



# Interim report

January - June 2020

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

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# Economical overview

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 Sampo plc, Finland. The business of If P&C Insurance Ltd (publ) consists of property and casualty insurance operations conducted in Sweden and via branch offices in Norway, Finland and Denmark. In addition to its operations in the Nordic countries, the company conducts certain activities via branch offices in Estonia, Latvia, the Netherlands, Germany, the United Kingdom and France.

The totals in tables and statements in the interim 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. Comparative figures for income statement items refer to the period January - June 2019 and for balance sheet items as per 31 December 2019.

## Significant events during the reporting period

When the Covid-19 pandemic reached the Nordic countries mid-March priority was given to continuity and continued service and support to If's customers in the best way in the changed working conditions. During the second quarter the operations normalized to the changed working conditions in all markets with the vast majority of all If's employees working from home offices. Following official guidelines, a stepwise return to office has begun in some countries. During the period If has been able to offer a normal service level and customer satisfaction has remained on a high level.

Claims cost for the first 6 months is negatively impacted from travel insurance policies primarily following imposed government travel restrictions due to Covid-19. At the end of the reporting period, the total number of reported claims amounted to just over 50,000, corresponding to a gross claims cost of approximately MSEK 400 mostly in BA Private and Norway. The net claims cost is expected to be significantly reduced by a reinsurance cover with a net retention for this event of MSEK 100.

The lock down activities in the Nordic countries had a positive effect to claims cost especially in the beginning of the second quarter. The largest factor being reduced traffic on the roads that resulted in an extraordinary and temporary decrease in motor claims. Towards the end of the period, as governments started to reopen societies, claims frequency also returned to a more normal level. At the same time repair costs might increase due to a lack of material, delays in transportation of material or shortage of personnel following implemented government travel restrictions.

During the period there was clearly a negative effect on premium volume as a consequence of the Covid-19 situation. This was a result of many variables including fewer new cars sold, decommissioning of vehicles and lower insurable sums and goods. The period there was clearly a negative effect on premium volume as a consequence of the Covid-19 situation. This was a result of many variables including fewer new cars sold, decommissioning of vehicles and lower insurable sums and goods.

## Earnings and financial position

### Results

Profit before income taxes amounted to MSEK 3,940 (4,400). The technical result increased to MSEK 3,978 (3,291). The combined ratio improved to 82.6% (85.1). The investment return, measured at full market value, was negative and amounted to MSEK -1,616 (3,921) for the period.

### Premiums

Gross premiums written amounted to MSEK 29,244 (28,092). Adjusted for currency effects, the increase was 5.3%.

### Claims

Claims incurred, net of reinsurance, amounted to MSEK 15,191 (15,095). The risk ratio amounted to 61.9% (63.4).

### Expenses

Operating expenses amounted to MSEK 3,361 (3,491) for the first six months. The cost ratio amounted to 20.7% (21.7).

### Investment Result

At full market value, result from asset management amounted to MSEK -1,616 (3,921) corresponding to a total return of -1.4 % (3.6).

The first half of 2020 was characterized by volatility in the financial markets that we have not seen since the financial crisis twelve years ago. The year started positively with new highs in many stock markets around the world. When the news came, that Covid-19 had begun to spread in Europe, they fell steeply. At most, the Swedish equity markets were down more than 30 percent and most of other leading equity indices around the world showed similar declines. The uncertainty surrounding the world economy also led to a significant increase in the credit risk premium, which caused many bonds to fall in price regardless of credit quality.

The financial markets have since the outbreak of the pandemic crisis in March experienced a turbulent period and in the first quarter this resulted in negative returns across all asset classes. In the second quarter financial markets recovered. However, first half year is still negatively affected from Covid-19.

The share allocated to equities in the active portfolio (including derivatives) has decreased during the period and by the period end amounted to 10.9% (11.1). The duration for the fixed income assets decreased to 1.3 (1.3).

### Claims reserves

On June 30, gross claims reserves amounted to MSEK 66,578 (67,956). Adjusted for currency effects, gross claims reserves decreased by MSEK 368 compared with the end of 2019. The change during the period is primarily attributable to a reserve reduction in motor third-party liability (MPTL) insurance and a reserve increase in property insurance.

### Solvency and cash flow

As per June 30, 2020, the solvency capital requirement amounted to MSEK 14,416 (15,186) and the eligible own funds amounted to MSEK 27,309 (25,358) with a corresponding solvency ratio of 189% (167).

Cash flow from operating activities, including net investments in financial investment assets, decreased to an inflow of MSEK 1,191 (3,643).

# Signatures

The interim report has not been reviewed by the company's auditors.

We hereby certify that this half-year interim report for January-June 2020 provides a true and fair overview of the company's operations, financial position and results, and describes the significant risks and uncertainties facing the company.

Stockholm, August 3, 2020

**Morten Thorsrud**  
Chairman of the Board

**Patrick Lapveteläinen**  
Board member

**Jouko Oksanen**  
Board member

**Dag Rehme**  
Board member

**Ingar Brotnov**  
Board member

**Carina Lidgren**  
Board member

**Måns Edsman**  
Board member and President

# Income statement

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>TECHNICAL ACCOUNT INSURANCE OPERATIONS</b>			
<b>Premiums earned, net of reinsurance</b>			
Premiums written, gross	29,244	28,092	47,466
Premiums ceded	-1,852	-1,602	-2,091
Change in provision for unearned premiums and unexpired risks	-5,646	-5,285	-956
Reinsurers' share of change in provision for unearned premiums and unexpired risks	723	625	71
	<b>22,469</b>	<b>21,829</b>	<b>44,490</b>
Allocated investment return transferred from the non-technical account	92	79	165
Other technical income	234	210	417
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross	-17,048	-17,017	-34,505
Reinsurers' share	447	468	1,049
Change in provision for claims outstanding			
Gross	490	1,546	2,822
Reinsurers' share	921	-92	-86
	<b>-15,191</b>	<b>-15,095</b>	<b>-30,720</b>
<b>Operating expenses</b>			
Operating expenses in insurance operations, net of reinsurance			
Gross	-3,442	-3,559	-7,206
Commissions and profit participations in ceded reinsurance	81	67	144
	<b>-3,361</b>	<b>-3,491</b>	<b>-7,062</b>
Other operating expenses/other technical expenses	-264	-241	-516
	<b>-3,625</b>	<b>-3,733</b>	<b>-7,577</b>
<b>Technical result from property and casualty insurance</b>	<b>3,978</b>	<b>3,291</b>	<b>6,775</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Investment result</b>			
Direct investment income	1,459	1,825	3,390
Unrealized gains on investment assets	0	51	60
Management costs	-185	-346	-546
Unrealized losses on investment assets	-1,063	-104	-209
	<b>211</b>	<b>1,426</b>	<b>2,696</b>
Allocated investment return transferred to the technical account	-213	-233	-467
Interest expenses, financing	-35	-35	-71
Amortization, goodwill	-1	-48	-48
<b>Result before income taxes and appropriations</b>	<b>3,940</b>	<b>4,400</b>	<b>8,884</b>
Group contribution	-	-	-25
<b>Result before income taxes</b>	<b>3,940</b>	<b>4,400</b>	<b>8,859</b>
Taxes	-863	-956	-1,927
<b>Net profit for the period</b>	<b>3,077</b>	<b>3,445</b>	<b>6,932</b>

# Statement of comprehensive income

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>Net profit for the period</b>	<b>3,077</b>	<b>3,445</b>	<b>6,932</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit and loss when specific conditions are met</i>			
Effects of changes in exchange rates, foreign operations	-152	319	139
Remeasuring of financial assets available for sale	-2,414	2,880	3,812
Value changes recognized in income statement on financial assets available for sale	587	-386	-876
Taxes related to items which will be reclassified when specific conditions are met	427	-599	-673
	<b>-1,552</b>	<b>2,215</b>	<b>2,403</b>
<b>Total comprehensive income</b>	<b>1,525</b>	<b>5,659</b>	<b>9,334</b>

# Balance sheet

## Assets

MSEK	Note	2020 Jun 30	2019 Jun 30	2019 Dec 31
<b>Intangible assets</b>				
Goodwill		4	6	5
Other intangible assets		286	303	312
		<b>290</b>	<b>309</b>	<b>317</b>
<b>Investment assets</b>				
Land and buildings		35	35	35
Other financial investment assets	3	105,217	107,216	105,782
Deposits with ceding undertakings		7	8	7
		<b>105,259</b>	<b>107,259</b>	<b>105,825</b>
<b>Reinsurers' share of technical provisions</b>				
Provisions for unearned premiums and unexpired risks		1,219	1,072	516
Provisions for claims outstanding		2,461	1,651	1,653
		<b>3,680</b>	<b>2,723</b>	<b>2,168</b>
<b>Debtors</b>				
Debtors arising out of direct insurance operations		15,934	16,233	14,123
Debtors arising out of reinsurance operations		924	873	709
Other debtors		1,976	3,421	2,457
		<b>18,834</b>	<b>20,527</b>	<b>17,289</b>
<b>Other assets</b>				
Tangible assets		180	198	189
Cash and bank balances		2,460	5,231	1,323
Collaterals and settlement claims		333	256	228
		<b>2,973</b>	<b>5,685</b>	<b>1,740</b>
<b>Prepayments and accrued income</b>				
Accrued interest and rental income		378	381	431
Deferred acquisition costs		1,188	1,248	1,257
Other prepayments and accrued income		425	577	483
		<b>1,991</b>	<b>2,205</b>	<b>2,171</b>
<b>Total assets</b>		<b>133,026</b>	<b>138,709</b>	<b>129,511</b>

## Shareholders' equity, provisions and liabilities

MSEK	Note	2020 Jun 30	2019 Jun 30	2019 Dec 31
<b>Shareholders' equity</b>				
Share capital		104	104	104
Statutory reserve		388	388	388
Fund for costs of development		286	283	312
Fair value reserve		3,278	4,385	4,714
Profit brought forward		11,565	9,793	9,623
Net profit for the period		3,077	3,445	6,932
		<b>18,698</b>	<b>18,399</b>	<b>22,073</b>
<b>Untaxed reserves</b>				
		<b>6,871</b>	<b>7,199</b>	<b>7,118</b>
<b>Subordinated debt</b>				
		<b>1,152</b>	<b>1,158</b>	<b>1,146</b>
<b>Technical provisions (gross)</b>				
Provisions for unearned premiums and unexpired risks		26,497	26,170	21,598
Provisions for claims outstanding		66,578	69,763	67,956
		<b>93,076</b>	<b>95,932</b>	<b>89,553</b>
<b>Provisions for other risks and charges</b>				
Deferred tax liability		314	813	912
Other provisions		394	411	451
		<b>708</b>	<b>1,223</b>	<b>1,363</b>
<b>Deposits received from reinsurers</b>				
		-	-	-
<b>Creditors</b>				
Creditors arising out of direct insurance operations		849	1,347	1,745
Creditors arising out of reinsurance operations		808	678	252
Derivatives	3	342	66	258
Other creditors		9,094	11,015	4,237
		<b>11,092</b>	<b>13,106</b>	<b>6,492</b>
<b>Accruals and deferred income</b>				
Reinsurers' share of deferred acquisition costs		79	68	42
Other accruals and deferred income		1,350	1,623	1,724
		<b>1,429</b>	<b>1,692</b>	<b>1,765</b>
<b>Total shareholders' equity, provisions and liabilities</b>		<b>133,026</b>	<b>138,709</b>	<b>129,511</b>



# Changes in shareholders' equity

MSEK	Restricted equity			Unrestricted equity			Total equity
	Share capital	Statutory reserves	Fund for costs of development	Fair value reserve	Profit brought forward	Net profit for the period	
<b>Equity at beginning of 2020</b>	<b>104</b>	<b>388</b>	<b>312</b>	<b>4,714</b>	<b>16,555</b>	<b>-</b>	<b>22,073</b>
Total comprehensive income	-	-	-	-1,436	-116	3,077	1,525
Transfer between restricted and unrestricted equity	-	-	-26	-	26	-	-
Shareholders' contribution	-	-	-	-	2,000	-	2,000
Dividend	-	-	-	-	-6,900	-	-6,900
<b>Equity at end of June 2020</b>	<b>104</b>	<b>388</b>	<b>286</b>	<b>3,278</b>	<b>11,565</b>	<b>3,077</b>	<b>18,698</b>
<b>Equity at beginning of 2019</b>	<b>104</b>	<b>388</b>	<b>209</b>	<b>2,423</b>	<b>15,815</b>	<b>-</b>	<b>18,939</b>
Total comprehensive income	-	-	-	1,963	252	3,445	5,659
Transfer between restricted and unrestricted equity	-	-	74	-	-74	-	-
Dividend	-	-	-	-	-6,200	-	-6,200
<b>Equity at end of June 2019</b>	<b>104</b>	<b>388</b>	<b>283</b>	<b>4,385</b>	<b>9,793</b>	<b>3,445</b>	<b>18,399</b>
<b>Equity at beginning of 2019</b>	<b>104</b>	<b>388</b>	<b>209</b>	<b>2,423</b>	<b>15,815</b>	<b>-</b>	<b>18,939</b>
Total comprehensive income	-	-	-	2,292	111	6,932	9,334
Transfer between restricted and unrestricted equity	-	-	103	-	-103	-	-
Dividend	-	-	-	-	-6,200	-	-6,200
<b>Equity at end of 2019</b>	<b>104</b>	<b>388</b>	<b>312</b>	<b>4,714</b>	<b>9,623</b>	<b>6,932</b>	<b>22,073</b>

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

# Cash flow statement

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash flow from insurance operations</b>			
Premium flows, direct insurance	26,737	25,195	46,734
Claim payments, direct insurance	-17,684	-17,023	-34,485
Reinsurance	-1,045	-1,137	-1,344
Costs of operations	-3,892	-3,549	-6,758
	<b>4,115</b>	<b>3,486</b>	<b>4,148</b>
<b>Cash flow from asset management</b>			
Interest received	1,005	1,021	1,945
Interest paid	-91	-225	-323
Dividends received	106	333	432
Cash flow from properties	-1	115	114
Net investments in financial investment assets	-3,710	1,016	2,017
	<b>-2,690</b>	<b>2,260</b>	<b>4,185</b>
Interest payment, financing	-	-	-70
Realized foreign exchange transactions	415	6	-95
Group internal flows, net	408	-887	-497
Paid income tax	-1,057	-1,223	-1,780
	<b>1,191</b>	<b>3,643</b>	<b>5,891</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid	-	-	-6,200
	-	-	<b>-6,200</b>
<b>Cash flow for the period</b>	<b>1,191</b>	<b>3,643</b>	<b>-309</b>
<b>Cash and bank</b>			
Opening cash and cash balances for the period	1,323	1,396	1,396
Effect of exchange rate changes	-54	192	236
Cash flow during the period	1,191	3,643	-309
<b>Closing cash and bank balances for the period</b>	<b>2,460</b>	<b>5,231</b>	<b>1,323</b>

# Key figures

MSEK	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec
<b>Earnings related information</b>						
Premiums earned, net of reinsurance	22,469	21,829	44,490	42,172	32,977	29,770
Allocated investment return transferred from the non-technical account	92	79	165	128	179	225
Other technical income	234	210	417	373	248	197
Claims paid, net of reinsurance	-15,191	-15,095	-30,720	-29,322	-22,423	-20,569
<i>of which, claims-adjustment costs</i>	-1,287	-1,252	-2,624	-2,431	-1,932	-1,709
Operating expenses for insurance operations, net of reinsurance	-3,361	-3,491	-7,062	-6,818	-5,400	-4,953
Other operating expenses	-264	-241	-516	-418	-326	-263
<b>Technical result from property and casualty insurance</b>	<b>3,978</b>	<b>3,291</b>	<b>6,775</b>	<b>6,115</b>	<b>5,254</b>	<b>4,406</b>
<b>Result for the period</b>	<b>3,077</b>	<b>3,445</b>	<b>6,932</b>	<b>6,132</b>	<b>6,880</b>	<b>4,119</b>
Investment result	211	1,426	2,696	2,590	1,748	1,479
Remeasuring of financial assets available for sale	-2,414	2,880	3,812	-2,357	1,098	1,014
Value changes of AFS assets recognized in the income statement	587	-386	-876	-1,056	-459	-19
<b>Total return</b>	<b>-1,616</b>	<b>3,921</b>	<b>5,632</b>	<b>-823</b>	<b>2,388</b>	<b>2,473</b>
<b>Information regarding economic status</b>						
Investment assets	105,259	107,259	105,825	102,990	104,818	77,274
Technical provisions	93,076	95,932	89,553	89,654	88,150	62,108
Solvency capital	27,035	27,569	31,250	27,291	31,062	23,226
<i>of which, deferred tax</i>	314	813	912	184	847	707
<b>Capital strength according to Solvency II regulation</b>						
Own funds (capital base)	27,309	28,758	25,358	24,269	25,512	19,881
- Basic own funds	27,309	28,758	25,358	24,269	25,512	19,881
Solvency capital requirement (SCR)	14,416	15,168	15,186	14,205	15,593	11,717
Eligible own funds to cover the minimum capital requirement	27,136	25,280	22,052	21,129	22,752	16,697
Minimum capital requirement (MCR)	6,487	6,826	6,834	6,392	7,017	5,273
<b>Key data</b>						
Claims ratio	67.6%	69.1%	69.0%	69.5%	68.0%	69.1%
Expense ratio	15.0%	16.0%	15.9%	16.2%	16.4%	16.6%
Combined ratio	82.6%	85.1%	84.9%	85.7%	84.4%	85.7%
Risk ratio <sup>1)</sup>	61.9%	63.4%	63.2%	63.8%	62.1%	63.4%
Cost ratio <sup>1)</sup>	20.7%	21.7%	21.8%	21.9%	22.2%	22.4%
Insurance margin <sup>1)</sup>	17.8%	15.2%	15.5%	14.6%	16.2%	15.0%
Total investment return	-1.4%	3.6%	5.3%	-0.8%	3.1%	3.3%

<sup>1)</sup> Refers to alternative performance measures which are defined in Definitions.

# Notes

## NOTE 1 – Applied accounting policies

This Interim report was prepared in accordance with the Annual Accounts Act (1995:1560) for Insurance Companies (ÅRFL) and the Swedish Financial Supervisory Authority's Regulations and General recommendations on Annual Accounts in Insurance Companies (FFFS 2019:23). The accounting policies that have been applied in this Interim report are the same as those applied in the 2019 Annual Report.

Besides the disclosures provided in Notes 1-4, more information can be found in the section Economical overview.

## NOTE 2 – Risks and uncertainties

Risk is a natural and integral part of the company's business and environment and the tools used for managing risk include clearly defined strategies and responsibilities, together with strong commitment to the risk-management processes. The main underwriting risks in insurance operations are premium risks and reserve risks. In addition, market risks (such as changes in interest rates, foreign exchange rates and stock prices, as well as changes in their volatility) and credit risks affect the market values of financial assets and liabilities. Operational risks, which are the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events, are also handled through the risk-management processes. The company's risks and risk management are described in the 2019 Annual Report.

During the reporting period, the spread of Covid-19, the measures taken to contain the spread and the uncertainty that the situation has created have affected the risk profile of the company and risks are being monitored closely. Financial market volatility has increased and there is a high risk of a global recession, affecting the market risk, and to a lesser degree the underwriting risk, of the company. The adjustment to remote operations, with the vast majority of If's employees working out of home offices during the reporting period, was smooth and there have not been strong signs of an increase in the operational risk of the company.

## NOTE 3 – Other financial investment assets and derivative liabilities

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

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

MSEK	Acquisition value		Fair value		Carrying amount	
	2020 Jun 30	2019 Jun 30	2020 Jun 30	2019 Jun 30	2020 Jun 30	2019 Jun 30
<b>Financial assets, mandatory at fair value through profit or loss (trading)</b>						
Derivatives	15	13	57	51	57	51
<b>Financial assets available for sale</b>						
Shares and participations	9,711	9,414	11,889	12,648	11,889	12,648
Bonds and other interest-bearing securities	92,143	92,831	91,401	93,299	91,401	93,299
<b>Total financial assets, at fair value</b>	<b>101,869</b>	<b>102,258</b>	<b>103,348</b>	<b>105,998</b>	<b>103,348</b>	<b>105,998</b>
<b>Loans <sup>1)</sup></b>						
Other loans	1,869	1,219	1,896	1,046	1,869	1,219
<b>Total Other financial investment assets</b>	<b>103,738</b>	<b>103,477</b>	<b>105,244</b>	<b>107,044</b>	<b>105,217</b>	<b>107,217</b>
<b>Financial liabilities, mandatory at fair value through profit or loss (trading)</b>						
Derivatives	1	2	342	66	342	66
<b>Total financial liabilities, at fair value</b>	<b>1</b>	<b>2</b>	<b>342</b>	<b>66</b>	<b>342</b>	<b>66</b>

<sup>1)</sup> Loans are in accordance with the If's application of IAS 39 accounted for at amortized cost. The fair value is only shown for information. Financial instruments with fair value given for information are classified in three different hierarchy levels depending on their liquidity and valuation methods. All loans are classified in level 3 and the fair value of these loans are based on cash-flow valuations.

## Financial investment assets and derivative liabilities at fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial investment assets and derivative liabilities in fair value hierarchy

MSEK	2020 Jun 30				2019 Jun 30			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets, mandatory at fair value through profit and loss (trading)</b>								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	-	-	-	-	-	-	-
Foreign exchange derivatives	-	57	-	57	-	51	-	51
<b>Financial assets, available for sale</b>								
Shares and participations <sup>1)</sup>	11,713	-	176	11,889	12,489	-	159	12,648
Bonds and other interest-bearing securities	58,094	33,301	7	91,401	57,429	35,870	0	93,299
<b>Total financial assets, at fair value</b>	<b>69,807</b>	<b>33,358</b>	<b>183</b>	<b>103,348</b>	<b>69,918</b>	<b>35,921</b>	<b>159</b>	<b>105,998</b>
<b>Financial liabilities, mandatory at fair value through profit and loss (trading)</b>								
Derivatives								
Fixed income derivatives	-	14	-	14	-	21	-	21
Foreign exchange derivatives	-	328	-	328	-	45	-	45
<b>Total financial liabilities, at fair value</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>66</b>	<b>-</b>	<b>66</b>

<sup>1)</sup> Mutual equity funds recognized in the above balances totaled MSEK 3,877 (4,192) of which MSEK 3,817 (4,041) was allocated to level 1 and MSEK 70 (151) 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 June 30, 2020, the assets presented in level 3 amounted to MSEK 183 (159).

These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

MSEK 2020	Carrying amount Jan 1	Net gains/losses recorded in			Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Jun 30	Net gains/losses in income statement that are attributable to assets held at end of period
		income-statement	other comprehensive income							
<b>Financial assets, available for sale</b>										
Shares and participations	186	-	-3	-	-7	-	1	176	-	
Bonds and other interest-bearing securities	0	-3	0	-	0	11	-1	7	-3	
<b>Total financial assets, at fair value</b>	<b>186</b>	<b>-3</b>	<b>-3</b>	<b>-</b>	<b>-8</b>	<b>11</b>	<b>0</b>	<b>183</b>	<b>-3</b>	

MSEK 2019	Carrying amount Jan 1	Net gains/losses recorded in			Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Jun 30	Net gains/losses in income statement that are attributable to assets held at end of period
		income-statement	other comprehensive income							
<b>Financial assets, available for sale</b>										
Shares and participations	202	-	-17	3	-36	6	1	159	-	
Bonds and other interest-bearing securities	0	-	0	-	-	-	-	0	-	
<b>Total financial assets, at fair value</b>	<b>202</b>	<b>-</b>	<b>-17</b>	<b>3</b>	<b>-36</b>	<b>6</b>	<b>1</b>	<b>159</b>	<b>-</b>	

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

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

The following changes in key assumptions have been used:

- a 1% increase in the yield curve for bonds and other interest-bearing securities;
- a 20% decrease in prices for equity related securities and real estate.

MSEK	2020 Jun 30		2019 Jun 30	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
<b>Financial assets, available for sale</b>				
Shares and participations <sup>1)</sup>	176	-35	159	-32
Bonds and other interest-bearing securities	7	-	0	-
<b>Total financial assets, at fair value</b>	<b>183</b>	<b>-35</b>	<b>159</b>	<b>-32</b>

<sup>1)</sup> Includes holding in equity funds.

### NOTE 4 – Pledged assets and contingent liabilities

MSEK	2020	2019	2019
	Jun 30	Jun 30	Dec 31
<b>Pledged assets and equivalent securities</b>			
Other financial investment assets	2,692	2,329	2,495
Cash and bank	19	19	18
<b>Total</b>	<b>2,710</b>	<b>2,347</b>	<b>2,513</b>
<b>Policyholders' beneficiary rights</b>			
Assets covered by policyholders' beneficiary rights	105,161	110,171	104,890
Technical provisions, net	-74,706	-76,986	-72,289
<b>Surplus of registered securities</b>	<b>30,455</b>	<b>33,185</b>	<b>32,601</b>
<b>Contingent liabilities and other commitments</b>			
Surety and guarantee undertakings	13	21	19
Other commitments	51	147	98
<b>Total</b>	<b>63</b>	<b>167</b>	<b>116</b>

# Definitions

## Alternative performance measures

An alternative performance measure which is not defined in applicable accounting standards (IFRS, ÅRFL, FFFS 2019:23 and FRL), but where If considers it relevant to monitor and describe the company's financial situation and to provide additional useful information to the users of its financial statements. Since these measures have been developed and adapted for If, they are not fully comparable with similar performance measures presented by other companies. Below these are marked with <sup>\*)</sup>.

## Basic own funds

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

## Claims ratio

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

## Combined ratio

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

## Cost ratio <sup>\*)</sup>

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.

## 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.

## Insurance margin <sup>\*)</sup>

Technical result less other technical income and other operating expense in relation to premiums earned on own account, expressed as a percentage.

## Minimum capital requirement (MCR)

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

## 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).

## Risk ratio <sup>\*)</sup>

Total sum of insurance claims on own account, excluding claims-adjustment costs, in relation to premiums earned on own account, expressed as a percentage.

## Solvency capital

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

## Solvency capital requirement (SCR)

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

## 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.



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