



Interim report

January - June 2021

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 2020 and for balance sheet items as per 31 December 2020.

Significant events and effects during the reporting period

The Covid-19 effect on If's premiums was minor in the first six months. In the private business, the impact was primarily within travel insurance where volumes continued to be lower than the pre-pandemic level. In the corporate segments, Covid-19 had a slight negative impact on premium volumes in the Finnish worker's compensation portfolio.

Claims cost for the first six months was positively impacted by low claims frequencies in the motor and travel insurance portfolios following imposed government restrictions. The effect of Covid-19 on the risk ratio was approximately 3 percentage points positive in the first six months. A gradual normalization of claims frequency is expected as vaccinations are progressing and restrictions lifted.

Earnings and financial position

Results

The technical result for insurance operations increased to MSEK 4,219 (3,978). The combined ratio improved during the period to 81.7% (82.6). The investment result increased to MSEK 1,465 (211). Profit before tax for the period amounted to MSEK 5,468 (3,940).

Premiums

Gross written premiums amounted to MSEK 29,706 (29,244). Adjusted for currency effects, the increase was 4.3%, driven by stable and high retention levels and high new car sales across the Nordics.

Claims and claims reserves

Claims incurred, net of reinsurance, amounted to MSEK 15,109 (15,191) during the period. The risk ratio was 60.5% (61.9), including a 3.8 percentage points (4.9) positive impact of prior years' development.

On June 30, gross claims reserves amounted to MSEK 66,286 (64,799). Adjusted for currency effects, gross claims reserves increased by MSEK 736 compared with the end of 2020. The change during the period was primarily attributable to a reserve reduction in motor third-party liability (MPTL) insurance and a reserve increase in property insurance.

Expenses

Operating expenses in insurance operations amounted to MSEK 3,443 (3,361) during the first half of the year. The cost ratio deteriorated to 21.1% (20.7).

Investment Result

At full market value, result from asset management was MSEK 2,823 (negative 1,616), driven by supportive equity and credit markets, and corresponding to a total return of 2.6% (negative 1.4).

Asset allocation remained stable. Fixed income comprises 87% (87) and equity 13% (13) of the total investment assets. The duration of the fixed income assets at the end of the period was 1.3 (1.4).

Solvency and cash flow

As per June 30, 2021, the solvency capital requirement amounted to MSEK 16,551 (14,683) and the eligible own funds amounted to MSEK 34,462 (25,857) with a corresponding solvency ratio of 208% (176).

Cash flow from operating activities, including net investments in financial investment assets, increased to MSEK 4,656 (1,191).

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 2021 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 2, 2021

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

Income statement

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	29,706	29,244	48,517
Premiums ceded	-2,204	-1,852	-2,432
Change in provision for unearned premiums and unexpired risks	-5,695	-5,646	-1,181
Reinsurers' share of change in provision for unearned premiums and unexpired risks	913	723	128
	22,720	22,469	45,033
Allocated investment return transferred from the non-technical account	80	92	171
Other technical income	241	234	452
Claims incurred, net of reinsurance			
Claims paid			
Gross	-15,556	-17,048	-32,825
Reinsurers' share	612	447	1,190
Change in provision for claims outstanding			
Gross	-635	490	574
Reinsurers' share	470	921	857
	-15,109	-15,191	-30,204
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross	-3,528	-3,442	-7,107
Commissions and profit participations in ceded reinsurance	85	81	145
	-3,443	-3,361	-6,962
Other operating expenses/other technical expenses	-271	-264	-520
	-3,713	-3,625	-7,482
Technical result from property and casualty insurance	4,219	3,978	7,970
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income	1,537	1,459	3,232
Unrealized gains on investment assets	117	-	1
Management costs	-164	-185	-461
Unrealized losses on investment assets	-25	-1,063	-1,189
	1,465	211	1,583
Allocated investment return transferred to the technical account	-182	-213	-401
Interest expenses, financing	-33	-35	-71
Amortization, goodwill	-1	-1	-2
Result before income taxes and appropriations	5,468	3,940	9,080
Group contribution	-	-	-30
Result before income taxes	5,468	3,940	9,050
Taxes	-1,138	-863	-1,967
Net profit for the period	4,330	3,077	7,082

Statement of comprehensive income

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
Net profit for the period	4,330	3,077	7,082
Other comprehensive income			
<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	159	-152	-625
Remeasuring of financial assets available for sale	1,871	-2,414	880
Value changes recognized in income statement on financial assets available for sale	-513	587	114
Taxes related to items which will be reclassified when specific conditions are met	-303	427	-36
	1,213	-1,552	332
Total comprehensive income for the period	5,543	1,525	7,414

Balance sheet

Assets				
MSEK	Note	2021 Jun 30	2020 Jun 30	2020 Dec 31
Intangible assets				
Goodwill		3	4	3
Other intangible assets		-	286	144
		3	290	147
Investment assets				
Land and buildings		53	35	35
Other financial investment assets	3	102,448	105,217	102,402
Deposits with ceding undertakings		7	7	7
		102,508	105,259	102,443
Reinsurers' share of technical provisions				
Provisions for unearned premiums and unexpired risks		1,507	1,219	579
Provisions for claims outstanding		2,772	2,461	2,234
		4,279	3,680	2,813
Debtors				
Debtors arising out of direct insurance operations		16,465	15,934	13,955
Debtors arising out of reinsurance operations		1,305	924	887
Other debtors		7,107	1,976	2,315
		24,878	18,834	17,157
Other assets				
Tangible assets		201	180	197
Cash and bank balances		6,148	2,460	1,449
Collaterals and settlement claims		152	333	439
		6,501	2,973	2,085
Prepayments and accrued income				
Accrued interest and rental income		307	378	361
Deferred acquisition costs		1,155	1,188	1,126
Other prepayments and accrued income		406	425	399
		1,867	1,991	1,886
Total assets		140,036	133,026	126,532

Shareholders' equity, provisions and liabilities

MSEK	Note	2021 Jun 30	2020 Jun 30	2020 Dec 31
Shareholders' equity				
Share capital		104	104	104
Statutory reserve		388	388	388
Fund for costs of development		-	286	144
Fair value reserve		6,612	3,278	5,519
Profit brought forward		11,197	11,565	9,350
Net profit for the period		4,330	3,077	7,082
		22,631	18,698	22,588
Untaxed reserves				
		6,950	6,871	6,859
Subordinated debt				
		1,111	1,152	1,102
Technical provisions (gross)				
Provisions for unearned premiums and unexpired risks		27,676	26,497	21,626
Provisions for claims outstanding		66,286	66,578	64,799
		93,962	93,076	84,425
Provisions for other risks and charges				
Deferred tax liability		1,233	314	859
Other provisions		389	394	406
		1,622	708	1,265
Deposits received from reinsurers				
		-	-	-
Creditors				
Creditors arising out of direct insurance operations		1,250	849	1,924
Creditors arising out of reinsurance operations		1,078	808	315
Derivatives	3	134	342	445
Other creditors		9,680	9,094	3,813
		12,141	11,092	6,497
Accruals and deferred income				
Reinsurers' share of deferred acquisition costs		103	79	45
Other accruals and deferred income		1,517	1,350	1,751
		1,619	1,429	1,795
Total shareholders' equity, provisions and liabilities		140,036	133,026	126,532

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	
Equity at beginning of 2021	104	388	144	5,519	16,433	-	22,588
Total comprehensive income	-	-	-	1,093	120	4,330	5,543
Transfer between restricted and unrestricted equity	-	-	-144	-	144	-	-
Dividend	-	-	-	-	-5,500	-	-5,500
Equity at end of June 2020	104	388	-	6,612	11,197	4,330	22,631
Equity at beginning of 2020	104	388	312	4,714	16,555	-	22,073
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
Equity at end of June 2020	104	388	286	3,278	11,565	3,077	18,698
Equity at beginning of 2020	104	388	312	4,714	16,555	-	22,073
Total comprehensive income	-	-	-	804	-472	7,082	7,414
Transfer between restricted and unrestricted equity	-	-	-168	-	168	-	-
Dividend	-	-	-	-	-6,900	-	-6,900
Equity at end of 2020	104	388	144	5,519	9,350	7,082	22,588

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

Cash flow statement

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance	27,166	26,737	48,196
Claim payments, direct insurance	-15,541	-17,684	-32,860
Reinsurance	-1,301	-1,045	-1,325
Costs of operations	-3,558	-3,892	-7,506
	6,766	4,115	6,505
Cash flow from asset management			
Interest received	849	1,005	1,834
Interest paid	-57	-91	-141
Dividends received	311	106	308
Cash flow from properties	0	-1	0
Net investments in financial investment assets	3,323	-3,710	140
	4,426	-2,690	2,141
Interest payment, financing	-	-	-68
Realized foreign exchange transactions	-215	415	-51
Group internal flows, net	-4,905	408	392
Paid income tax	-1,416	-1,057	-1,754
	4,656	1,191	7,166
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	-	-	-6,900
	-	-	-6,900
Cash flow for the period	4,656	1,191	266
Cash and bank			
Opening cash and cash balances for the period	1,449	1,323	1,323
Effect of exchange rate changes	43	-54	-139
Cash flow during the period	4,656	1,191	266
Closing cash and bank balances for the period	6,148	2,460	1,449

Key figures

MSEK	2021 Jan-Jun	2020 Jan-Jun	2020 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec
Earnings-related information						
Premiums earned, net of reinsurance	22,720	22,469	45,033	44,490	42,172	32,977
Allocated investment return transferred from the non-technical account	80	92	171	165	128	179
Other technical income	241	234	452	417	373	248
Claims paid, net of reinsurance	-15,109	-15,191	-30,204	-30,720	-29,322	-22,423
<i>of which, claims-adjustment costs</i>	-1,362	-1,287	-2,628	-2,624	-2,431	-1,932
Operating expenses for insurance operations, net of reinsurance	-3,443	-3,361	-6,962	-7,062	-6,818	-5,400
Other operating expenses	-271	-264	-520	-516	-418	-326
Technical result from property and casualty insurance	4,219	3,978	7,970	6,775	6,115	5,254
Net profit for the period	4,330	3,077	7,082	6,932	6,132	6,880
Investment result	1,465	211	1,583	2,696	2,590	1,748
Remeasuring of financial assets available for sale	1,871	-2,414	880	3,812	-2,357	1,098
Value changes of AFS assets recognized in the income statement	-513	587	114	-876	-1,056	-459
Total return	2,823	-1,616	2,577	5,632	-823	2,388
Information regarding economic status						
Investment assets	102,508	105,259	102,443	105,825	102,990	104,818
Technical provisions	93,962	93,076	86,425	89,553	89,654	88,150
Solvency capital	31,925	27,035	31,408	31,250	27,291	31,062
<i>of which, deferred tax</i>	1,233	314	859	912	184	847
Capital strength according to Solvency II regulation						
Own funds (capital base)	34,462	27,309	25,857	25,358	24,269	25,512
- Basic own funds	34,462	27,309	25,857	25,358	24,269	25,512
Solvency capital requirement (SCR)	16,551	14,416	14,683	15,186	14,205	15,593
Eligible own funds to cover the minimum capital requirement	31,493	24,023	22,826	22,052	21,129	22,752
Minimum capital requirement (MCR)	7,448	6,487	6,607	6,834	6,392	7,017
Key data						
Claims ratio	66.5%	67.6%	67.1%	69.0%	69.5%	68.0%
Expense ratio	15.2%	15.0%	15.5%	15.9%	16.2%	16.4%
Combined ratio	81.7%	82.6%	82.5%	84.9%	85.7%	84.4%
Risk ratio ¹⁾	60.5%	61.9%	61.2%	63.2%	63.8%	62.1%
Cost ratio ¹⁾	21.1%	20.7%	21.3%	21.8%	21.9%	22.2%
Insurance margin ¹⁾	18.7%	17.8%	17.8%	15.5%	14.6%	16.2%
Total investment return	2.6%	-1.4%	2.5%	5.3%	-0.8%	3.1%

¹⁾ 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 2020 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 2020 Annual Report.

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	
	2021 Jun 30	2020 Jun 30	2021 Jun 30	2020 Jun 30	2021 Jun 30	2020 Jun 30
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	13	15	74	57	74	57
Financial assets available for sale						
Shares and participations	9,048	9,711	14,533	11,889	14,533	11,889
Bonds and other interest-bearing securities	85,705	92,143	86,400	91,401	86,400	91,401
Total financial assets, at fair value	94,766	101,869	101,007	103,348	101,007	103,348
Loans¹⁾						
Other loans	1,442	1,869	1,678	1,896	1,442	1,869
Total Other financial investment assets	96,208	103,738	102,716	105,244	102,480	105,217
Financial liabilities, mandatory at fair value through profit or loss (trading)						
Derivatives	-	1	134	342	134	342
Total financial liabilities, at fair value	-	1	134	342	134	342

¹⁾ Loans are in accordance with 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.

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	2021 Jun 30				2020 Jun 30			
	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 and loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	1	-	1	-	-	-	-
Foreign exchange derivatives	-	74	-	74	-	57	-	57
Financial assets, available for sale								
Shares and participations ¹⁾	14,415	19	99	14,533	11,713	-	176	11,889
Bonds and other interest-bearing securities	55,916	30,389	96	86,400	58,094	33,301	7	91,401
Total financial assets, at fair value	70,331	30,481	195	101,007	69,807	33,358	183	103,348
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	3	-	3	-	14	-	14
Foreign exchange derivatives	-	130	-	130	-	328	-	328
Total financial liabilities, at fair value	-	134	-	134	-	342	-	342

¹⁾ Mutual equity funds recognized in the above balances totaled MSEK 4,803 (3,877) of which MSEK 4,767 (3,817) was allocated to level 1 and MSEK 36 (70) 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, 2021, the assets presented in level 3 amounted to MSEK 195 (183).

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

MSEK 2021	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							
Financial assets, available for sale										
Shares and participations	185	-	2	-4	-86	-	3	99	-	
Bonds and other interest-bearing securities	16	-23	7	96	-	-	1	96	-23	
Total financial assets, at fair value	201	-23	9	92	-86	-	4	195	-23	

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							
Financial assets, available for sale										
Shares and participations	186	-	-3	-	-7	-	1	176	-	
Bonds and other interest-bearing securities	0	-3	0	-	0	11	-1	7	-3	
Total financial assets, at fair value	186	-3	-3	-	-8	11	0	183	-3	

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.

MSEK	2021 Jun 30		2020 Jun 30	
	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⁾	99	-20	176	-35
Bonds and other interest-bearing securities	96	-3	7	-
Total financial assets, at fair value	195	-23	183	-35

¹⁾ Includes holding in equity funds.

NOTE 4 – Pledged assets and contingent liabilities

MSEK	2021	2020	2020
	Jun 30	Jun 30	Dec 31
Pledged assets and equivalent securities			
Other financial investment assets	2,615	2,692	2,627
Cash and bank balances	33	19	42
Total	2,648	2,710	2,669
Policyholders' beneficiary rights			
Assets covered by policyholders' beneficiary rights	106,072	105,161	101,350
Technical provisions, net	-71,667	-74,706	-70,364
Surplus of registered securities	34,405	30,455	30,986
Contingent liabilities and other commitments			
Surety and guarantee undertakings	12	13	14
Other commitments	45	51	46
Total	56	63	60

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 *).

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 *)

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 requirement

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 *)

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 *)

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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