risks		-833	-1,181
Reinsurers' share of change in provision for unearned premiums and unexpired risks		92	128
		46,328	**45,033**
Allocated investment return transferred from the non-technical account	8	144	171
Other technical income		494	452
Claims incurred, net of reinsurance			
Claims paid			
Gross		-32,073	-32,825
Reinsurers' share		1,462	1,190
Change in provision for claims outstanding			
Gross		-240	574
Reinsurers' share		154	857
	9	**-30,696**	**-30,204**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-7,282	-7,107
Commission and profit participation in ceded reinsurance		182	145
		-7,101	**-6,962**
Other operating expenses/other technical expenses		-534	-520
	10,12,13	**-7,634**	**-7,482**
Technical result from property and casualty insurance	14	**8,636**	**7,970**
NON-TECHNICAL-ACCOUNT			
Investment result			
Investment income		2, 737	3 ,181
Unrealized gains on investment assets		134	1
Investment charges		-474	-407
Unrealized losses on investment assets		-59	-1,192
	15	**2,338**	**1,583**
Allocated investment return transferred to the technical account	8	-360	-401
Interest expense, financing	16	-64	-71
Amortization, goodwill	17	-2	-2
Result before income taxes and appropriations		**10,549**	**9,080**
Appropriations			
Group contribution		-10	-30
		-10	**-30**
Result before income taxes		**10,539**	**9,050**
Tax	18	-2,220	-1,967
Net profit for the year		**8,319**	**7,082**

Statement of Comprehensive Income

MSEK	Note	2021	2020
Net profit for the year		**8,319**	**7,082**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		465	-625
Remeasuring of financial assets, available for sale		3,465	880
Value changes on financial assets available for sale reclassified to the income statement		-805	114
Taxes related to items which will be reclassified when specific conditions are met	18	-630	-36
		2,496	**332**
Total comprehensive income		**10,815**	**7,414**

Balance sheet

Assets, December 31

MSEK	Note	2021	2020
Intangible assets			
Goodwill		2	3
Other intangible assets		-	144
	19	**2**	**147**
Investment assets			
Land and buildings	20	9	35
Other financial investment assets	21, 23	109,103	102,402
Deposits with ceding undertakings		7	7
	22	**109,118**	**102,443**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		708	579
Provisions for claims outstanding		2,555	2,234
	24	**3,263**	**2,813**
Debtors			
Debtors arising out of direct insurance operations	25	14,542	13,955
Debtors arising out of reinsurance operations	26	1,114	887
Other debtors	27	3,029	2,315
		18,685	**17,157**
Other assets			
Tangible assets	28	213	197
Cash and bank balances		1,832	1,449
Collaterals and settlement claims		94	439
		2,139	**2,085**
Prepayments and accrued income			
Accrued interest and rental income		334	361
Deferred acquisition costs	29	1,122	1,126
Other prepayments and accrued income	30	383	399
		1,839	**1,886**
Total assets		**135,047**	**126,532**

Shareholders equity, provisions and liabilities, December 31

MSEK	Note	2021	2020
Shareholders' equity			
Share capital		104	104
Statutory reserve		388	388
Fund for costs of development		-	144
Fair value reserve		7,649	5,519
Profit brought forward		11,442	9,350
Net profit for the year		8,319	7,082
		27,902	**22,588**
Untaxed reserves	31	**7, 032**	**6,859**
Subordinated debt	32	**-**	**1,102**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		23,174	21,626
Provisions for claims outstanding		67,004	64,799
	33	**90,178**	**86,425**
Provisions for other risks and charges			
Deferred tax liability	34	1,633	859
Other provisions	35	317	406
		1,950	**1,265**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	36	1,514	1,924
Creditors arising out of reinsurance operations		431	315
Derivatives	21, 22, 23	77	445
Other creditors	37	4,151	3,813
		6,173	**6,497**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		52	45
Other accruals and deferred income	38	1,760	1,751
		1,811	**1,795**
Total shareholders' equity, provisions and liabilities		**135,047**	**126,532**

Changes in Shareholders' Equity

MSEK	Restricted equity Share capital	Restricted equity Statutory reserve	Restricted equity Fund for costs of development	Unrestricted equity Fair value reserve [1]	Unrestricted equity Profit brought forward	Unrestricted equity Net profit for the year	Total equity
Equity at beginning of 2020	**104**	**388**	**312**	**4,714**	**16,555**	**-**	**22,073**
Total comprehensive income	-	-	-	804	-472	7,082	7,414
Dividend	-	-	-	-	-6,900	-	-6,900
Transfer between restricted and unrestricted equity	-	-	-168	-	168	-	-
Equity at end of 2020	**104**	**388**	**144**	**5,519**	**9,350**	**7,082**	**22,588**
Equity at beginning of 2021	**104**	**388**	**144**	**5,519**	**16,432**	**-**	**22,588**
Total comprehensive income	-	-	-	2,131	365	8,319	10,815
Dividend	-	-	-	-	-5,500	-	-5,500
Transfer between restricted and unrestricted equity	-	-	-144	-	144	-	-
Equity at end of 2021	**104**	**388**	**0**	**7,649**	**11,442**	**8,319**	**27,902**

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

The share capital comprises 1,044,306 shares with a quotient value of SEK 100 each.
The accumulated translation difference corresponded to MSEK -11 (-476).

Notes

Note 1 – Accounting policies

Company information

This annual report for If P&C Insurance Ltd (publ) was prepared and authorized for publication by the Board of Directors and President on March 10, 2022 and will be presented to the 2022 Annual Meeting for approval. The Company is a Swedish public company with its registered office in Stockholm and its headquarters in Solna, Sweden.

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

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

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

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

The financial reports and notes are presented in SEK millions (MSEK), unless otherwise stated. The totals in tables and statements in the annual report may not always reconcile due to rounding. The aim is for each line item to correspond to the source and therefore rounding differences may arise in totals.

Issued, but not yet effective, international accounting standards or standards that 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.

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 P&C Insurance ltd (publ) meets these requirements since the Company has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, If P&C Insurance has decided to delay the application of IFRS 9 until January 1, 2023. Accordingly, the transition from IAS 39 to IFRS 9 is not expected to have any significant impact on the Company's financial reporting until 2023. 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 P&C Insurance'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 adopted by the EU in November 2021 and takes effect on January 1, 2023. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. According to the consultation Proposal for amendments to the Swedish Financial Supervisory Authority's regulations and general recommendations on Annual Accounts in Insurance Companies published in November 2021, IFRS 17 shall, however, not be applied for accounting for insurance contracts in a legal entity. The Financial Supervisory Authority's proposal essentially entails unchanged accounting regulations.

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

If P&C Insurance's Swedish operations report in SEK and foreign branches report in their respective functional currency, determined as the local currency in the country in which the branch is active. Income statement items in another currency then the functional currency (foreign currency) are translated to their respective presentation currency using the average exchange rate for the month during which they were reported, while assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported net in the income statement as exchange-rate gains/losses under Investment result. Currency forward contracts used to economically hedge currency exposure in the balance sheet are measured at fair value and the effects are also reported in their entirety as exchange-rate gains/losses.

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

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

	2021	2020
Danish kroner	1.38	1.35
Euro	10.25	10.03
Norwegian kroner	1.03	0.96
US dollars	9.05	8.18

Policies applying to items in the balance sheet

Intangible assets including goodwill

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

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

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

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

The estimated useful life of goodwill in acquired companies and portfolios is generally 10 years.

If there is any indication on the closing date that the carrying amount of an intangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. The recoverable amount is the higher of the asset's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed, but this does not apply to impairment of goodwill.

Land and buildings/investment properties

If P&C Insurance 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 the Company's basic approach to these assets. If has concluded that a separation of such owned properties, which according to IAS 40 represent owner-occupied properties, would 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 investment assets

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

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

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

Shares

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

Interest-bearing securities

Interest-bearing securities are measured at fair value and accounted for by separating the 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 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. Provisions pertaining to standard products are measured through a standard computation in the form of maturity stages based on reported losses during prior periods.

Tangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pension costs and pension commitments
The Company´s pension obligations comprise pension plans in several national systems that are regulated through local collective bargaining agreements and social insurance laws and consist of both defined-contribution and defined-benefit pensions.

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

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

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

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

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

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

Premiums earned
Premiums earned are reported as the share of premiums written that is attributable to the reporting period. The share of premiums written from insurance contracts pertaining to periods after the closing date is allocated to the premium reserve in the balance sheet. The provision posted in the premium reserve is normally calculated by

distributing premiums written strictly on the basis of the underlying term of the insurance contract. For certain insurance products – in particular those with terms longer than one year – the accrual is risk adjusted, i.e. in relation to expected claims.

Allocated investment return transferred from the non-technical account

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

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

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

Investment result

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

In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. In this assessment, If has chosen to use, in respect of interesting-bearing securities, criteria related to issuer default default as well as to make an individual assessment for interest-bearing securities with a fair value below 50% of nominal value. In respect of shares, the assessment is also conducted on an individual basis where generally all shares with a significant (>20%) and/or prolonged (12 months) decline in value in relation to the acquisition cost shall be impaired. For both asset categories, the carrying amount is reduced to the current fair value. In the event of a subsequent recovery of a value decline, the recovery is presented as a reversed impairment loss in respect of interest-bearing securities but not in respect of shares.

Taxes

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

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

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

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

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

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

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

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

In Sweden, the tax rate during the year was 20.6% of taxable income. In Norway, the tax rate was 25%, in Denmark 22% and in Finland 20%.

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

Appropriations and untaxed reserves

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

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

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

Policies applied for alternative performance measures

Key figures are financial measurements of the historical earnings trend and financial position. If presents a number of key figures, some of which are referred to as alternative performance measures and are not defined in applicable accounting standards, e.g. IFRS, ÅRFL, FFFS 2019:23 and the Swedish Insurance Business Act (FRL). Definitions of a number of key figures are provided in the Glossary and definitions, including some that are marked as alternative performance measures.

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

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

Note 2 – Significant estimations and judgments affecting the financial statements

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

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2021 and estimations that may cause material adjustments in the financial statements in subsequent years are commented on below.

Valuation of investment assets

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

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If P&C Insurance has assessed whether there is any objective evidence that an asset is impaired. The company's assessment affects the reported profit of the year but not shareholders' equity. The assessment criteria are presented in Note 1 (under the heading of Investment result). Additional information is provided in Notes 5, 15, 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 P&C Insurance, referred to as IBNR provision. The provision is calculated using statistical methods or through individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year claims result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claims results in recent years is available in Note 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 – Recognition of the effects of changed exchange rates

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

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

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

For 2021, a net exchange rate result of negative MSEK 138 (positive 119) was recognized in the income statement. The loss arose as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

MSEK **Total exchange-rate result**	**2021**	**2020**
Conversion of items in the income statement and balance sheet	-335	362
Realized effects of currency derivatives	-197	-51
Unrealized effects of currency derivatives	394	-192
Total exchange-rate result	**-138**	**119**

Note 4 – Information about related parties

Relations within If Group

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

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

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

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

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

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

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

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

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

Transactions with related companies (within If Group companies)

	Income [1]		Expenses [2]		Assets		Liabilities	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020
If P&C Insurance Holding Ltd (publ)	9	5	-153	-87	2,299	1,633	-	-26
Other related parties								
Subsidiaries of If P&C Insurance Holding Ltd (publ)	195	167	-1,578	-1,457	49	44	-174	-175

[1] Including interest income

[2] Including interest expense

Relations with If Group's associates

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

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

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 25.8% of SOS International A/S, a company providing assistance services to insurance companies.

The Parent Company If P&C Insurance Holding Ltd (publ) has an ownership share of 34.0% of Boalliansen AS, which provides various services to housing associations, and 34% of Digiconsept AS, which owns the intellectual property rights to Boalliansen. Boalliansen AS mediates insurances on behalf of If P&C Insurance Ltd.

Relations with Sampo

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

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

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

If P&C Insurance and a Sampo subsidiary have had an asset management agreement according to which all investment decisions, within the framework of the Investment Policy, were outsourced to Sampo. If P&C Insurance paid a fixed commission calculated on the market value of the managed investment assets. Since September 2021 the agreement has been replaced with an asset management agreement with a more limited scope between If P&C Insurance and a subsidiary to Sampo. The compensation is calculated in a similar manner.

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

Office premises and services are partly used together with Sampo.

Topdanmark A/S is a subsidiary of Sampo plc. Under the Danish Corporate Income Tax Act, the If Group and the Topdanmark Group are subject to mandatory joint taxation in Denmark. Topdanmark A/S is the administration company for the Danish joint taxation but the companies have a joint and several liability.

If Skadeförsäkring Ltd (publ) holds subordinated loans issued by Topdanmark A/S and a subsidiary to Topdanmark A/S.

Relations with Nordea

Nordea Bank plc is an associate company of Sampo, and consequently related company to If P&C Insurance. Relations with Nordea refer to Nordea Bank pcl and all the companies in this corporate group.

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

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

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

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

Transactions with related companies (excluding If Group companies)

	Income [1]		Expenses [2]		Assets		Liabilities	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020
If Group's associates	-	-	-120	-245	27	50	-	-
Sampo plc	9	6	-72	-82	0	0	-11	-1,016
Other related parties								
Subsidiaries of Sampo plc	50	41	-3	-	2,256	856	-5	-1
Nordea Bank Abp	33	58	-23	-27	6,384	6,796	-72	-100
Other associates, Sampo plc	6	5	-	-	346	242	-	-

[1] Including interest income

[2] Including interest expense

Note 5 – Risks and risk management

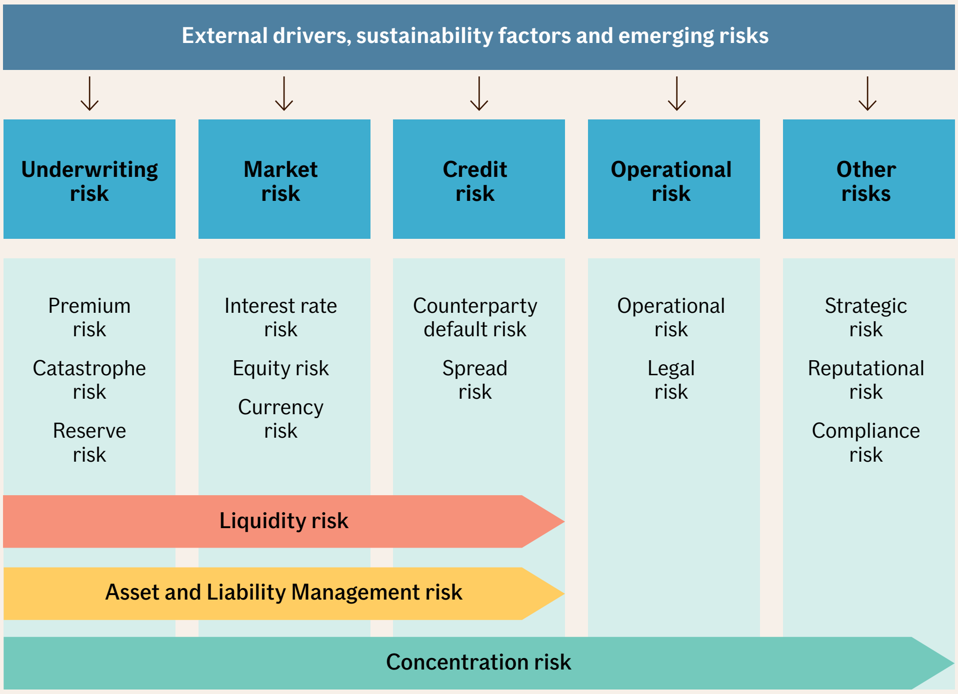
Risk Management System

Risks and risk management are an essential and inherent element of the business activities and operating environment in If P&C Insurance. A high-quality risk management process is a prerequisite for running the business effectively and 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 risks and capital. The risk appetite framework defines the boundaries for what level of risk the company is willing to accept in the pursuit of the objectives. The framework includes the risk appetite statement, capital adequacy, steering documents, processes and controls.

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

Steering documents are in place for each risk area specifying restrictions and limits chosen to reflect and ensure that the risk level 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 the company.

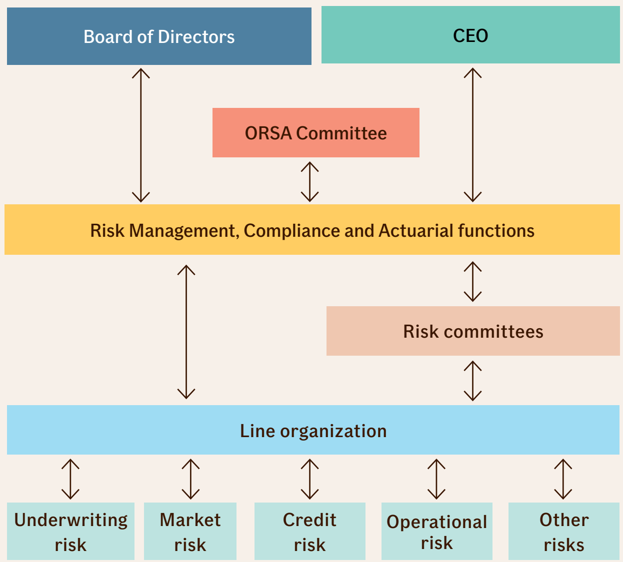
Risk management process

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

Reporting structure and risk governance

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

Figure 2 – Risk management reporting structure



Board of Directors

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

CEO

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

Committees in the Risk Management System

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

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

Risk Management function

The Risk Management function facilitates the implementation and development of the Risk Management System and consists of the CRO, 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.

Compliance function

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

Actuarial function

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

Line organization

The line organization has the day-to-day responsibility for identifying and managing risks within 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/support functions, a risk coordinator structure is established. The Head of the Risk Control and Reporting 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 according to the instructions.

Capital management

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

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

- projects its risks and capital according to the financial plan;
- allocates capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation; and
- assures its dividend capacity through the effective use of reinsurance, group synergies and diversification benefits.

Risk and capital modelling

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

In addition to the calculation and reporting of economic capital, the internal model is used as a basis for decision making regarding:

- allocation of capital to business areas and lines of business;
- evaluation of the effect on the risk profile related to changes in the investment portfolio;
- evaluation of reinsurance programs;
- evaluation of the Investment Policy and limits; and
- evaluation of risks over the business planning horizon.

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

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

Regulatory measures
Insurance is a regulated business with EU-wide rules for calculating capital requirements and available capital. The partial internal model (PIM) is used to calculate the solvency capital requirement (SCR) for the majority of the insurance risks, while other risks are calculated using the standard formula according to Solvency II. The company fulfilled the regulatory capital requirements during 2021.

Table 1 – Regulatory capital measures

MSEK	2021	2020
SCR	17,629	14,683
Own funds	30,906	25,857

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

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

Risk exposure
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.

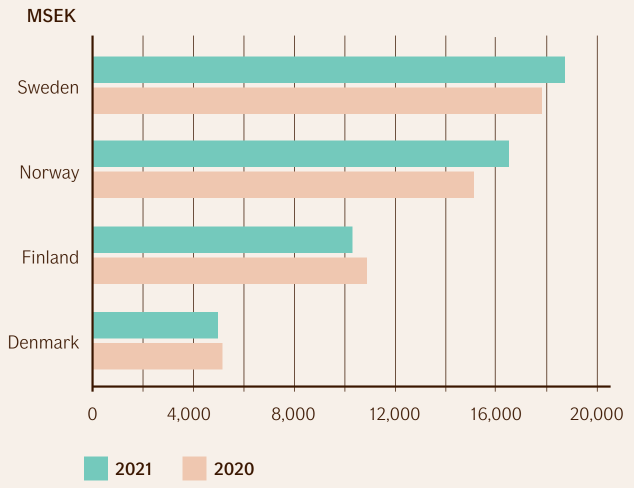
If P&C Insurance underwrites insurance policies in Sweden, Norway, Finland and Denmark. In addition, the company underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of premium income is shown in Figure 3.

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

The Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance is evaluated by comparing the expected cost versus the benefit of the reinsurance, 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 since 2003. In 2021, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

Figure 3 – Premium income per geographical area



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

Table 2 – Sensitivity analysis, premium risk

MSEK			Effect on result before tax	
Parameter	**Level, 2021**	**Change**	**2021**	**2020**
Combined ratio	81.6%	+/- 1 percentage point	+/- 463	+/- 450
Premium level	46,328	+/- 1%	+/- 463	+/- 450
Claims level	30,696	+/- 1%	+/- 307	+/- 302

Reserve risk

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

Reserve risk includes revision risk, which refers to 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.

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

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

Risk exposure

For lines of businesses such as Motor Third Party Liability and Workers' Compensation, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in inflation, retirement age, mortality assumptions and discount rates. In 2021, the proportion of technical provisions related to Motor Third Party Liability and Workers' Compensation was 48% (51). The amount of technical provisions broken down by product and geographical area is shown in Table 3.

Risk management and control

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

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

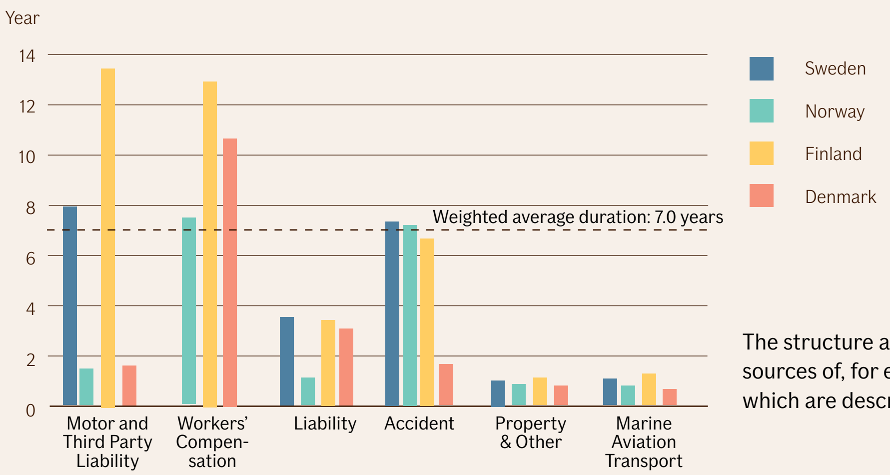
The provisions for annuities are calculated as discounted values based on the amounts and payment periodicity in each individual case, taking expected investment income, expenses, indexation, other possible adjustments and mortality into account. The anticipated inflation trend is taken into account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

Table 3 – Technical provisions (net) per product and geographical area

	Sweden		Finland		Norway		Denmark	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020
Motor and Motor Third Party Liability	18,157	19,568	10,723	10,463	5,518	4,781	1,497	1,513
Workers' Compensation	-	-	11,679	11,776	1,753	1,581	2,890	2,720
Liability	3,184	2,863	1,115	1,089	1,265	1,123	810	768
Accident	4,389	4,049	2,031	1,822	4,422	3,724	1,027	1,028
Property & Other	5,494	4,982	2,716	2,434	5,833	5,011	1,568	1,365
Marine, Aviation and Transport	212	338	116	88	227	323	289	203
Total	**31,437**	**31,800**	**28,380**	**27,672**	**19,018**	**16,544**	**8,081**	**7,597**

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

Figure 4 – Duration of technical provisions 2021



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	2021 Effect MSEK	2020 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,371	1,396
			Denmark	197	187
			Norway	632	359
			Finland	421	389
Discounted reserves, including annuities and estimated share of claims reserves to future annuities	Decrease in discount rate	Decrease by 1 percentage point	Sweden	1,003	686
			Denmark	218	181
			Finland	3,210	3,137
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	157	243
			Denmark	10	18
			Finland	788	813

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	2021	2020
Financial assets at fair value		
Financial assets, mandatory at fair value through profit or loss (trading)	176	129
Financial assets, available for sale	105,849	100,612
Loans and receivables [1]	24,283	21,309
Total financial assets	**130,308**	**122,051**
Financial liabilities, mandatory at fair value through profit or loss (trading)	77	445
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	6,906	7,921
Total financial liabilities	**6,983**	**8,366**

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

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

Table 6 – Investment assets categorized from an asset management perspective

	Investment assets and derivative liabilities		Assets under active management		Assets under active management categorized from an asset management perspective					
					Fixed income		Equity		Properties	
MSEK	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Land and buildings	**9**	**35**	**9**	**35**					**9**	**35**
Investments in associated companies	**-**	**-**								
Financial assets, mandatory at fair value through profit or loss (trading)										
Derivatives [1]	176	129	176	129	5	-	0	0		
Financial assets, available for sale										
Shares and participations	17,033	13,203	17,033	13,203			17,033	13,203		
Bonds and other interest-bearing securities	88,816	87,409	88,816	87,409	88,816	87,409				
Loans										
Other loans	3,078	1,661	3,078	1,661	3,078	1,661				
Total other financial investment assets	**109,103**	**102,402**								
Deposits with ceding undertakings	**7**	**7**								
Total investment assets	**109,118**	**102,443**								
Other assets										
Cash and bank			1,832	1,449	1,832	1,449				
Collaterals and settlement claims			94	439	60	403	33	36		
Accrued income			334	361	334	361				
Assets under active management			**111,372**	**104,685**	**94,127**	**91,282**	**17,066**	**13,240**	**9**	**35**
Financial liabilities, mandatory at fair value through profit or loss (trading)										
Derivatives [2]	77	445	77	445	-	10				
Total derivative liabilities	**77**	**445**								
Financial liabilities measured at the amount expected to be settled										
Collaterals and settlement liabilities			278	111	278	111				
Accruals			-	2	-	2				
Liabilities under active management			**355**	**558**	**278**	**123**				
Assets under active management, net			**111,017**	**104,127**	**93,849**	**91,159**	**17,066**	**13,240**	**9**	**35**

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 170 (129).

[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 77 (435).

Market risk

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

Risk exposure

The investment operations generated a return of 4.6% (2.5) in 2021. Investment assets amounted to MSEK 111,017 (104,127), as presented in table 6. The main market risks are interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of their values to changes in underlying market variables.

During the year, the proportion of equity investments increased to 15% (13). The proportion of fixed income investments decreased to 85% (87). Other investment assets amounted to 0% (0) at December 31, 2021.

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

Risk management and control

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

The structure and nature of the technical provisions, the overall risk appetite, risk tolerance, regulatory requirements and rating targets are taken into account when deciding limits and when setting return and liquidity targets. The Board of Directors decides on the Investment Policy once a year or more often if deemed necessary. The Investment Policy specifies guidelines defining mandates and authorizations 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.

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

	2021				2020			
	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	11	-11			0	0		
Long-term fixed income	1,114	-1,070			1,427	-1,364		
Equities			-3,413				-2,648	
Derivatives, net	-23	22	0					
Other financial assets				-2				-7
Liabilities								
Derivatives, net					-38	36		
Total change in fair value	**1,102**	**-1,058**	**-3,413**	**-2**	**1,389**	**-1,328**	**-2,648**	**-7**
Effect recognised in profit/loss	**-23**	**22**	**0**	**-2**	**-38**	**36**	**-**	**-7**
Effect recognised in equity	**1,102**	**-1,058**	**-3,413**	**-2**	**1,389**	**-1,328**	**-2,648**	**-7**

Interest rate risk

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

Risk exposure

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

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

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 4, in the reserve risk section. The duration of fixed income investments was at year-end 2021 1.1 (1.4). The duration of fixed income investments is shown in Table 8.

Following the financial crisis, the reform and replacement of benchmark interest rates has become a priority for global regulators. However, there remains some uncertainty around the timing and precise nature of these changes.

The impact of IBOR reform is insignificant insofar as If P&C Insurance has only few instruments that reference to GBP LIBOR and USD LIBOR. As per December 31, 2021 the exposure of If P&C Insurance that was directly affected by the interest rate benchmark reform predominantly comprised the investment instruments of MSEK 1,784 or 1.6% of the investment portfolio. These investments are measured at amortised cost and accounted for as available for sale or loans and receivables. As per December 31, 2021 If P&C Insurance replaced the reference interest rate only for one financial instrument amounting to MSEK 36 in accordance with the requirements in the IBOR reform.

If P&C Insurance currently has a significant number of contracts which reference to Nordic IBORs and EURIBOR. As these benchmark interest rates remain in the foreseeable future no financial impact is expected yet. If P&C Insurance follows the development of these interest rates and continuously assesses the impact on its operations and accounting.

Risk management and control

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

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

	2021			2020		
MSEK **Instrument type**[1]	**Carrying amount**	**%**	**Duration**	**Carrying amount**	**%**	**Duration**
Short-term fixed income	8,243	8.8	0.1	1,846	2.0	0.0
Scandinavia, long-term government and corporate securities	66,182	70.5	0.7	70,299	77.1	1.0
Scandinavia, index-linked bonds	5,088	5.4	23.9	3,184	3.5	9.3
Europe, long-term government and corporate securities	11,469	12.2	1.4	12,648	13.9	1.9
USA, long-term government and corporate securities	1,540	1.6	2.2	1,758	1.9	2.5
Global, long-term government and corporate securities	1,327	1.4	1.8	1,424	1.6	2.5
Total	**93,849**	**100**	**1.1**	**91,159**	**100**	**1.4**

[1] IR Derivatives are included in the table.

Equity risk

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

Risk exposure

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, the exposure amounted to MSEK 17,066 (13,240) and the proportion of equities in the investment portfolio was 15% (13).

Risk management and control

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

Table 9 – Breakdown of equity investments by industry sectors

MSEK	2021 Carrying amount	2021 %	2020 Carrying amount	2020 %
Industrials	5,632	46.3	4,461	49.3
Consumer Discretionary	4,641	38.2	2,769	30.6
Materials	1,055	8.7	748	8.3
Telecommunication Services	572	4.7	548	6.1
Health Care	114	0.9	360	4.0
Energy	85	0.7	101	1.1
Consumer Staples	58	0.5	51	0.6
Financials and Real Estate	4	0.0	4	0.0
Total	**12,160**	**100**	**9,042**	**100**

The sector allocation of equity excludes investments made through ETF's, mutual and private equity funds of MSEK 4,906 (4,198).

Table 10 – Breakdown of equity investments by geographical areas

MSEK	2021 Carrying amount	2021 %	2020 Carrying amount	2020 %
Sweden	9,320	54.7	6,919	52.8
Europe	3,108	18.3	2,365	18.0
Asia	1,771	10.4	1,563	11.9
Norway	1,309	7.7	981	7.5
North America	1,167	6.9	826	6.3
Latin America	278	1.6	402	3.1
Denmark	73	0.4	49	0.4
Total	**17,027**	**100**	**13,104**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 39 (136).

Currency risk

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

Risk exposure

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

Risk management and control

The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in the insurance operations is hedged to the presentation currency on a regular basis. The currency exposure in investment assets is controlled weekly and is hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size. If P&C Insurance is also exposed to translation risk, which refers to the risk that arises when consolidating the financial statements of branches that have a different presentation currency. The translation risk is not hedged.

Table 11 – Currency risk

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

MSEK **Currency 2020**	**EUR**	**NOK**	**DKK**	**GBP**	**USD**	**JPY**	**Other**
Investments	21,099	20,052	3,046	17	3,206	1	8
Derivatives	13,894	-670	5,459	-	-2,010	175	107
Insurance operations	-35,116	-19,298	-8,482	-44	-1,404	-3	-269
Open position (SEK)	-123	84	23	-27	-208	173	-154
10% depreciation of foreign currency against SEK	12	-8	-2	3	21	-17	15
Effect recognized in profit/loss	12	-8	-2	3	21	-17	15
Effect recognised in equity	12	-8	-2	3	21	-17	15

Credit risk

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

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

In general, counterparty default risk refers to losses arising from occurred defaults of 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 a large exposure to default risk by a single issuer of securities or a group of related issuers not captured by the spread risk or counterparty default risk, are measured as concentration risk.

Risk exposure

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

Risk management and control

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

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

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

Table 12 – Exposures by sectors, asset classes and rating category 2021

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total	Equities	Properties	Derivatives	Total [1]	Change compared with Dec 31 2020
Basic Industry	-	-	-	1,046	174	-	47	**1,267**	544	-	-	**1,811**	93
Capital Goods	-	-	797	474	194	-	1,164	**2,630**	7,387	-	-	**10,017**	3,262
Consumer Products	-	-	1,223	2,237	179	-	876	**4,515**	3,454	-	-	**7,969**	130
Energy	-	-	-	-	-	-	1,200	**1,200**	-	-	-	**1,200**	180
Financial Institutions	389	5,874	10,162	6,656	987	-	1,186	**25,253**	-	-	5	**25,258**	-264
Governments	5,294	-	-	-	-	-	-	**5,294**	-	-	-	**5,294**	1,911
Government Guaranteed	-	248	-	-	-	-	-	**248**	-	-	-	**248**	-1
Health Care	72	-	104	144	12	-	631	**963**	43	-	-	**1,006**	-71
Insurance	-	-	411	848	161	-	2,718	**4,138**	4	-	-	**4,142**	1,631
Media	-	-	-	-	-	-	225	**225**	-	-	-	**225**	-1
Packaging	-	-	-	-	-	-	115	**115**	-	-	-	**115**	3
Public Sector, Other	5,375	651	-	-	-	-	-	**6,026**	-	-	-	**6,026**	515
Real Estate	-	350	2,177	4,586	476	-	5,197	**12,787**	85	9	-	**12,881**	4,051
Services	-	-	-	483	775	-	476	**1,734**	-	-	-	**1,734**	76
Technology and Electronics	-	-	186	77	-	-	809	**1,073**	-	-	-	**1,073**	189
Telecommunications	-	-	202	1,167	491	-	182	**2,042**	572	-	-	**2,614**	-6
Transportation	-	575	448	-	-	-	1,805	**2,828**	0	-	-	**2,828**	550
Utilities	-	-	538	1,515	800	-	217	**3,070**	-	-	-	**3,070**	573
Covered Bonds	18,088	-	-	-	-	-	-	**18,088**	-	-	-	**18,088**	-6,710
Funds	-	-	-	-	-	-	-	**-**	4,906	-	-	**4,906**	709
Other	-	-	-	-	-	-	451	**451**	71	-	-	**522**	39
Clearing House	-	-	-	-	-	-	-	-	-	-	5	**5**	5
Total	**29,218**	**7,698**	**16,248**	**19,233**	**4,250**	-	**17,301**	**93,948**	**17,066**	**9**	**10**	**111,032**	**6,863**
Change compared with Dec 31, 2020	-4,249	401	3,001	131	-779	-12	4,568	3,061	3,826	-26	2	**6,863**	

[1] Other derivatives and collaterals are excluded.

Credit risk in reinsurance operations

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

Risk exposure

The distribution of recoverables and receivables concerning ceded reinsurance is presented in Table 13. In the table, MSEK 1,841 (1,552) is excluded, which mainly relates to captives and statutory pool solutions.

Risk management and control

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

Table 13 – Reinsurance recoverables

MSEK Rating (S&P)	2021	%	2020	%
AA	854	50.1	695	44.4
A	845	49.6	868	55.4
BBB	-	-	-	-
Not rated	5	0.3	4	0.2
Total	**1,704**	**100**	**1,567**	**100**

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

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

MSEK Rating (S&P)	2021	%	2020	%
AA	432	54.0	352	57.9
A	368	46.0	256	42.1
Total	**800**	**100**	**608**	**100**

Asset and Liability Management risk

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

Risk management and control

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

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

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

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

Liquidity risk

Liquidity risk refers to the risk of being unable to realize investments and other assets in order to settle financial obligations when they fall due.

Risk exposure

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

Risk management and control

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

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

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

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

2020 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2021	2022	2023	2024	2025	2026-2035	2036-
Financial assets	122,051	*14,952*	*107,098*	33,794	19,806	16,566	19,400	12,427	8,291	-
Derivative liabilities	-445	*-*	*-445*	-444	-1	-	-1	-	-	-
Other financial liabilities	-7,921	*-11*	*-7,911*	-7,984	-	-	-	-	-	-
Net technical provisions	-83,612	*-83,612*	*-*	-31,193	-9,906	-5,444	-3,764	-2,989	-17,202	-16,249

Concentration risk

Concentration risk refers to the total exposure towards a single issuer of securities or a group of related issuers, industry, sector or geographical area.

Risk exposure

Investments are mainly concentrated to the financial sector in the Scandinavian countries. The largest market and credit risk concentrations related to a single issuer of securities or a group of related issuers and asset classes are shown in Table 16. Concentrations to industry, sector or geographical area are shown in Table 9, 10 and 12.

Reinsurers share of the ten largest individual reinsurance recoverable balances amounted to MSEK 1,922 (1,711), representing 54% (55) of the total reinsurance recoverables. Out of the ten largest reinsurance recoverables, 32% (37) of the reinsurers had an A rating or higher, while the rest were from non-rated captives.

Risk management and control

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

Table 16 – Concentration of market and credit risks in individual counterparties and asset classes 2021

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Kingdom of Sweden	-	-	7,368	-	-	**7,368**
Nordea Bank plc	-	3,882	2,187	294	-	**6,363**
DnB ASA	-	1,808	2,020	-	-	**3,828**
Kingdom of Norway	-	-	3,595	-	-	**3,595**
AB Volvo	1,615	-	1,041	-	-	**2,656**
SBAB Bank AB (publ)	-	849	1,679	-	-	**2,528**
Danske Bank A/S	-	1,323	1,059	20	-	**2,402**
Sampo plc	-	-	2,254	-	-	**2,254**
Svenska Handelsbanken AB (publ)	-	1,824	278	-	-	**2,102**
Nykredit A/S	-	1,388	426	-	-	**1,814**
Total top ten exposures	**1,615**	**11,074**	**21,909**	**314**	**-**	**34,911**

The ten largest exposures amount to MSEK 34,911 (36,101), representing 31% (34) of the investment assets under active management.

Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events (expected or unexpected). The definition also includes legal risk, which refers to the risk of loss due to disputes not related to insurance claims, breach of contract or entry into illegal contracts or breach of intellectual property rights.

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

Risk exposure

Assessment of operational risk is performed through the qualitative Operational and Compliance Risk Assessment (OCRA) process. In this process, operational risks are identified, assessed, managed, monitored and reported regularly. Identified risks are assessed from a likelihood and impact perspective and evaluated using a traffic light system. An operational risk coordinator network in the line organization supports the risk owners in the OCRA process while the results are challenged and aggregated by the Risk Management function. The most significant risks are reported to the Operational Risk Committee, the ORSA Committee and to the Board of Directors. If P&C Insurance has a system for incident reporting procedures and follow-up. Incident data is used to analyze risk and severe incidents are tracked to ensure that proper actions are taken.

Main operational risks are related to internal, customer and partner processes and are driven by core system transition, old legacy systems and complex processes. To manage these risks there is a plan for a new core system strategy to enable efficient transition to new systems, a changed governance and management structure and standardized routines to meet new demands. Other operational risks are related to inadequate system functionality due to increased complexity and limited resources for system development. Furthermore, information security is significant within the operational risk area related to the risk of insufficient information protection and insufficient cyber protection and resilience. Examples of risk mitigating activities are the Identity and Access Management project for governing identities and accesses and the Access Logging project, improving incident response from alerts in security tools and threat hunting activities.

Risk management and control

There is a number of steering documents that are relevant for the management of operational risk. These include, but are not limited to, the Operational Risk Policy, Business Continuity and Security Policy and Information Security Policy. There are also processes and instructions in place to manage the risk of external and internal fraud. 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 refers to the risk of loss due to changes in the competitive environment, changes in the overall economic climate or internal inflexibility.

Risk management and control

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

The Corporate Strategy unit is responsible for coordinating strategic risk assessments. The strategy process takes place annually and includes setting high-level objectives and translating these into detailed short-term business plans. The strategy process also includes a risk assessment update whenever larger changes occur. An overall assessment by the Corporate Strategy unit is reported to the ORSA Committee.

Compliance risk

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

Risk management and control

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

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

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

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

Reputational risk

Reputational risk is often a consequence of a materialized operational or compliance risk and refers to the risk of 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 is determined by how stakeholders perceive the company in all aspects.

Risk management and control

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

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

Emerging risks

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

Risk exposure

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

Risk management and control

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

Note 6 – Performance analysis per line of insurance

2021 MSEK	Accident and health	Healthcare	Security	Householders and homeowners	Commercial and real estate	Liability	Legal protection	Motor
Premiums earned, net of reinsurance	1,252	133	-	2,630	1,131	746	145	7,661
Allocated investment return transferred from the non-technical account	-	-	-	-	-	-	-	-
Other technical income	-	-	-	-	-	-	-	-
Claims incurred, net of reinsurance	-846	-100	0	-1,678	-1,032	-452	-59	-5,059
Operating expenses	-206	-26	-	-285	-176	-104	-22	-892
Technical result from property and casualty insurance	**201**	**7**	**0**	**668**	**-77**	**190**	**65**	**1,710**
Prior-year claims result	11	-2	0	50	156	-56	4	92
Provision for unearned premiums and unexpired risks	587	35	-	1,406	579	379	62	5,223
Provision for claims outstanding	3,558	103	3	953	1,613	2,031	119	717
Technical provisions (gross)	**4,145**	**137**	**3**	**2,359**	**2,192**	**2,409**	**181**	**5,940**
Provision for unearned premiums and unexpired risks	3	-	-	-	78	78	-	8
Provision for claims outstanding	1	-	-	1	311	257	-	2
Reinsurers' share of technical provisions	**4**	**-**	**-**	**1**	**389**	**335**	**-**	**10**

2021 MSEK	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums earned, net of reinsurance	23	1,518	363	373	15,976	28,949	1,402	46,328
Allocated investment return transferred from the non-technical account	-	-	-	-	-	140	4	144
Other technical income	-	-	-	494	494	-	-	494
Claims incurred, net of reinsurance	-21	132	-171	-315	-9,601	-19,953	-1,143	-30,696
Operating expenses	-3	-407	-63	-555	-2,737	-4,651	-246	-7,634
Technical result from property and casualty insurance	**0**	**1,243**	**129**	**-2**	**4,133**	**4,485**	**18**	**8,636**
Prior-year claims result	-	1,293	66	-3	1,611	41	-64	1,587
Provision for unearned premiums and unexpired risks	11	754	171	204	9,410	13,086	678	23,174
Provision for claims outstanding	4	11,468	177	26	20,772	43,084	3,147	67,004
Technical provisions (gross)	**15**	**12,221**	**348**	**230**	**30,182**	**56,171**	**3,826**	**90,178**
Provision for unearned premiums and unexpired risks	-	-	25	-	193	373	142	708
Provision for claims outstanding	-	11	25	-	608	928	1,019	2,555
Reinsurers' share of technical provisions	**-**	**11**	**51**	**-**	**801**	**1,301**	**1,162**	**3,263**

Supplementary disclosures to performance analysis

2021 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	1,293	136	-	2,737	1,642	1,010	146	7,611
Premiums ceded	-2	-	-	-58	-527	-240	-	-19
Change in provision for unearned premiums and unexpired risks	-36	-2	-	-49	-22	-37	-1	73
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-3	-	-	0	38	14	-	-4
Total	**1,252**	**133**	**-**	**2,630**	**1,131**	**746**	**145**	**7,661**

2021 MSEK Premiums earned, net of reinsurance	Assistance	Motor, third party liability	Marine, air and transport	Other property	Total Swedish direct insurance	Direct insurance abroad	Reinsurance accepted	Total
Premiums written, gross	21	1,514	492	389	16,990	31,014	1,862	49,866
Premiums ceded	-	-3	-136	-	-984	-1,370	-442	-2,797
Change in provision for unearned premiums and unexpired risks	2	7	4	-15	-78	-731	-24	-833
Reinsurers' share of change in provision for unearned premiums and unexpired risks	-	-	3	-	48	37	7	92
Total	**23**	**1,518**	**363**	**373**	**15,976**	**28,949**	**1,402**	**46,328**

Supplementary disclosures to performance analysis, continued

2021 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	-558	-90	-1	-1,653	-1,289	-303	-76	-5,018
Reinsurers' share	-2	-	-	-4	372	8	-	12
Change in provisions for claims outstanding								
Gross	-285	-10	0	-21	-176	-273	17	-53
Reinsurers' share	0	0	-	0	61	116	-	0
Total	**-846**	**-100**	**0**	**-1,678**	**-1,032**	**-452**	**-59**	**-5,059**

2021 MSEK	**Assistance**	**Motor, third party liability**	**Marine, air and transport**	**Other property**	**Total Swedish direct insurance**	**Direct insurance abroad**	**Reinsurance accepted**	**Total**
Claims paid								
Gross	-20	-1,318	-484	-313	-11,122	-19,317	-1,634	-32,073
Reinsurers' share	-	-	202	-	588	131	743	1,462
Change in provisions for claims outstanding								
Gross	0	1,448	264	-2	907	-795	-352	-240
Reinsurers' share	-	2	-153	-	26	27	100	154
Total	**-21**	**132**	**-171**	**-315**	**-9,601**	**-19,953**	**-1,143**	**-30,696**

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

		2021			**2020**	
MSEK	**Gross[1)]**	**Ceded**	**Net**	**Gross[1)]**	**Ceded**	**Net**
Premiums written	49,866	-2,797	47,069	48,517	-2,432	46,085

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

Sweden	17,541	17,101
Rest of EEA	30,481	29,658
Total	**48,021**	**46,760**

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

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

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

	2021		2020	
	Annuities	**Other provisions**	**Annuities**	**Other provisions**
Sweden/SEK	1.2%	0.0%	1.0%	0.0%
Norway/NOK	1.8%	0.8%	1.4%	1.0%
Denmark/DKK	0.2%	0.0%	0.2%	0.0%
Finland/EUR	0.8%	0.0%	0.9%	0.0%

Note 9 – Claims incurred

	2021			2020		
MSEK	**Gross**	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Claims costs attributable to current-year operations						
Claims paid	-17,509	696	-16,813	-17,487	575	-16,912
Operating expenses for claims adjustment	-2,641	-	-2,641	-2,628	-	-2,628
Change in claims reserve for incurred and reported losses	-7,100	552	-6,547	-7,773	1,285	-6,488
Change in claims reserve for incurred but not reported losses (IBNR)	-6,252	90	-6,163	-6,165	82	-6,083
Change in annuities reserve	-80	-	-80	-56	-	-56
Change in reserves for claims adjustment	-39	-	-39	78	-	78
			-32,283			**-32,091**
Claims costs attributable to prior-year operations						
Claims paid	-10,578	767	-9,811	-11,400	614	-10,786
Annuities	-1,257	-2	-1,259	-1,194	16	-1,178
Change in claims reserve for incurred and reported losses	6,026	-403	5,622	6,649	-427	6,222
Change in claims reserve for incurred but not reported losses (IBNR)	7,118	-83	7,035	7,727	-99	7,628
			1,587			**1,886**
Total insurance claims	**-32,312**	**1,616**	**-30,696**	**-32,251**	**2,046**	**-30,204**
Insurance claims paid						
Claims paid	-28,087	1,462	-26,625	-28,887	1,190	-27,698
Annuities paid	-1,344	-	-1,344	-1,309	-	-1,309
Operating expenses for claims adjustment	-2,641	-	-2,641	-2,628	-	-2,628
	-32,073	**1,462**	**-30,610**	**-32,825**	**1,190**	**-31,635**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	-1,074	149	-925	-1,124	858	-266
Change in claims reserve for incurred but not reported losses (IBNR)	865	7	872	1,562	-17	1,545
Change in claims provision for annuities	8	-2	6	59	16	74
Change in reserves for claims adjustment	-39	-	-39	78	-	78
	-240	**154**	**-86**	**574**	**857**	**1,431**
Total insurance claims	**-32,312**	**1,616**	**-30,696**	**-32,251**	**2,046**	**-30,204**

Not 10 – Operating expenses

MSEK	2021	2020
Specification of operating expenses		
External acquisition costs [1]	-1,370	-1,402
Internal acquisition costs	-3,689	-3,447
Change in deferred acquisition costs, gross	-44	-68
Administrative expenses, insurance	-2,179	-2,190
Total operating expenses in insurance operations, gross	**-7,282**	**-7,107**
Reinsurance commission and profit participation in ceded insurance	186	152
Change in deferred acquisition costs, ceded	-4	-7
Total reinsurance commission and profit participation in ceded insurance	**182**	**145**
Other operating expenses/other technical expenses [2]	-534	-520
Total	**-7,634**	**-7,482**
[1] Of which, commissions in direct insurance	*-1,251*	*-1,287*
[2] Of which, related to Swedish Motor Insurers business	*-48*	*-72*
Summary of total operating expenses		
Salaries and remuneration	-4,260	-4,049
Social security costs	-943	-844
Pension costs	-632	-634
Other personnel costs	-209	-162
Total personnel costs	**-6,044**	**-5,690**
Premises costs	-403	-389
Depreciation, amortization and impairment	-246	-318
External acquisition costs	-1,370	-1,402
Other administration costs	-2,544	-2,553
Total	**-10,608**	**-10,352**

MSEK	2021	2020
Distribution of operating expenses in income statement		
Claims-adjustment costs included in claims paid	-2,641	-2,628
External and internal acquisition costs included in operating expenses for insurance operations	-5,059	-4,850
Shared administration costs for insurance operations included in operating expenses in insurance operations	-2,179	-2,190
Administration costs pertaining to other technical operations included in other operating expenses/other technical expenses	-534	-520
Investment costs included in investment charges	-194	-165
Total	**-10,608**	**-10,352**

MSEK	2021	2020
Other technical expenses related to Swedish Motor Insurers (TFF) business		
The Company´s share of fees to swedish motor insurers	105	112
The Company´s share of claims cost	-166	-194
The Company´s share of operating expenses	-47	-50
The Company´s share of financial income and other income	52	56
Net expense calculated for TFF current year	**-56**	**-76**
Adjustment due to settlement regarding TFF preceding year	8	4
Total other technical expenses related to TFF business	**-48**	**-72**

Not 11 – Average number of employees

	2021		2020	
Average number of employees	**Average number of employees**	***Of whom, women %***	**Average number of employees**	***Of whom, women %***
Denmark	554	*47*	561	*47*
Estonia	177	*91*	160	*91*
Finland	1,668	*62*	1,708	*63*
France	6	*33*	6	*33*
Latvia	213	*28*	193	*27*
Netherlands	5	*61*	5	*60*
Norway	1,347	*47*	1,340	*47*
United kingdom	6	*41*	6	*50*
Sweden [1]	2,288	*53*	2,253	*51*
Germany	6	*22*	5	*20*
Total	**6,270**	***53***	**6,237**	***53***

[1] Agents are not included. If P&C Insurance has 9 (11) spare-time agents in Sweden.

Percentage of women in executive management	2021	2020
Board of Directors	17 %	14%
Other senior executives	33 %	50%

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

MSEK	2021	2020
Salaries and remuneration	4,260	4 049
Pension costs	632	634
Social fees	943	844
Total	**5,835**	**5 527**

MSEK **Of which salaries and other remuneration for senior executives [1]**	**2021**	**2020**
Fixed salaries and remuneration	19	17
Variable compensation and incentive schemes	24	4
Total	**43**	**21**

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

Principles for determining remuneration of senior executives

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

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

The annual variable compensation is based on the If Group results, business unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the annual variable compensation is also based on the Sampo Group results. A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Board shall evaluate and, if needed, risk adjust the deferred compensation before any payment is made.

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

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

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

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

kSEK **Salaries and other remuneration for senior executives 2020**	**Basic salary/ Directors Fee**	**Variable payments**	**Incentive schemes [1]**	**Other benefits**	**Pension costs**	**Total**
Chairman of the Board Morten Thorsrud	-	-	-	-	-	-
Board member Jouko Oksanen	64	-	-	-	-	64
Other Board members	-	-	-	-	-	-
President/CEO Måns Edsman [2]	-	-	-	-	-	-
Other members of Group Management (5 individuals)	15,719	3,795	-132	818	6,375	26,575
Total	**15,783**	**3,795**	**-132**	**818**	**6,375**	**26,639**

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

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

Pensions

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

Sweden

Senior executives are covered by individually agreed defined-contribution pension plans or collectively agreed pension according to FTP 1. The annual premium for individual occupational pension is 38% of fixed salary. The annual premium for the occupational pension FTP 1 corresponds to

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

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

Norway

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

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

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

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

Denmark

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

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

Severance pay

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

In employment is terminated by the company, other senior executives are entitled to compensation during a period of notice of 6 to 12 months, and in most cases, to severance pay amounting to a minimum of 9 months' and a maximum of 24 months' fixed salary.

Long-term incentive schemes

The Board of Directors of Sampo plc has decided on long-term incentive schemes for key employees of Sampo Group. The Board has authorised the Group CEO to decide on the allocation of incentive units, which are used to determine the incentive reward. Some 70 persons were included in the schemes at the end of year 2021.

The amount of incentive reward is based on the performance of the Sampo A share, If Group's insurance margin (IM) and/or Sampo Group's return on capital at risk (RoCaR), The value of one calculated incentive unit is the trade-weighted average price of the Sampo A share at the time period specified in the terms of the scheme, reduced by dividend-adjusted starting price. The starting prices of the schemes vary between EUR 32.94 and44.10. The maximum value of one incentive unit varies between EUR 56.94 and 67.49.

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

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

Each plan has three performance periods and incentive rewards are paid in cash in three instalments. Given that the targets have been met, the payment equals the increase in the price of the Sampo A share from the launch of the respective scheme up until each instalment. According to the terms and conditions of the schemes, identified staff must buy Sampo A shares with 50 or 60% of the net reward after taxes and other comparable charges. The shares are subject to a formal disposal restriction for three years from the date of payment. A premature payment of the reward may occur in the event of changes in the group structure.

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

Long-term incentive schemes		2017:1	2017:1/2	2020:1	2020:1/2
Approvement date		2017-09-14	2017-09-14	2020-08-05	2020-08-05
Initial number of granted units		2,172,500	57,000	1,424,500	170 000
End of performance period I 30%		Q2 2020	Q2 2021	Q2 2023	Q2 2024
End of performance period II 35%		Q2 2021	Q2 2022	Q2 2024	Q2 2025
End of performance period III 35%		Q2 2022	Q2 2023	Q2 2025	Q2 2026
Payment I 30%		Sept 2020	Sept 2021	Sept 2023	Sept 2024
Payment II 35%		Sept 2021	Sept 2022	Sept 2024	Sept 2025
Payment III 35%		Sept 2022	Sept 2023	Sept 2025	Sept 2026
Starting price [1] (EUR)		43.81	44,10	32.94	43.49
Maximum prices (EUR)		62,24	62.53	56,94	67.49
Dividend-adjusted starting price as at 31 December 2021 (EUR)		34.59	37.48	31.24	43.49
Sampo A closing price as at 31 December 2021 (EUR)	44-06				

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

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

Reconciliation of outstanding units	**2021**	**2020**
Outstanding at January 1	**2,299,550**	**1,876,875**
Granted during the year	170,000	1,424,500
Transferred during the year	-188,900	-447,000
Forfeited during the year	-118,000	-180,000
Paid out during the year	-362,675	-11,375
Lapsed during the year	-	-363,450
Outstanding at December 31	**1,799,975**	**2,299,550**

	Dec 31, 2021			**Dec 31, 2020**		
kSEK **Outstanding units and values**	**Number of units**	**Maximum amount**	**Reserved amount**	**Number of units**	**Maximum amount**	**Reserved amount**
Chairman of the Board Morten Thorsrud	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO Måns Edsman	-	-	-	-	-	-
Other members of Group Management (5 (15) individuals)	426,500	112,115	17,463	472,900	117,268	5,744
Others covered by the incentive schemes	1,373,475	365,950	67,162	1,826,650	452,869	22,702
Total	**1,799,975**	**478,065**	**84,624**	**2,299,550**	**570,137**	**28,445**

The expensed cost of the incentive program during the year amounted to MSEK 90.4 (2.8).

Not 13 – Auditors' fees

MSEK	**2021**	**2020**
Deloitte		
Audit fees	15	-
Audit fees outside the audit assignment	-	-
Tax consultancy fees	0	-
Other consultancy fees	0	-
Total fees to Deloitte	**16**	**-**

MSEK	**2021**	**2020**
KPMG		
Audit fees	4	17
Audit fees outside the audit assignment	-	-
Tax consultancy fees	0	0
Other consultancy fees	0	0
Total fees to KPMG	**4**	**17**

Note 14 – Performance analysis per class of insurance

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

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

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

2020 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	8,044	5,193	14,256	1,266	13,634	2,408	16
Premiums earned, gross	7,915	5,182	14,104	1,192	13,157	2,295	22
Claims incurred, gross	-5,836	-1,183	-9,656	-903	-9,951	-1,402	-7
Operating expenses, gross [1]	-1,285	-993	-2,222	-180	-1,686	-310	-4
Profit/loss from ceded reinsurance	101	17	-27	0	-223	-247	-
Technical result before investment return transferred from the non-technical account	**895**	**3,023**	**2,199**	**110**	**1,298**	**337**	**11**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Total
Premiums written, gross	549	21	1,357	46,744	1,773	48,517
Premiums earned, gross	539	18	1,320	45,746	1,591	47,336
Claims incurred, gross	-321	-15	-1,246	-30,521	-1,730	-32,251
Operating expenses, gross [1]	-58	-	-196	-6,933	-242	-7,175
Profit/loss from ceded reinsurance	-	-	-25	-402	290	-112
Technical result before investment return transferred from the non-technical account	**160**	**3**	**-147**	**7,889**	**-91**	**7,799**
Allocated investment return transferred from the non-technical account						**171**
Technical result from property and casualty insurance						**7,970**

[1] The item Operating expenses, gross includes Other technical income of MSEK 452 and Other technical expense of MSEK -520.

Note 15 – Investment result

MSEK **Investment income**	**2021**	**2020**
Operating surplus, land and buildings		
Rental income	4	4
Operating expenses	-3	-4
Dividend on shares and participations	487	302
Interest income, etc.		
Bonds and other interest-bearing securities	1, 398	1,513
Other assets	64	92
Receivables from group companies	3	4
Exchange rate gains, net	-	119
Capital gains, net		
Land and buildings	7	-
Shares and participations	473	1,144
Bonds and other interest-bearing securities	272	-
Other loans	33	6
Total	**2,737**	**3,181**

MSEK **Unrealized gains on investment assets recognized in the income statement**	**2021**	**2020**
Land and buildings	-	1
Bonds and other interest-bearing securities	119	-
Derivatives	16	-
Total	**134**	1

MSEK **Investment charges**	**2021**	**2020**
Asset management expenses	-238	-195
Interest expenses, etc.		
Derivatives	-81	-129
Other liabilities	-2	-2
Liabilities to group companies	-14	-7
Exchange rate losses, net	-138	-
Capital losses, net		
Bonds and other interest-bearing securities	-	-74
Total	**-474**	**-407**

MSEK **Unrealized losses on investment assets recognized in the income statement**	**2021**	**2020**
Shares and participations	-59	-458
of which, impairment losses	*-59*	*-458*
Bonds and other interest-bearing securities	-	-726
of which, impairment losses	-	*-726*
Derivatives	-	-8
Total	**-59**	**-1 192**

MSEK Reconciliation of accumulated value changes of financial assets available for sale	2021	2020
Opening balance	**7,022**	**6,041**
Unrealized change in value of financial assets available for sale	3,465	880
Changes in value recognized in income statement	-805	114
Translation difference	6	-12
Closing balance	**9,689**	**7,022**
Net value change, financial assets available for sale	2,661	994

	Fair value Dec 31, 2021		Fair value Dec 31, 2020		Return 2021		Return 2020	
Return on investment assets [1]	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Interest-bearing securities	93,849	85	91,159	87	1,684	1.7	1,534	1.6
Equities	17.066	15	13,240	13	3,589	27.3	1,314	11.0
Currency (active positions)	1	-	10	-	0	-	41	-
Currency (other) [2]	93	-	-316	-	-138	-	78	-
Properties	9	-	35	-	7	-	1	-
Other	-	-	-	-	-143	-	-390	-
Total investment assets	**111,017**	**100**	**104,127**	**100**	**4,999**	**4.6**	**2,577**	**2.5**

[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	2021	2020
Subordinated loan, issued in 2011	6.00%	-64	-71
Total		**-64**	**-71**

Note 17 – Goodwill amortization

MSEK	2021	2020
The amortization is attributable to goodwill arising from the acquisition of the net assets of a business.	-2	-2
Total	**-2**	**-2**

Note 18 – Taxes

MSEK	2021	2020
Current tax	-2,205	-1,960
Deferred tax	-15	-7
Total tax in the income statement	**-2,220**	**-1,967**
Current tax		
Swedish entities	-950	-892
Non-Swedish entities	-1,256	-1,068
Total current tax	**-2,205**	**-1,960**
Deferred tax		
Temporary differences pertaining to goodwill	-	-3
Other temporary differences	-15	-4
Total deferred tax	**-15**	**-7**

MSEK	2021	2020
Tax related to other comprehensive income		
Related to financial assets available for sale	-535	-180
Other	-96	144
Total current and deferred tax	**-630**	**-36**
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	10,539	9,050
Tax according to current tax rate, 20.6% (21.4%)	-2,171	-1,937
Permanent differences, net	-45	-27
Adjustment of prior-year taxes	-5	2
Different tax rates in foreign units	1	0
Changes in tax rates	0	-6
Reported tax in the income statement	**-2,220**	**-1,967**

Notes to the balance sheet

Note 19 – Intangible assets

MSEK	2021 Goodwill	2021 Other intangible assets	2021 Total intangible assets	2020 Goodwill	2020 Other intangible assets	2020 Total intangible assets
Accumulated acquisition value						
Opening balance	**5,701**	**303**	**6,004**	**6,241**	**484**	**6,725**
Additions	-	32	32	-	96	96
Disposals	-	-178	-178	-	-253	-253
Translation differences	363	11	375	-540	-23	-563
Closing balance	**6,064**	**169**	**6,234**	**5,701**	**303**	**6,004**
Accumulated amortization and impairment						
Opening balance	**-5,698**	**-159**	**-5,857**	**-6,236**	**-172**	**-6,408**
Amortization and impairments during the year	-2	-1	-2	-2	-2	-3
Disposals	-	-	-	-	-	-
Translation differences	-363	-10	-373	540	14	554
Closing balance	**-6,063**	**-169**	**-6,232**	**-5,698**	**-159**	**-5,857**
Carrying amount, closing balance	**2**	**-**	**2**	**3**	**144**	**147**

Other intangible assets have predominantly consisted of capitalized costs for the development of the insurance system Waypoint. During the year, If has performed further impairment tests to ensure that the asset is not booked at a value exceeding its recoverable amount. The asset value was subsequently impaired by MSEK 178 (253). The carrying amount is zero and future developments costs are no longer capitalized.

Note 20 – Land and buildings

MSEK	2021	2020
Carrying amount, opening balance	**35**	**35**
Sales and scrappage	-45	-
Net changes in current value	18	1
Translation differences	1	-1
Carrying amount, closing balance	**9**	**35**

MSEK	2021	2020
Rental income during the fiscal year	**4**	**4**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	1	2
Operating expenses pertaining to premises that did not generate income during the fiscal year	2	2

Total future minimum rents	2021	2020
<1 year	0	2
1–5 years	-	1
> 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.

	Acquisition value		Fair value		Carrying amount	
MSEK	2021	2020	2021	2020	2021	2020
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	5	18		129		129
Financial assets available for sale						
Shares and participations	9,677	9,079		13,203		13,203
Bonds and other interest-bearing securities	88,227	87,084		87,409		87,409
Total financial assets, at fair value	**97,910**	**96,182**		**100,741**		**100,741**
Loans [1]						
Other loans	3,078	1,661		1,666		1,661
Total financial investment assets	**100,987**	**97,843**		**102,407**		**102,402**
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	9		445		445
Total financial liabilities, at fair value	**-**	**9**		**445**		**445**

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

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

Classification of other financial investment assets in accordance with IFRS 9

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

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

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

	Fair value		Change in
MSEK	2021	2020	fair value
Financial assets, at fair value through profit or loss			
Shares and participations	17,033	13,203	3,829
Bonds and other interest-bearing securities	88,816	87,409	1,407
Derivative assets	176	129	47
Total	**106,025**	**100,741**	**5,284**
Financial investment assets at amortized cost			
Other loans	3,079	1,666	1,412
Total	**3,079**	**1,666**	**1,412**
Total financial investment assets	**109,103**	**102,407**	**6,696**

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

Specification of other financial investment assets and derivative liabilities

Bonds and other interest-bearing securities

If P&C Insurance's bonds and other interest-bearing securities by type of issuer at December 31, 2021 are shown below.

MSEK Type of issuer	Nominal value	%	Fair value	%	Carrying amount	%
Swedish government	4,099	5	5,084	6	5,084	6
Swedish public sector, other	2,392	3	2,425	3	2,425	3
Swedish mortgage companies	4,390	5	4,440	5	4,440	5
Swedish financial companies	10,069	12	10,190	11	10,190	11
Other Swedish companies	18,492	21	18,647	21	18,647	21
Foreign governments	446	1	451	1	451	1
Foreign public sector	3,940	5	3,960	4	3,960	4
Foreign financial companies	26,184	30	26,359	30	26,359	30
Other foreign companies	17,400	20	17,259	19	17,259	19
Total	**87,412**	**100**	**88,816**	**100**	**88,816**	**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 %, 2021	27	18	22	15	13	3	2	0	2	0	**100**
Fair value %, 2020	17	22	18	20	13	6	1	-	-	3	**100**

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

Derivatives

	2021			2020		
MSEK Derivative assets	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount	Nominal amount
Equity derivatives						
Options	0	0	4	0	0	4
Total	**0**	**0**	**4**	**0**	**0**	**4**
of which, cleared by clearing house	-	-	-	-	-	-
Fixed income derivatives	*5*	*5*	*1,000*	-	-	-
Currency derivatives						
Options	0	0	13	28	28	744
Futures	170	170	20,815	101	101	18,464
Total	**170**	**170**	**20,828**	**129**	**129**	**19,208**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**176**	**176**		**129**	**129**	
Derivative liabilities						
Fixed income derivatives						
Swaps	-	-	-	10	10	1,500
Total	**-**	**-**	**-**	**10**	**10**	**1,500**
of which, cleared by clearing house	-	-	-	*10*	*10*	*1,500*
Currency derivatives						
Options	-	-	-	9	9	731
Futures	77	77	20,678	426	426	19,135
Total	**77**	**77**	**20,678**	**435**	**435**	**19,866**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**77**	**77**		**445**	**445**	

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 P&C Insurance mainly uses information compiled by Bloomberg. Quoted shares are measured on the basis of latest trade price on stock markets and are obtained by Bloomberg. The valuation of bonds is also usually based on prices from Bloomberg. Quoted bonds are measured on the basis of last bid price. For model-valued interest bearing instruments, yield curves based on last mid prices are used.

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

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

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

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

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

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

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

Transfers from level 1 to level 2 amounted to MSEK 3,448 (2,409) corresponding to 3.3% (2.4) of the outstanding balance for financial investment assets at fair value, while transfers from level 2 to level 1 amounted to MSEK 5,095 (4,462) corresponding to 4.8% (4.4) of the outstanding balance for financial investment assets at fair value.

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

When neither quoted prices in active markets non-observable market data is available, the fair value of financial instruments is based on valuation techniques that are based on non-observable market data.

Level 3 comprises private equity, unlisted shares and distressed assets encountering financial difficulties where trading has essentially ceased to exist.

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

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

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

Financial investment assets and derivative liabilities in fair value hierarchy

	2021				2020			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit or loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	5	-	5	-	-	-	-
Foreign exchange derivatives	-	170	-	170	-	129	-	129
Financial assets, available for sale								
Shares and participations [1)]	16,892	20	121	17, 033	13 018	-	185	13 203
Bonds and other interest-bearing securities	50,510	38,279	28	88,817	63 339	24 054	16	87 409
Total financial assets, at fair value	**67,402**	**38,475**	**148**	**106,025**	**76 357**	**24 183**	**201**	**100 741**
Financial liabilities, mandatory at fair value through profit or loss (trading)								
Derivatives								
Fixed income derivatives	-	-	-	-	-	10	-	10
Foreign exchange derivatives	-	77	-	77	-	435	-	435
Total financial liabilities, at fair value	**-**	**77**	**-**	**77**	**-**	**445**	-	**445**

[1)] Mutual equity funds recognized in the above balances totaled MSEK 4,902 (4,193) of which MSEK 4,863 (4,142) was allocated to level 1 and MSEK 39 (51) 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, 2021, the assets presented in level 3 amounted to MSEK 201 (186).

These financial assets are categorized as available for sale.

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

MSEK 2020	Carrying amount Jan 1	Net gains/losses recorded in: income statement	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	186	-	-4	42	-22	0	-16	185	-
Bonds and other interest-bearing securities	0	-19	0	18	0	18	-1	16	-19
Total	**186**	**-19**	**-4**	**60**	**-23**	**18**	**-17**	**201**	**-19**

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.

	2021		2020	
MSEK	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations [1]	121	-24	185	-37
Bonds and other interest-bearing securities	28	0	16	-3
Total	**148**	**-24**	**201**	**-40**

[1] Includes holding in equity funds.

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

MSEK Assets	2021	200
Derivatives		
Gross amount of recognized assets	176	129
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**176**	**129**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-35	-115
Cash collateral received	146	11
Net amount	**287**	**25**

MSEK Liabilities	2021	2020
Derivatives		
Gross amount of recognized liabilities	77	445
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**77**	**445**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-35	-115
Cash collateral pledged	63	329
Net amount	**105**	**661**

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

Note 24 – Reinsurers' share of technical provisions

	2021		2020	
MSEK **Change during the year**	Provision for unearned premiums and unexpired risks	Provision for claims outstanding	Provision for unearned premiums and unexpired risks	Provision for claims outstanding
Opening balance	**579**	**2,234**	**516**	**1,653**
Change in provision	92	154	128	857
Translation differences	36	168	-65	-275
Closing balance	**708**	**2,555**	**579**	**2,234**

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	2021	2020
Receivables from policyholders	14,549	13,985
Receivables from insurance brokers	0	0
Receivables from insurance companies	72	51
Bad-debts provisions	-79	-81
Total [1]	**14,542**	**13,955**

[1] Of which, MSEK 3 (6) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivables	14,443	178	14,621
Bad-debt provisions	-6	-73	-79
Total	**14,437**	**105**	**14,542**

Generally, provision is based on a standard computation; the amount includes individual provision of MSEK -2 (-3).

Note 26 – Debtors arising out of reinsurance

MSEK	2021	2020
Receivables from reinsurers	1,285	996
Bad-debts provisions	-171	-109
Total [1]	**1,114**	**887**

[1] Of which, MSEK 3 (0) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivables	1,051	235	1,285
Bad-debt provisions	-2	-169	-171
Total	**1,049**	**66**	**1,114**

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

Note 27 – Other debtors

MSEK	2021	2020
Receivable from group companies	2,273	1,614
Receivable from patient-insurance pool for the public sector	689	631
Other	67	70
Bad-debt provisions	-	-
Total [1]	**3,029**	**2,315**

[1] Of which, MSEK 644 (579) is expected to be received later than 12 months after the closing date.

Note 28 – Tangible assets

MSEK	2021	2020
Accumulated acquisition value		
Opening balance	**525**	**492**
Additions	90	86
Disposals	-53	-36
Translation differences	11	-17
Closing balance	**573**	**525**
Accumulated depreciation and impairment		
Opening balance	**-328**	**-303**
Depreciation and impairments during the year	-68	-63
Disposals	43	26
Translation differences	-7	11
Closing balance	**-360**	**-328**
Carrying amount, closing balance	**213**	**197**

MSEK **Leasing agreements (lessee)** **Due dates**	**Future minimum lease payments** **2021**	 **2020**
< 1 year	262	260
1-5 years	871	816
> 5 years	773	941
Total	**1 906**	**2,017**

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

MSEK	2021	2020
Total lease payments during the period	**274**	**278**
Of which, minimum lease payments	*262*	*267*
Of which, contingent rents	*12*	*12*

Leasing where If P&C Insurance 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 9 (35).

Note 29 – Deferred acquisition costs

MSEK	2021	2020
Opening balance	**1,126**	**1,257**
Net change during the year	-44	-68
Translation difference	40	-64
Closing balance	**1,122**	**1,126**

Acquisition expenditure during the year amounted to MSEK 5,059 (4,850). 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 prepayments and accrued income

MSEK	2021	2020
Accrued income	253	236
Deferred costs	130	164
Total	**383**	**399**

Note 31 – Untaxed reserves

Contingency reserve, MSEK	2021	2020
Opening balance	**6,859**	**7,118**
Change recognized in income statement	-	-
Translation difference	174	-259
Closing balance	**7,032**	**6,859**

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

Note 32 – Subordinated debt

				2021		2020	
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%	-	-	1,127	1,102
Total				**-**	**-**	**1,127**	**1,102**

[1] According to If P&C Insurance's application of IAS 39, subordinated debt is carried at amortized cost. Fair value is only given for disclosure purposes. Financial instruments with fair value information are classified in three different hierarchy levels depending on their liquidity and valuation methods. The subordinated loan was classified in level 2 and fair value was based on quoted prices in inactive markets.

The loan was issued with fixed interest rate terms for the first ten years. The loan was redeemed on the first call date in December 2021 (ten years after the issue date). Up until redemption the loan was listed on the Luxembourg Stock Exchange (BdL Market). The loan was approved by the supervisory authority as being utilizable for solvency purposes.

MSEK Changes in liabilities arising from financing activities	2021	2020
Opening balance	**1,102**	**1,146**
Cash flows	-1,128	-
Non-cash changes - Translation difference	29	-45
Non-cash changes - Other	-4	1
Closing balance	**0**	**1,102**

Note 33 – Technical provisions, gross

MSEK Change during the year	2021 Provision for unearned premiums and unexpired risks	Provision for claims outstanding	2020 Provision for unearned premiums and unexpired risks	Provision for claims outstanding
Opening balance	**21,626**	**64,799**	**21,598**	**67,956**
Unwinding of discounted annuities	-	216	-	230
Change in provisions	833	240	1,181	-575
Translation differences	715	1 749	-1,153	-2,812
Closing balance	**23,174**	**67,004**	**21,626**	**64,799**

MSEK Technical provisions and reinsurers' share	2021	2020
Technical provisions, gross		
Unearned premiums and unexpired risks	23,174	21,626
Provision for incurred and reported claims	17,364	15,667
Provision for incurred but not reported claims	24,005	24,196
Provision for annuities	23,437	22,829
Provision for claims-settlement costs	2,198	2,107
Total	**90,178**	**86,425**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	708	579
Provision for incurred and reported claims	2,062	1,781
Provision for incurred but not reported claims	480	438
Provision for annuities	13	15
Provision for claims-settlement costs	-	-
Total	**3,263**	**2,813**
Technical provisions for own account		
Unearned premiums and unexpired risks	22,466	21,047
Provision for incurred and reported claims	15,302	13,886
Provision for incurred but not reported claims	23,525	23,758
Provision for annuities	23,424	22,814
Provision for claims-settlement costs	2,198	2,107
Total	**86,915**	**83,612**

Valuation of technical provisions

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

Provisions for unearned premiums and unexpired risk

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

Provisions for unsettled claims

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

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

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

Description of method

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

Assumptions and sensitivity

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

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

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

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

Inflation

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

A large share of the claims cost in obligatory insurance consists of compensation for loss of income, which in terms of legislation is usually associated with a pre-defined index for the value adjustment of compensation. In Finland, compensation is paid out in the form of vested annuities and value adjustments are dealt with off the balance sheet in a non-funded pool system. This limits the inflation risk. In Sweden, compensation is paid out in the form of vested annuities over a long period and provisions must cover future value adjustments. The same also applies to Danish Workers' Compensation insurance. This entails substantial sensitivity to changes in inflation. In Norway and in Danish Motor Third Party Liability insurance, compensation is paid as a lump sum. Since in this case, the duration is relatively short, the inflation risk is reduced. Refer to Note 5 Risks and risk management, for a sensitivity analysis of inflation.

Discount rate

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

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

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

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

MSEK	2021	2020
Denmark		
Amount vested annuities	1,659	1,493
Amount IBNR	44	N/A
Discount rate	0.26%	0.15%
Finland		
Amount vested annuities	15,863	16,037
Amount IBNR	2,586	2,388
Discount rate	0.75%	0.75%
Sweden		
Amount vested annuities	5,465	5,014
Amount IBNR	863	N/A
Discount rate	1.42%	1.01%
Norway		
Amount vested annuities	449	285
Amount IBNR	458	N/A
Discount rate	1.94%	1.51%

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 17,234 (17,389), discounted IBNR would have been recognized in an amount of MSEK 2,751 (2,546) and the average discount interest rate would have been 0.23% (0.23) if FFFS 2013:23 had also been applied for the Finnish business. The company's recognized technical result and the technical result for direct insurance abroad (see Note 6) would have deteriorated by about MSEK 10 (would have improved by about MSEK 410).

Mortality

The provision risk for mortality is also related to vested annuities, since actual mortality may be lower than the mortality assumptions made when assessing the provision. The model used for mortality complies with the practices observed in the various countries. It is usually based on population death rates and/or specific joint-company analyses. The assumptions for mortality are generally differentiated in terms of age and gender. Refer to Note 5 Risks and risk management, for a sensitivity analysis of mortality. In 2021, If P&C Insurance Ltd (publ) changed its mortality model in all countries except Finland from traditional Gompetz-Makeham models to Lee-Miller models (this was already implemented in Finland). The main advantage is that while traditional models use a static population mortality, modern models like Lee-Miller take improved longevity into account. The new mortality models increased the annuity reserve by around MSEK 700, of which MSEK 600 in Sweden.

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 2021

No significant changes in methods were implemented during the year.

During the year, the reported increase in gross claims provisions amounted to MSEK 2,204. Effects of exchange rate changes amounted to an increase of MSEK 1,749, while the real changes in gross claims reserves adjusted for currency effects amounted to an increase of MSEK 455. The mortality models were changed, which increased the reserves by approximately MSEK 700 on a standalone basis. By geographical area, the major reserve changes were as follows;

- Claims provisons in the Swedish operation, including branches of the Business Area Industrial, decreased by MSEK 471. The largest decrease was seen in reserves for Motor Third Party Liability insurance, which were reduced by almost MSEK 1,400. Reserves for Property insurance increased by more than MSEK 600 while reserves for Liability insurance and Accident insurance each increased by almost MSEK 300. Reserves for Marine, aviation and transport insurance decreased by almost MSEK 300.
- Claims provisions in the Norwegian operation increased by MSEK 685. Reserves for Property insurance increased by almost MSEK 300 while reserves for Accident insurance increased by around MSEK 400.
- Claims provisions in the Danish operation increased by MSEK 270 mostly due to increased reserves for Workers' Compensation insurance and Property insurance.
- Claims provisions in the Finnish operation decreased by MSEK 28. Reserves for Workers' Compensation insurance decreased more than MSEK 300 while reserves for Accident insurance increased over MSEK 100 and reserves for property insurance increased by close to MSEK 200.

The reinsured share of the claims provision increased by MSEK 322 in nominal terms. The real change adjusted for currency effects was an increase of MSEK 154. The main driver was a large increase in ceded Property reserves due to many large claims partly offset by less ceded reserves in Marine, aviation and transport insurance.

Significant events

This year's large claims outcome was far worse than expected on a total level. The largest single claim in 2021 was a fire claim at a factory in Tennessee estimated at around MSEK 700.

Claims costs trend

In addition to the sensitivity analysis, prior-year estimates of the claims costs for individual claims years also represent a measure of If P&C Insurance's ability to foresee final claims costs. The tables below show the cost trend for the claims years 2012-2021, before and after reinsurance. For claims years 2011 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 2003-2011.

The upper part of the table shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. Since If P&C Insurance has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate at December 31, 2021. Consequently, the table is not directly comparable with the corresponding table reported in previous years or with the income statement since all claims years contain translated data based on closing rates.

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

MSEK **Claims cost, gross** **Claims year**	**2011 and prior years**	**2012**	**2013**	**2014**	**2014**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimated claims cost												
at the close of the claims year	264,586	27,782	26,787	26,601	26,750	27,092	27,511	28,901	30,165	31,760	31,322	
one year later	263,432	27,662	27,026	26,523	26,924	27,400	27,899	29,931	30,655	32,168		
two years later	263,017	27,816	27,039	26,586	26,796	27,423	27,851	30,245	30,827			
three years later	262,527	27,735	27,103	26,704	26,544	27,015	27,907	30,440				
four years later	263,467	27,461	27,158	26,771	26,279	26,909	27,658					
five years later	262,241	27,137	27,028	26,479	26,252	27,048						
six years later	261,453	26,956	26,909	26,192	26,111							
seven years later	259,724	26,793	26,748	26,086								
eight years later	258,330	26,661	26,687									
nine years later	256,361	26,567										
ten years later	254,796											
Current estimate of total claims costs	254,796	26,567	26,687	26,086	26,111	27,048	27,658	30,440	30,827	32,168	31,322	
Total disbursed	229,837	25,164	24,885	24,298	24,202	24,730	25,129	27,039	26,922	25,035	17,661	
Provision reported in the balance sheet	24,959	1,403	1,801	1,787	1,909	2,318	2,529	3,401	3,905	7,133	13,661	64,806
of which annuities	*17,328*	*758*	*810*	*748*	*721*	*642*	*653*	*880*	*491*	*327*	*80*	*23,437*
Provision for claims-settlement costs												2,198
Total provision reported in the balance sheet												**67,004**

MSEK **Claims cost,** **Net of reinsurance** **Claims year**	**2011 and prior years**	**2012**	**2013**	**2014**	**2014**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimated claims cost												
at the close of the claims year	249,315	25,885	26,314	26,226	26,299	26,507	26,915	28,348	29,531	29,794	29,981	
one year later	248,207	25,741	26,555	26,112	26,438	26,597	27,351	29,190	29,908	29,989		
two years later	247,753	25,892	26,594	26,021	26,277	26,581	27,254	29,494	30,041			
three years later	247,484	25,917	26,673	26,130	26,118	26,270	27,306	29,709				
four years later	248,286	25,696	26,697	26,152	25,831	26,163	27,066					
five years later	247,091	25,373	26,581	25,831	25,799	26,248						
six years later	246,338	25,222	26,442	25,549	25,665							
seven years later	244,622	25,060	26,275	25,435								
eight years later	243,124	24,931	26,228									
nine years later	241,185	24,836										
ten years later	239,794											
Current estimate of total claims costs	239,794	24,836	26,228	25,435	25,665	26,248	27,066	29,709	30,041	29,989	29,981	
Total disbursed	215,047	23,444	24,463	23,704	23,805	24,135	24,623	26,393	26,311	23,835	16,979	
Provision reported in the balance sheet	24,747	1,393	1,765	1,731	1,859	2,112	2,443	3,316	3,730	6,153	13,001	62,251
of which annuities	*17,315*	*758*	*810*	*748*	*721*	*642*	*653*	*880*	*491*	*327*	*80*	*23,424*
Provision for claims-settlement costs												2,198
Total provision reported in the balance sheet												**64,449**

Comments

In 2021, If P&C Insurance 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 23,424, MSEK 17,315 applies to 2011 and previous years.

Note 34 – Deferred tax

MSEK Changes in deferred tax 2021	Opening balance	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance
Deferred tax assets					
Other provisions	74	-15	-	3	62
Other temporary differences	85	-	-	-	85
Accumulated depreciation	2	-1	-	-1	0
Total deferred tax asset	**161**	**-16**	**-**	**2**	**148**
Netted deferred tax asset against deferred tax liability	**-161**				**-148**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	925	-1	1	758	1,683
Deferred tax attributable to untaxed reserves	96	-	2	-	98
Total deferred tax liability	**1,020**	**-**	**4**	**758**	**1,781**
Netted deferred tax liability against deferred tax asset	**-161**				**-148**
Deferred tax liability according to balance sheet	**859**				**1,633**
Deferred tax expense according to income statement		**-15**			

MSEK Changes in deferred tax 2020	Opening balance	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance
Deferred tax assets					
Other provisions	82	-3	-	-4	74
Other temporary differences	89	-3	-	-	85
Accumulated depreciation	1	-1	-	1	2
Total deferred tax asset	**172**	**-7**	**-**	**-3**	**161**
Netted deferred tax asset against deferred tax liability	**-172**				**-161**
Deferred tax asset according to balance sheet	**-**				**-**
Deferred tax liability					
Valuation of investment assets at fair value	984	-	-3	-57	925
Deferred tax attributable to untaxed reserves	99	-	-4	-	96
Total deferred tax liability	**1,083**	**-**	**-6**	**-57**	**1,020**
Netted deferred tax liability against deferred tax asset	**-172**				**-161**
Deferred tax liability according to balance sheet	**912**				**859**
Deferred tax expense according to income statement		**-7**			

Note 35 – Other provisions

MSEK	2021	2020
Provision for pensions and similar commitments	236	218
Other	80	189
Total	**317**	**406**

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

Note 36 – Creditors arising out of direct insurance

MSEK	2021	2020
Payables to policyholders	1,411	1,825
Payables to insurance brokers	62	63
Payables to insurance companies	41	36
Total [1]	**1,514**	**1,924**

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

Note 37 – Other creditors

MSEK	2021	2020
Premium tax	1,900	1,669
Current tax liabilities	795	830
Liability to patient-insurance pool for public sector	678	627
Collateral and settlement liabilities	278	111
Other creditors	226	276
Employee withholding taxes	113	104
Other liabilities, group	69	113
Other tax	49	51
Accounts payable	44	32
Total [1]	**4,151**	**3,813**

[1] Of which, MSEK 631 (624) matures later than 12 months after the closing date.

Note 38 – Other accruals and deferred income

MSEK	2021	2020
Accrued interest expense, subordinated debt	-	4
Accrued interest expense, other	-	2
Other accrued expenses	1,605	1,590
Deferred income	155	154
Total	**1,760**	**1,751**

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

Other disclosures

Note 39 – Pledged assets

MSEK **Pledged assets and equivalent securities for own liabilities and for commitments reported as provisions**	**2021**	**2020**
Other financial investment assets		
Collateral for insurance undertakings	4,309	2,525
Collateral for derivatives trading	101	102
Total	**4,410**	**2,627**
Cash and bank balances		
Collateral for derivatives trading	20	30
Other collaterals	5	13
Total	**26**	**42**
Total	**4,436**	**2,669**

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

MSEK **Policyholders' beneficiary rights**	**2021**	**2020**
Assets covered by policyholders' beneficiary rights	105,823	101,350
Technical provisions, net	-70,002	-70,364
Surplus of registered securities	**35,821**	**30,986**

Note 40 – Contingent liabilities and other commitments

MSEK	2021	2020
Surety and guarantee undertakings	12	14
Other commitments	50	46
Total	**62**	**60**

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

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

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

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

If P&C Insurance has outstanding commitments to private equity funds totaling MSEK 31, which is the maximum amount that the company has committed to invest in the funds. Capital may be called to these funds over several years as the funds make investments.

Note 41 – Events after the balance sheet date

In February 2022, Russia attacked Ukraine, which has dramatically changed the political situation in Europe and contributed to significant uncertainty in financial markets. If P&C Insurance has implemented decided sanctions and follows the development of events closely. Affected insurance exposure is assessed to be low and the financial turbulence can be handled with a continued good solvency situation.

Note 42 – Appropriation of earnings

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

SEK	
Net profit for the year	8,318,781,469
Profit brought forward	11,441,847,411
Fair value reserve	7,649,200,406
	27,409,829,286

The Board of Directors proposes appropriation of earnings as follows:

SEK	
Paid as dividend	8,000,000,000
Profit to be carried forward	11,760,628,880
Be carried as Fair value reserve	7,649,200,406
	27,409,829,286

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 10, 2022

Morten Thorsrud
Chairman of the Board

Patrick Lapveteläinen
Board member

Dag Rehme
Board member

Ingar Brotnov
Board member

Carina Lidgren
Board member

Måns Edsman
Board member and President

Our audit report was issued on March 10, 2022

Deloitte AB

Henrik Nilsson
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 financial year 2021-01-01 - 2021-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of If P&C Insurance Ltd (publ) as of 31 December 2021 and its financial performance for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

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

Our opinions in this report on the annual accounts are consistent with the content of the supplementary report submitted to the Board of Directors of the parent company in accordance with the Auditors' Regulation (537/2014) article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the section Auditor's responsibility. We are independent in relation to the company in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibility according to these requirements. This includes that, to the best of our knowledge and conviction, no prohibited services as referred to in article 5.1 of the Auditors' Regulation (537/2014) have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other Information

The audit of the annual report for the financial year 2020-01-01 - 2020-12-31 has been carried out by another auditor who submitted an auditor's report dated March 4, 2021 with unmodified statements in the Report on the Annual Report.

Key Audit Matters

Key Audit Matters are those areas which, in our professional judgement, were of most significance in the audit of the annual accounts for the current period. These areas were addressed within the context of the audit of the annual accounts as a whole, and in forming the auditor's opinion thereon, but we do not provide a separate opinion about these matters.

Provision for claims outstanding

The provision for claims outstanding (gross of reinsurance) amounts to 67 004 MSEK as of 31 December 2021.

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

Note 1 and Note 2 to the annual accounts gives a description of the accounting policies applied for the valuation of the company's claims outstanding and Note 5 deals with the company's exposure to and management of the insurance risks associated with the provision for unregulated damages. Note 33 further describes the methods applied by the company in the valuation of the balance sheet item and the development of the provision for claims outstanding over time.

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

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

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

Valuation of financial investment assets in level 2 and 3 at fair value

The financial investment assets measured at fair value in accordance with the principles set out in IFRS 13 amount to 106 025 MSEK as of December 31, 2021.

The risk associated with the valuation of fair value investment assets is mainly attributable to instruments where quoted prices on an active market are missing (level 2) and/or cannot be derived from observable market data (level 3) via an established valuation technique, which requires management estimates primarily regarding the choice of input and valuation model.

Note 22 states that the fair value of level 2 financial investment assets amounts to SEK 38 475 million, of which SEK 38 279 million consists of bonds and other interest-bearing instruments as of December 31, 2021. Note 22 also shows that the fair value of level 3 financial investment assets amounts to SEK 148 million as of December 31, 2021.

Notes 1 and Note 2 state the accounting policies and the material estimations and judgments considered in connection with the fair value measurement and Note 5 deals with the companies risks and risk management related to financial investment assets. Note 22 further describes the methods the company applies when valuing financial investment assets.

The company's financial investment assets form a significant part of the company's balance sheet and incorrect assessments in, for example, the choice of valuation model may affect fair value and therefore this is an area of particular importance in our audit.

Our audit has included, but was not limited to, the following audit procedures:

- Evaluated the key controls deemed most relevant to the valuation of financial investment assets, including key controls related to estimations and judgments, as well as a selection of general IT controls

related to systems and applications deemed critical to the data that underpins the fair value measurement.
- On a sample basis, examined keyinput data used in the valuation of financial investment assets, including validation of prices, exchange rates and discount curves against external financial data providers and reconciled holdings against custodian depository notices.
- Evaluated valuation methods and models versus generally accepted standards and industry practices.
- Evaluated whether the disclosures for financial investment assets are fair and complete based on applicable accounting policies.

Responsibilities of the Board of Directors and the President

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

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

Auditor's responsibility

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Ltd (publ) for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of If P&C Insurance Ltd (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

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

Stockholm March 10, 2022

Deloitte AB

Signature on Swedish original

Henrik Nilsson
Authorized Public Accountant

Glossary and definitions

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

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

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

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

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

Claims frequency
The observed relationship during a specific period between the number of claims and the number of policies in a certain category of insurance (a certain insurance portfolio). It does not include major claims.

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

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

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

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

Cost of insurance operations
Total sum of operating expenses in insurance operations on own account and claims-adjustment costs.

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

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

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

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

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

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

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

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

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

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

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

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

[1)] Refers to alternative performance measurements

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

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

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

Net premiums written
Gross premiums written less ceded reinsurance premiums.

Operating expenses in insurance operations
Expenses related to the acquisition or renewal of insurance contracts plus corporate administration costs.

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

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

Prior-year claims result
Profit or loss that arises when claims originating from a prior year are either finally settled or revalued.

Property and casualty insurance
Collective term for property insurance, liability insurance and reinsurance.

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

Provision for unearned premiums and unexpired risks
Liability item in the balance sheet corresponding to the portion of premiums written that, in the financial accounts, pertains to forthcoming periods, and that covers anticipated claims costs and operating expenses for policies in force at the accounting date and up to their next due date.

Provision for claims outstanding
Liability item in the balance sheet consisting of the estimated value of claims incurred but not yet paid and the expected operating expenses for the settlement of the claims.

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

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

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

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

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

Technical provisions
Provisions for unearned premiums, unexpired risks and claims outstanding.

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

Technical result before investment return
Item in the technical accounts comprising premiums earned on own account less claims and operating expenses on own account in the insurance operations.

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

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

1) Refers to alternative performance measurements

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