Solvency and Financial Condition Report 2024

If P&C Insurance Ltd (publ)

Content

Summary

Business and Performance

If P&C Insurance Ltd (publ) (If) is a wholly owned subsidiary to If P&C Insurance Holding Ltd (publ) (If Holding), whose registered office is in Stockholm, Sweden. If Holding is in turn a wholly owned subsidiary of Sampo plc, a Finnish listed company, whose registered office is in Helsinki, Finland. If is part of the If Group together with the insurance companies If Livförsäkring AB, If P&C Insurance AS and since 1 November 2024, also Topdanmark Forsikring A/S and Forsikringsselskabet Dansk Sundhedssikring A/S. Topdanmark Forsikring A/S is planned to be merged into If in July 2025.

If is the leading property and casualty insurer in the Nordics with market shares in Sweden, Norway, Finland and Denmark of approximately 18%, 21%, 22% and 5% respectively. For Nordic industrial customers operating on a global level, If has European branch offices and international partners. The insurance business within If is divided by customer segments into the cross-Nordic business areas Private (individuals), Commercial (small and medium sized companies) and Industrial (large corporates). Business area Private accounts for more than half of the total premium income, where motor, property and personal insurances constitute the main lines of business . The insurances are provided through the own brand, through other brands, in co-branding and partnerships, to offer the customers a full range of competitive insurance solutions.

The technical result for 2024 amounted to MSEK 8,872 (7,652) and the combined ratio was 84.8% (86.6). Gross written premium increased by 7.7%, excluding currency effects. All business areas contributed to the premium development, and from a geographical perspective the growth was particularly strong in Denmark.

The start of the year was affected by an increase in weather-related claims due to a harsh Nordic winter, followed by more benign weather but an elevated large claims outcome in the subsequent quarters. In spite of this, the risk ratio improved from 65.7% to 64.4% during the year. The cost ratio also developed favorably, decreasing to 20.4% (20.9).

The investment result for 2024 amounted to MSEK 6,997 (9,601). The result corresponded to a total investment return of 6.0% (8.5). The result was mainly due to a strong performance for both the fixed income portfolio and the equity portfolio.

System of Governance

To ensure a well working capital and risk management the Board of Directors and the Chief Executive Officer have decided on a framework of steering documents and procedures, which must be followed by the employees to which they apply. The steering documents are revised annually.

Within this framework, processes and controls are implemented to ensure that the strategic and business objectives are met, that financial and non-financial information is reliable, and that If complies with applicable internal and external rules. The system of governance also includes the strategy process, the financial planning and monitoring processes as well as the internal control system and the risk management system.

The principals expressed in the three lines model are applied to ensure an efficient risk management and internal control as well as a clear division of roles and responsibilities within the organisation.

In May 2024, the Sampo Group partial internal model was approved by the Swedish Financial Supervisory Authority and replaced the partial internal model that If had at that time. The partial internal model covers the main underwriting risks in If and is approved in accordance with article 231 in the Solvency II directive, i.e. applied both for If and the Sampo Group.

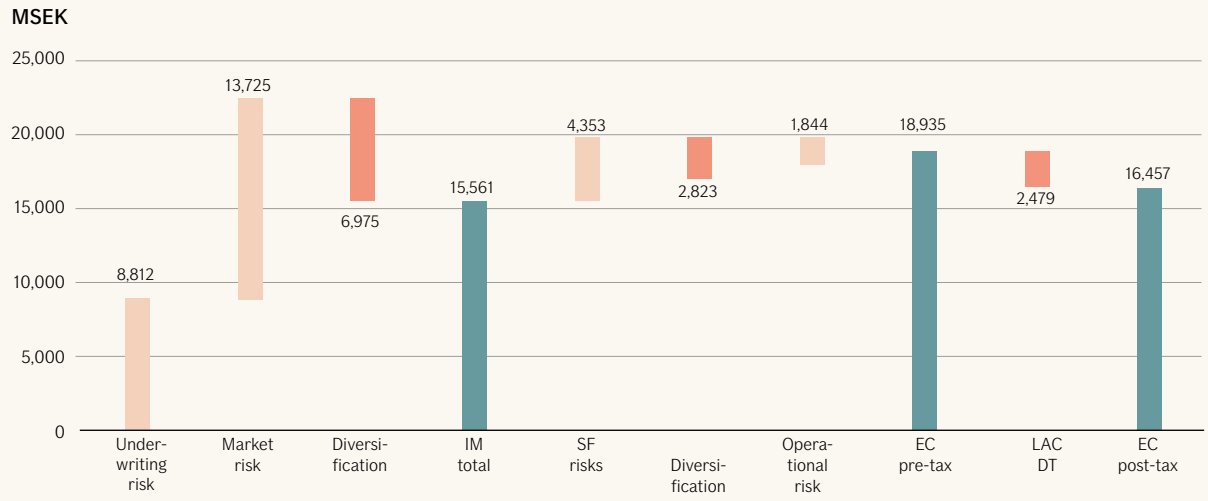
Risk profile

The measure economic capital is used for internal quantitative risk measurement and reporting, as well as for decision-making. The Economic Capital (EC) is based on the Sampo Group internal model (IM) for underwriting risk and market risk. Operational risk and less material risks are quantified using the Standard Formula (SF).

In addition to the quantitative measures, qualitative assessments are conducted for all risks. Risks that are not possible to quantify are qualitatively assessed. These risks are liquidity risk, strategic risk, compliance risk, reputational risk and emerging risk.

The risk categories that contribute the most to economic capital are market risk and underwriting risk as shown in the figure below.

Figure 1 – Overview of If's economic capital, 31 December 2024



Valuation for Solvency Purposes

The valuation of assets and liabilities in the Solvency II balance sheet is based on fair value principles. Items in the Solvency II balance sheet are based on corresponding items in the annual report, adjusted in accordance with the Solvency II regulation. The annual report is prepared according to Swedish accounting regulation referred to as IFRS restricted by law. Figures in the annual report are referred to as statutory accounts value.

The accounting policies used in the statutory accounts have not been subject to any significant amendments in 2024. Balance sheet items in foreign currency are translated to SEK using the closing date exchange rate, both in the statutory accounts and in Solvency II.

As an effect of the Solvency II adjustments the excess of assets over liabilities is MSEK 6,157 higher in the Solvency II balance sheet compared to the statutory accounts at year-end. The Solvency II adjustments are mainly related to technical provisions.

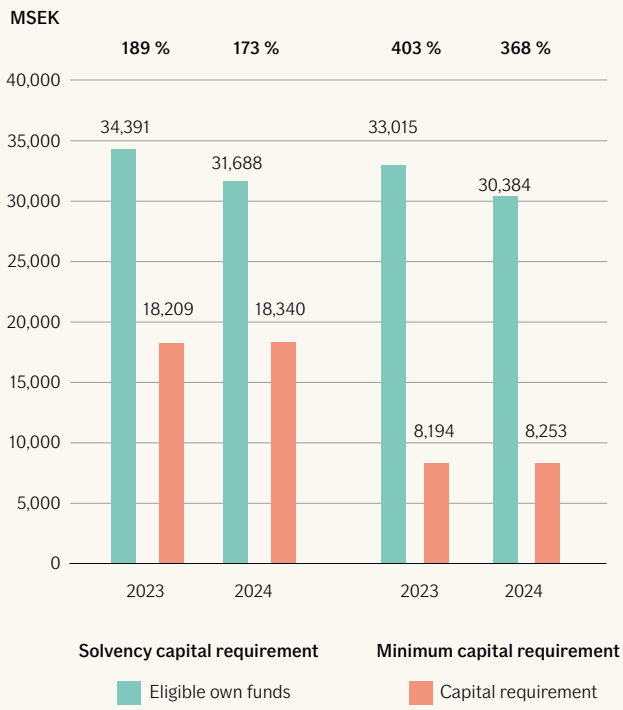
Capital Management

If shall always maintain an adequate capitalisation. This means ensuring that available capital exceeds the regulatory solvency capital requirements and the target limits for those set by the Boards of Directors and the internal economic capital requirements. In addition, to maintaining capital resources at a sufficient level, If shall manage the debt to equity structure in order to balance returns to shareholders with robust long term financial stability.

To give an accurate view of underwriting risk If applies the Sampo Group partial internal model instead of the standard formula for calculating its regulatory solvency capital requirement. The Sampo Group partial internal model was approved by the Swedish Financial Supervisory Authority in May 2024 and replaced the If partial internal model. If's regulatory solvency capital requirement and solvency position remained largely unaffected by the model change.

On 31 December 2024, the solvency capital requirement ratio amounted to 173% (189) and the minimum capital requirement ratio to 368% (403). Eligible own funds have decreased during the year while the solvency and minimum capital requirement have increased slightly, which explains the decreased solvency ratios.

Figure 2 – If's capital and solvency overview



Based on the financial plan, If is considered to have a strong capital structure and solvency position, a high level of profitability and stable results. If is considered to be in a good position to generate capital and to to maintain a level of capital needed to support risks and business objectives going forward.

1 Business and Performance

1.1 Business

1.1.1 Legal structure

If P&C Insurance Ltd (publ) (If) is a wholly owned subsidiary to If P&C Insurance Holding Ltd (publ) (If Holding), whose registered office is in Stockholm, Sweden. If Holding is in turn a wholly owned subsidiary of Sampo plc (Sampo), a Finnish listed company, whose registered office is in Helsinki, Finland. If is part of the If Group together with the insurance companies If Livförsäkring AB, If P&C Insurance AS and since 1 November 2024, also Topdanmark Forsikring A/S (Topdanmark) and Forsikringsselskabet Dansk Sundhedssikring A/S. Topdanmark is planned to be merged with If in July 2025, with If as the surviving company. The number of employees amounted to 7,079 at year-end. The average number of employees was 6,974.

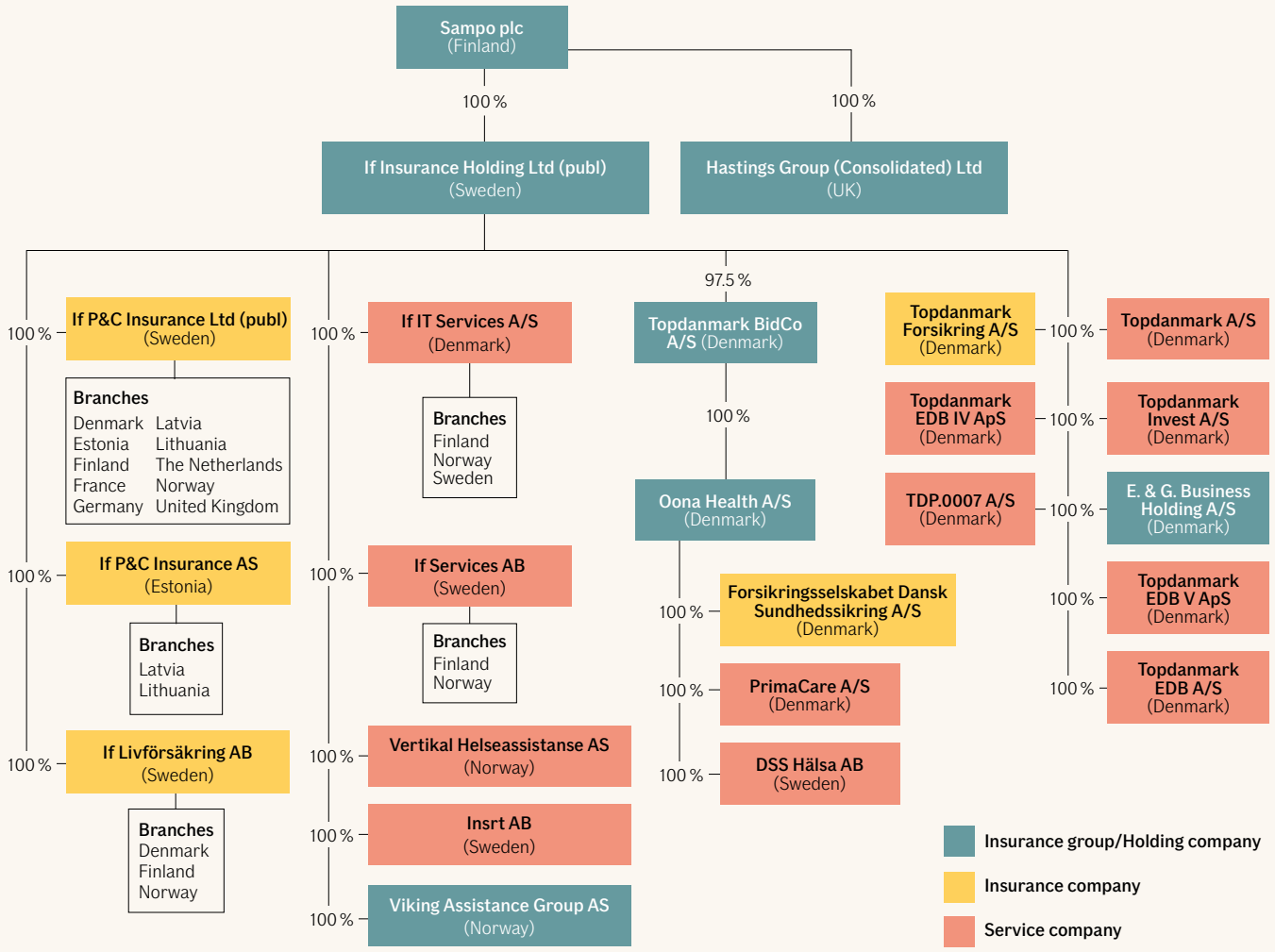
1.1.2 If's and Sampo's financial supervisory authority

Finansinspektionen
Box 7821
103 97 Stockholm, Sweden

1.1.3 External auditors

Deloitte AB
113 79 Stockholm, Sweden

Figure 3 – Organisational structure, 31 December 2024



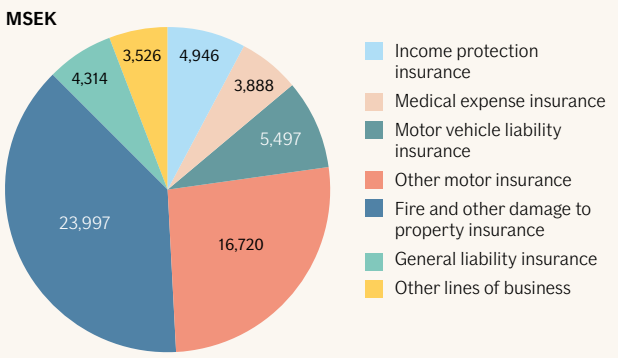
1.1.4 Branches and geographical areas

If is the leading property and casualty insurer in the Nordics with market shares in Sweden, Norway, Finland and Denmark of approximately 18%[1], 21%[2], 22%[3] and 5%[4] respectively. For Nordic industrial customers operating on a global level, If has European branch offices and international partners.

The insurance business within If is divided by customer segments into the cross-Nordic business areas Private (individuals), Commercial (small and medium sized companies) and Industrial (large corporates). Business area Private accounts for more than half of the total premium income, where motor, property and personal insurances constitute the main lines of business. The insurances are provided through the own brand, through other brands, in co-branding and partnerships, to offer the customers a full range of competitive insurance solutions.

[1] Insurance Sweden (Q3 2024)
[2] Finance Norway (Q3 2024)
[3] Finance Finland (Q4 2023)
[4] Insurance & Pension Denmark (Q3 2023)

Figure 4 – Premiums written (gross) by Solvency II lines of business, 31 December 2024



1.1.5 Significant events over the reporting period

The year 2024 brought uncertainties due to ongoing geopolitical tensions, including the prolonged impact of Russia's invasion of Ukraine and rising instability in the Middle East. If's insurance exposures in Russia, Ukraine, and the Middle East are limited to some Nordic industrial clients, with insurance terms and condition that include war exemptions. On the asset side, If has no direct investments in Russia, Ukraine, or the Middle East.

On 1 November 2024, If Holding acquired all outstanding shares in Topdanmark A/S from Sampo. Topdanmark A/S has been fully consolidated into If Holding's accounts since 1 November 2024. Topdanmark is planned to be merged into If in July 2025.

1.2 Underwriting performance

The technical result[5] for 2024 amounted to MSEK 8,872 (7,652[6]) and the combined ratio was 84.8% (86.6).

Throughout 2024, the Nordic countries experienced an increased uncertainty in the macroeconomic and geopolitical environment. P&C insurers were also affected by an unusually severe Nordic winter in the first quarter of the year. Despite such challenges, 2024 turned out to be in many ways another good year for If. The business model with its strong customer orientation, focus on underwriting, sustainability, and leading digital services that simplifies for the customer, once again proved essential for the total result. The overall high and stable key ratios for customer retention and satisfaction also confirm that If successfully delivered the best possible service to its customers during the year.

Gross written premium increased by 7.7%, excluding currency effects. All business areas contributed to the premium development, and from a geographical perspective, the growth was particularly strong in Denmark. The premium development was to a large extent driven by active pricing to cover claims inflation and stable retention levels.

The start of the year was affected by an increase in weather-related claims due to a harsh Nordic winter, followed by more benign weather but an elevated large claims outcome in the subsequent quarters. In spite of this, the risk ratio[7] improved from 65.7% to 64.4% during the year. The cost ratio[8] also developed favourably, decreasing to 20.4% (20.9). Strong premium growth and continued streamlining of processes and procedures were the main explanations for the steady development.

Net premiums earned and underwriting performance per line of business and geographical area are presented in the tables below.

Table 1 – Premiums earned and underwriting performance by Solvency II lines of business

MSEK	Premiums earned (net)		Underwriting performance (net)	
Line of business	**2024**	**2023**	**2024**	**2023**
Fire and other damage to property insurance	17,934	17,708	1,045	731
Other motor insurance	16,171	15,746	1,335	1,482
Motor vehicle liability insurance	5,393	5,365	2,241	2,040
Income protection insurance	4,729	4,244	1,610	909
Medical expense insurance	3,673	3,374	0	173
General liability insurance	3,546	3,444	1,331	646
Workers' compensation insurance	2,077	2,103	1,363	1,173
Marine, aviation and transport insurance	1,124	1,161	283	226
Non-proportional casualty reinsurance	301	-	-11	-
Other lines of business	-	-	-883	-273
Sum	**54,949**	**53,145**	**8,314**	**7,106**
Allocated investment return as part of the technical account			1,457	628
Other technical income and expenses			-900	-83
Technical result from property and casualty insurance, GAAP			**8,872**	**7,652**

Table 2 – Premiums earned and underwriting performance by geographical area

MSEK	Premiums earned (net)		Underwriting performance (net)	
Country	**2024**	**2023**	**2024**	**2023**
Sweden	18,816	17,644	3,283	2,636
Norway	18,497	17,372	3,440	1,196
Finland	12,158	12,355	1,932	2,801
Denmark	5,007	5,386	-636	126
Other	471	388	295	348
Total	**54,949**	**53,145**	**8,314**	**7,106**

[5] Figures in the Section Underwriting performance are in accordance with the statutory accounts and lines of business are according to Solvency II.
[6] Figures in brackets throughout the report refer to figures from corresponding period last year.
[7] Total sum of insurance claims on own account, excluding claim handling expenses, in relation to premiums earned on own account, expressed as a percentage.
[8] Total sum of operating expenses in insurance operations on own account and claims handling expenses in relation to premiums earned on own account, expressed as a percentage.

During 2024, net premiums earned increased in all business lines, except for Workers' compensation and Marine, aviation and transport insurance. The strongest premium development was found within income protection insurance, driven by increases in all business areas. From a geographical perspective, premiums earned increased in Sweden and Norway while Finland and Denmark experienced a decrease.

The underwriting performance strengthened from MSEK 7,106 to MSEK 8,314 The development in Motor lines of business was dampened by continued slow new car sales and increased claims costs. Medical expense insurance and Other lines of business experienced a negative development in the underwriting performance during 2024. Income protection insurance and General liability insurance improved significantly, mainly due to lower claims costs. Broken down by geography, the improvement in underwriting performance was driven by Sweden and Norway.

1.3 Investment Performance

The investment result for 2024 amounted to MSEK 6,997 (9,601). The result corresponded to a total investment return of 6.0% (8.5). The result was mainly due to a strong performance for both the fixed-income portfolio and the equity portfolio. Fixed income assets returned a total of 5.2% (7.1). All interest-bearing assets generated positive results. The duration of fixed income assets was 2.3 years (2.4) at the end of the year.

The total return on equities was 13.8% (20.6). Stock markets where If has investments increased in value during the year, and the strongest contributors to the equity portfolio's result were the Scandinavian small cap companies.

The asset allocation remained stable. Fixed income assets corresponded to 87% (88) and equities to 13% (12) of the total investment assets.

If has no investments in securitisations. Costs for hedging investment assets and other administrative costs are reported under Other in the tables above.

Table 3 – Investment performance, 31 December 2024

	Fair value		Return		
MSEK	31 December 2024	%	Interest, dividends etc.	Change in value, income statement	Total return
Interest-bearing securities	101,255	87.3	4,308	987	5,295
Equities	14,775	12.7	384	1,506	1,890
Currency (active positions)	3	0.0	-	12	12
Currency (other)	-59	-0.1	-	-55	-55
Properties	5	0.0	-2	-0.1	-2
Other	-	-	-159	15	-144
Total	**115,980**	**100**	**4,532**	**2,465**	**6,997**

Table 4 – Investment performance, 31 December 2023

	Fair value		Return		
MSEK	31 December 2023	%	Interest, dividends etc.	Change in value, income statement	Total return
Interest-bearing securities	102,156	88.4	4,239	2,957	7,196
Equities	13,831	12.0	435	2,108	2,543
Currency (active positions)	14	0.0	-	6	6
Currency (other)	-438	-0.4	-	16	16
Properties	5	0.0	-2	-5	-6
Other	-	-	-157	4	-153
Total	**115,568**	**100**	**4,515**	**5,086**	**9,601**

1.4 Performance of other activities

Costs not included in the underwriting performance or in the investment performance mainly relate to amortisation of goodwill. Amortisation for 2024 amounted to MSEK 8 (0). For information regarding leasing agreements, see Section 4.5.1 Lease arrangements.

1.5 Any other information

If's Board of Directors decided in March 2025 to propose a dividend payment of MSEK 11,000 to If Holding. The proposed dividend was deducted from eligible own funds at 31 December 2024.

2 System of Governance

2.1 General information on system of governance

To ensure a well working capital and risk management the Board of Directors and the Chief Executive Officer (CEO) have decided on a framework of steering documents and procedures, which must be followed by the employees to which they apply. The steering documents are revised annually.

Within this framework, processes and controls are implemented to ensure that the strategic and business objectives are met, that financial and non-financial information is reliable, and that If complies with applicable internal and external rules. The system of governance also includes the strategy process, the financial planning and monitoring processes as well as the internal control system and the risk management system.

The principles expressed in the three lines model[9] are applied to ensure an efficient risk management and internal control as well as a clear division of roles and responsibilities within the organisation, see Figure 8 Three lines model.

2.1.1 Operational structure

The insurance operation is organised in accordance with customer segments into the business areas Private, Commercial and Industrial. In all Nordic business areas, claims are handled by a common cross-functional Claims unit. The operational structure spans across several companies within the If Group. ratings such as Finance, Legal, Human Resources, Communication and IT support the business areas and the Claims unit.

2.1.2 Decision-making bodies

General Meeting

The general meeting is the highest decision-making body, where the shareholders exercise their rights to participate in company decisions. The general meeting decides, inter alia, on the Articles of Association and appoints members to the Board of Directors.

Board of Directors

The Board of Directors is responsible for ensuring that the business is organised in an appropriate manner. The Board of Directors is also the corporate body with overall responsibility for the risk management and internal control, as well as for making sure that the company has an appropriate risk management framework and efficient processes. Further, the Board of Directors decides on the policy framework and approves material and strategic decisions.

The Board of Directors reviews and decides the rules of procedure for its work annually and adopts an instruction for the CEO specifying the CEO's responsibilities.

CEO

The CEO is responsible for organising and overseeing the daily business activities in accordance with instructions and guidelines from the Board of Directors. The CEO has the possibility to delegate the decision authority of the daily business activities whilst retaining accountability for such decisions.

The CEO is the deciding body for several instructions within the policy framework. The CEO has responsibility for the effective implementation and development of the risk management framework by ensuring appropriate risk management set-up and promoting a sound risk culture.

[9] According to Institute of Internal Auditors.

2.1.3 Key functions

Risk Management function

The Risk Management function is headed by the Chief Risk Officer (CRO). The function monitors and advises the implementation and development of the risk management framework. The Risk Management function reports to the Board of Directors and the CEO. See 2.3 Risk Management system and own risk and solvency assessment for more information.

Compliance function

The Compliance function is headed by the Chief Compliance Officer (CCO) and is responsible for monitoring and reporting to the Board of Directors and the CEO on compliance with the rules relevant for If's license to conduct insurance business. See 2.4.2 Compliance function for more information.

Internal Audit function

The Internal Audit function is headed by the Chief Audit Executive (CAE). The Internal Audit function evaluates the efficiency, the effectiveness, as well as the maturity of the Internal Control System and reports to the Board of Directors. See 2.5 Internal Audit function for more information.

Actuarial function

The Actuarial function is headed by the Chief Actuary and advises on actuarial matters and fulfils tasks according to set instructions. The Actuarial function reports to the Board of Directors and to the CEO. See 2.6 Actuarial function for more information.

2.1.4 The remuneration system

The Remuneration Policy, together with the Sampo Group Remuneration Principles, set the principles for the remuneration system.

The Remuneration Policy is based, inter alia, on the principles that the remuneration structure should not encourage excessive risk taking and that the remuneration of individual employees should not be in conflict with If's long-term interests. In accordance with the Insurance Distribution Directive (IDD), individual employees should not be remunerated, and their performance should not be assessed, in a way that conflicts the best interests of the customers. The long-term financial stability and value creation of Sampo Group guide the remuneration design.

If's remuneration forms are fixed compensation, variable compensation, pension and other benefits.

Fixed compensation

Fixed salaries shall be fair and competitive but not market-leading and be based on the employee's general responsibility level, position in the company, performance and quality of work as well as on other facts, such as salary market data.

Variable compensation

The purpose of the variable compensation programs is to support the fulfilment of If's overall goals; hence, the majority of the employees participate in some form of variable compensation program. If offers annual short-term incentive programs, sales incentive programs, discretionary rewards in form of gratuities and long-term incentive schemes.

In general, variable compensation increases in relation to responsibility and is based on a combination of individual performance, business area and/or business unit results and the overall result of the If group and/or Sampo Group. Employees in key functions are not entitled to variable compensation, however they are entitled to discretionary rewards, with the exception of key function holders.

Variable compensation programs always include triggers, rules

and caps on the payment. The total variable compensation may not threaten If's ability to maintain an adequate capital base. The outcome of the long-term incentive schemes is based on the development of Sampo's share price and performance assessment of certain performance criteria.

If an employee's remuneration includes a variable component, there is to be an appropriate balance between the fixed and variable components. Both measurable quantitative as well as qualitative criteria should be used for assessing individual performance. The proportion of quantitative and qualitative criteria should be set in accordance with applicable regulation and be appropriately balanced based on position and responsibilities.

The Remuneration Policy contains specific arrangements applicable to identified staff, that is, persons who effectively run the company (Board of Directors, management, CEO and key functions) and risk takers (employee whose professional activities may have a material impact on the company's risk profile). Based on the Remuneration Policy, part of the variable compensation payment[10] to identified staff shall be deferred for a defined period. After the deferral period, a retrospective risk adjustment review should be carried out where the Board of Directors decides whether the deferred variable compensation is to be paid/released in full, partly or cancelled.

Occupational pension[11]

Members of the Board, CEO and key function holders employed in Sweden are entitled to pension according to insurance industry's occupational pension plan, FTP17, or individually agreed defined pension contribution. Those under FTP are entitled to either a defined pension benefit or a defined pension contribution depending on year of birth. In Norway, employees of this group are covered by a defined pension contribution. In Finland, employees of this group are not covered by any supplementary pension or early retirement schemes[12]. Members of the Board are entitled to pension from their ordinary employment and do not receive any further pension benefits for board assignments.

2.1.5 Material transactions

The following material transactions with shareholders, persons who exercise a significant influence on the undertaking and board members have taken place during the reporting period:

- If Holding is the primary account holder in a group account structure that covers all transaction accounts in If's insurance operations. Material transactions have taken place on a regular basis in the structure during the year.
- If has paid a dividend of MSEK 10,700 to If Holding, whereof MSEK 2,700 in the form of extra dividend.

2.1.6 Material changes in the system of governance during the reporting period

In May 2024, the Sampo Group partial internal model was approved by the Swedish Financial Supervisory Authority and replaced the partial internal model that If had at that time. The partial internal model covers the main underwriting risks in If and is approved in accordance with article 231 in the Solvency II directive, i.e. applied both for If and the Sampo Group.

2.2 Fit and proper assessments

2.2.1 Fit and Proper Policy

If has adopted the Sampo Group guidelines for selecting and assessing company management and other key personnel. The purpose of the guidelines is to ensure that the Sampo Group companies are managed with competence and integrity. A Fit and Proper Policy has been issued as a supplement to the Sampo Group guidelines. The policy describes the fit and proper process and defines the positions that are subject to the fit and proper assessments.

2.2.2 Fit and proper requirements

Fitness requirements

The assessment of whether a person who is subject to a fit and proper assessment is fit, includes an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sector or business. It also considers the respective duties allocated to that person.

To ensure that the company is managed in a professional manner, the fitness assessment takes into account the respective duties of the members of the Board of Directors to ensure an appropriate diversity of qualifications, knowledge and relevant experience, both individually and collectively.

Propriety requirements

Assessed persons should be of good repute and integrity. The assessment includes an evaluation of the person's honesty and financial soundness based on relevant evidence regarding their character, personal behaviour and business conduct, including criminal, financial and supervisory aspects relevant to the assessment.

2.2.3 Fit and proper process

The assessment is conducted prior to the appointment of a person to a position that is subject to the fit and proper assessment. The persons are assessed on a regular basis to ensure that they meet the fit and proper criteria on an on-going basis. Furthermore, a reassessment is to be conducted if an event occurs that may cast doubt on the fitness or propriety of an assessed person.

The result of the fit and proper assessment is presented to the function or leader responsible for the appointment, who decides whether the assessed person is considered fit and proper for the position or not. The decision regarding potential board members, as well as regarding the collective competence of the Board of Directors, is to be taken by the Board of Directors. Required notifications are made to the Swedish Financial Supervisory Authority.

2.3 Risk management system including own risk and solvency assessment

If has a risk management framework to manage risks in line with the overall risk management objectives and strategy. If bases its risk management framework on regulation and industry best practices and applies a three lines model in the day-to-day management of risk.

If maps identified risks to certain predefined risk categories. The risks are managed in accordance with the general risk management process and any sub processes applicable.

The objectives of the risk management within If are to provide the Board of Directors and other stakeholders with assurance that risks and capital are being well managed while minimising the effect of adverse events and their risk of reoccurring. Additional objectives

[10] Including any parts of termination payments that exceeds the salary for the notice period and a possible non-competition period.
[11] One member of the board is not employed in the company, but within Sampo Group.
[12] For more information about pensions, see the Annual Report of If P&C Insurance Holding Ltd - Note 12 Salaries and other remuneration for senior executives and other employees.

are to provide the best possible information to support risk-based decisions and promote a strong risk culture, where all employees understand the importance of risk and contribute to the management of risk.

2.3.1 Risk management framework

The four main components of the risk management framework are the management strategy, risk culture, risk appetite statement and capital management.

Risk management strategy

The Risk Management Policy defines the overall risk strategy and the risk appetite for the main risks. If shall as part of its risk strategy:

- Ensure a strong governance structure.
- Optimise business objectives and minimise the effect of adverse events.
- Ensure a sound and well-established internal control and risk culture.
- Ensure capital adequacy in relation to risks and risk appetite and risk tolerances.
- Ensure strong data management, especially financial and underwriting data as well as personal data.
- Ensure that risks that If is currently exposed to, financial and non-financial, are identified, assessed, responded to, monitored and reported.
- Ensure that the risk associated with the insurance business is reflected in pricing.
- Ensure adequate long-term investment returns within set risk limits.
- Ensure efficient and effective risk reporting processes compliant with external and internal requirements.
- Safeguard If's reputation and ensure that customers and other stakeholders have confidence in If.

Risk culture

If promotes a sound risk culture that encompasses all employees, implemented through a clear governance structure, and enforced by a risk aware and ethics focused tone-from-the-top. If encourages initiative and sense of responsibility in relation to the management of risks. If ensures that risk is a key consideration in all decisions made within the company. The renumeration structure within If shall not promote excessive risk taking. The risk culture shall reward transparency and the escalation of any excessive risk taking, wrongful doing, near-misses and incidents.

Risk appetite statement

The risk appetite statement sets out the risk appetite, the preferences for risks, and the tolerance limits for the risks that If is willing to accept in the pursuit of its objectives. If shall have a conservative approach to operational risk and strive to reduce the risk as much as possible, whilst considering the effort and resources required to mitigate the risk.

The link between the risk appetite statement, in particular the risk tolerance limits, the risk profile and the capital position are analysed and reported in the quarterly Own Risk and Solvency Assessment process (ORSA process). The process also includes analysis of the capital adequacy and regulatory capital requirements under various risk scenarios. Consequently, the process influences If's capital management and business planning, including product development and design.

A breach of the risk appetite and tolerance limits shall be considered a severe risk event. Timely and appropriate actions are a priority and the CRO shall inform the Board of Directors immediately.

Figure 5 – The risk management process

Capital management

If shall at all times maintain an adequate capitalisation. This means ensuring that available capital exceeds the regulatory solvency capital requirements and the target limits for those set by the Boards of Directors, and the internal economic capital requirements.

In addition to maintaining capital resources at a sufficient level, If shall manage the debt to equity structure in order to balance returns to shareholders with robust long term financial stability. For more information on capital management, see Chapter 5.

2.3.2 Risk management process

If has implemented an effective process, in accordance with internal and external requirements, for identifying, assessing, responding to, monitoring, and reporting all risks affecting If. The process and sub processes per risk category shall be clearly defined and documented with formalised responsibilities. Internal control is embedded in If's risk management process and is essential to ensure that the risks are effectively managed and stay within agreed risk tolerance limits. The description for each step is provided below.

Identification. Risk identification is be performed on a regular basis. It shall cover the identification of new risks, description of the risks, mapping of risks to established risk categories, introduction of new risk categories, and the assignment of ownership of risks.

Assessment. Risk assessment is performed on a regular basis and considers risk drivers and the consequences of a risk realisation, including controls, or other mitigations in place. The assessment applies a likelihood and impact approach. If uses the internal model to measure quantifiable financial risks and their interaction, supplemented by additional modelling when needed.

Response. Risk response refers to the decisions to either mitigate or accept the current risks. Potential risk mitigations or control activities are analysed, documented, and reported, including the decision how the risks should be mitigated, or the reason for risk acceptance. Generally, the cost and benefit analysis of mitigation activities influences the decision whether to mitigate or accept each risk in accordance with the risk appetite statement.

Monitoring. Risk monitoring includes regular evaluation of the risk management process's effectiveness and efficiency, including the implemented controls, mitigation activities and other risk responses. It also includes the analysis of key risk indicators, which may include risk limits and reported incidents. The risk monitoring also covers

aggregation and analysis of risks and incidents from a holistic perspective, with regard taken to correlations between risks.

Reporting. There are processes for the quarterly reporting of If's main risks. Reporting in the context of the risk management process includes both information sharing between functions and more formal regular reporting to the Risk Committee, If's management, the Boards of Directors, and external stakeholders.

2.3.3 Roles and responsibilities within the risk management framework

The main responsibilities within the risk management framework are defined below.

Board of Directors

The Board of Directors is accountable for the following:

- the design and oversight of a risk management framework;
- establishing a Risk Committee;
- the approval of the Risk Management Policy and the instruction for the Risk Committee;
- ensuring that the management of risks and follow-up of the risks are satisfactory; and
- taking an active part in and direct the ORSA process, challenging the result, and approving the stress tests and scenario analyses used in the ORSA.

CEO

The Chief Executive Officer (CEO) is accountable for the implementation and monitoring of the effectiveness of the risk management framework.

Committees

In order to assist the CEO in fulfilling the responsibility to oversee the risk management, the Board of Directors have established the Risk Committee. The instruction for the committee, detailing the composition, responsibilities, tasks, and mandate, is decided by the Board of Directors.

There are also other committees in place, as decided by the Board of Directors. The purpose of these committees is to ensure effective and efficient knowledge sharing within If. All the committees are advisory and preparatory bodies to the Board of Directors, the CEO or certain functions in If.

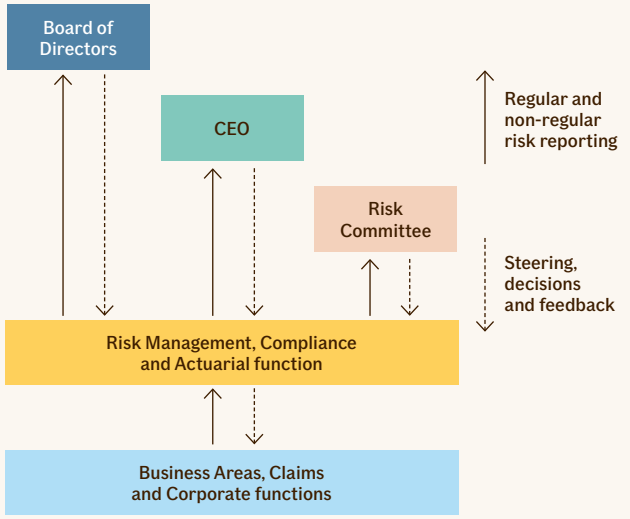
Risk Management function

The Risk Management function monitors and supports the implementation and development of the Risk Management framework.

The main responsibilities of the Risk Management function are to:

- Assist the Board of Directors and CEO in the implementation and operation of the Risk Management framework.
- Support and monitor the business and the risk owners in their responsibility and accountability to manage risks and internal control.
- Have an active role in the monitoring of the internal control, as well as evaluating the implementation and overall status of If's internal control.
- Secure a holistic view of the risks If is exposed to, also considering their inter-dependencies.
- Regularly measure If's capital and solvency position in accordance with both internal and external requirements.
- Manage If's capital models.
- Manage the Sampo Group internal model and its validation in cooperation with Sampo.
- Forecast risk and capital under normal and stressed circumstances.
- Provide information to If's management and Board of Directors in cases of strategic decisions, including the effect of such decisions on risk and capital.

Figure 6 – Risk management reporting structure



The Risk Management function is headed by the CRO. The Risk Management function is operationally independent. This means that the function is not involved in any business decisions. It also means that the Risk Management function should operate in an un-biased way when performing the monitoring of risk and internal control.

Business areas, Claims and Corporate functions

The business areas, Claims and Corporate functions have the day-to-day responsibility to manage risks within limits and restrictions set by the risk policies, instructions, and guidelines.

The risk owners in the business areas, Claims and Corporate functions, are ultimately responsible and accountable for managing risks within their respective unit, and for ensuring that the proper controls are in place to mitigate the risks within accepted tolerance levels.

2.3.4 Risk reporting and implementation

If's risk reporting shall provide assurance that risks and capital are well managed. Risk reporting shall also support risk-based decisions. Furthermore, risk reporting shall enable the Risk Management framework to develop through feedback and active steering from If's management and the Board of Directors on matters regarding risk and the Risk Management framework. To meet these needs, If has formalised and set of reporting routines to meet internal and external regulatory requirements as well as Sampo's risk reporting requirements.

The Risk Management function reports quarterly to the Risk Committee and the Board of Directors on the status of the Risk Management framework. Figure 6 illustrates the risk reporting structure within the Risk Management framework.

In addition to the quarterly reporting to the Risk Committee and the Board of Directors, If also has in place processes to perform external risk reporting and risk reporting to its owner Sampo.

Besides the regular risk reporting, there are processes for non-regular risk reporting, such as reporting on a particular subject upon request from the Board of Directors, management or CRO or if a risk event should arise. A breach of the risk appetite and tolerance limits is always considered a severe risk event. A severe risk event may also be a realised risk, reported incident, or detected threat, that could have major impact on the company and/or its stakeholders either from a financial, operational, reputational, regulatory or strategic perspective.

2.3.5 Own risk and solvency assessment (ORSA)

In addition to the risk management process, If regularly assesses the risk in the ORSA-process. The assessment is forward-looking and considers potential future changes in If's risk profile due to the business strategy, the regulatory, economic and financial environment and/or the effect of sustainability factors.

A yearly ORSA is performed per Q3, in parallel with, and supporting, the financial planning process. The outcome shall be documented in a report. Capabilities to forecast and stress capital position and perform scenario analysis shall be in place and used in the ORSA to forecast available capital and capital requirements over the three-year planning period. The ORSA shall include the outcome of the quarterly stress tests, sensitivity analyses and include reverse stress testing. The tests shall be developed in cooperation with the risk owners and management and shall cover the main risk categories and simultaneous adverse effects from different risk categories.

2.3.6 Governance of the internal model

The Sampo Group partial internal model (partial internal model/PIM) was approved by the Swedish Financial Supervisory Authority in May 2024 and replaced the If partial internal model. The partial internal model is based on the partial internal model used historically within If.

If utilises the Sampo Group internal model (internal model/IM) for various risk and capital related purposes. The regulatory approval allows for using the internal model for calculation of the regulatory solvency capital requirement for the main underwriting risks in If. Other risks are calculated according to the Solvency II standard formula (SF).

The validation of the model is conducted by personnel independent of the modelling team. The objective of the internal model validation is to give assurance to Sampo's and If's CRO as well as the Boards of Directors of Sampo and If, that the internal model is fit for its purpose, appropriately reflects the risk profile of the exposures covered, and that the requirements on internal models are being met.

2.3.6.1 Roles, responsibilities and committees

Below follows a description of the governance of the internal model, including roles and responsibilities.

Board of Directors

The Board of Directors of Sampo has the ultimate responsibility for the internal model including that the internal model framework is complying with the regulatory requirements and that there is an effective system of governance in place for the internal model. The Board of Directors of Sampo shall take the material decisions around the internal model.

The Board of Directors of If ultimately decides on the applicability of the internal model in an If context, including its use for the calculation of the solvency capital requirement.

Sampo Group CRO

In relation to the internal model, it follows from the Sampo Group Risk Management Principles that it is the responsibility of the Sampo Group CRO to manage the internal model, including securing a model validation process independent from the operation and development of the model.

As Head of the Risk Management function on Group level the Sampo Group CRO has the responsibility to enforce the tasks defined in the relevant policies. The day-to-day operations of the internal model, including development, updates and performing the validation, is carried out by the If Risk Management function. The Sampo Group CRO is responsible for reporting of validation findings to the Sampo Board of Directors, through the Sampo Audit Committee.

Sampo Head of Group Capital Modelling

The Sampo Head of Group Capital Modelling is responsible for making decisions in line with the mandate defined in the Group Internal Model Change Policy. The Sampo Head of Group Capital Modelling classifies identified potential changes and decides on the implementation of minor model changes. The Sampo Head of Group Capital Modelling approves updates, including changes to parameters, to the internal model based on the Group Internal Model Change Policy, assuming that the quantitative impact is within the threshold values defined.

Head of Financial Risk and Capital Management

The Head of Financial Risk and Capital Management, which is part of the If Risk Management function, is responsible for the daily operation of the internal model and that the output for the use of the model and for the relevant committees is delivered in time and appropriately documented and presented.

Validation leader

The Validation leader, which is part of the If Risk Management function, is responsible for the internal model validation activities being performed, including compilation of the validation plan and report. The Validation leader is also responsible for reporting of the performed validation and its findings to the If CRO and to the If Board of Directors, from the perspective of the suitability of the internal model applied in an If context, and to the Sampo Group CRO.

Internal Audit

The Sampo Group Internal Audit function shall also receive the validation report. The Internal Audit function performs audits of various aspects of the internal model, such as controls of data quality, governance, and control structures.

Sampo Group Internal Model Committee

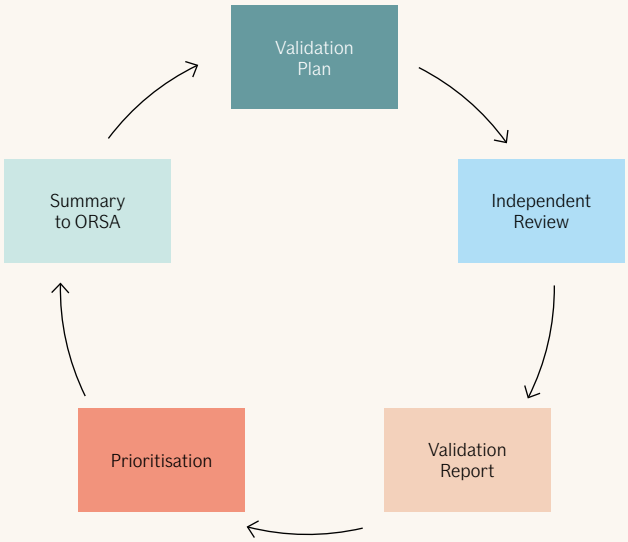
The Sampo Group Internal Model Committee is an advisory and preparatory body to the Board of Directors of Sampo and If as well as the CEOs of Sampo and If. The committee shall be chaired by the Sampo CRO. Other permanent members are the Sampo Head of Group Capital Modelling, If's CRO, If's CFO, If's Head of Financial Risk and Capital Management and at least one business representative for each major business unit covered by the internal model, nominated by the chairman.

The internal model and its outputs are also discussed in the Risk Committee, Actuarial Committee, Reinsurance Committee and the Underwriting Committee.

2.3.6.2 Description of the validation process

The internal model validation process is an annual process that is carried out in accordance with a validation plan. Validation can also be initiated by a major change in the internal model. A major change to the internal model may be required if the risk profile changes due to internal or external events.

Figure 7 – Annual validation process



In the validation process, risks, models and methods related to the internal model, the methods for aggregating risks and the methods for integrating the internal model with the standard formula are validated.

The validation process also covers data quality and the governance of the internal model. Validation is performed independently from model maintenance and development.

Severe findings in connection with the validation are escalated in order to ensure that the users of the model's output receive information of issues that can make the model less reliable. Escalation of findings may take place at any point during the validation process.

After the validation results are reported, validation recommendations are prioritised by the Sampo Head of Group Capital Modelling with input from If Head of Financial Risk and Capital Management. Findings from previous years are considered when setting the yearly validation plan.

2.4 Internal control

Effective and efficient internal control is maintained through If's policies, internal rules and procedures to ensure that the following objectives are achieved:

– effective and efficient operations;

– reliable and accurate financial and non-financial reporting; and

– compliance with external and internal regulations.

2.4.1 The internal control system

The internal control system covers the entire If group and is an integrated part of the company's organisational structure and decision-making processes. Internal control activities are carried out in accordance with the nature, size and complexity of If's activities.

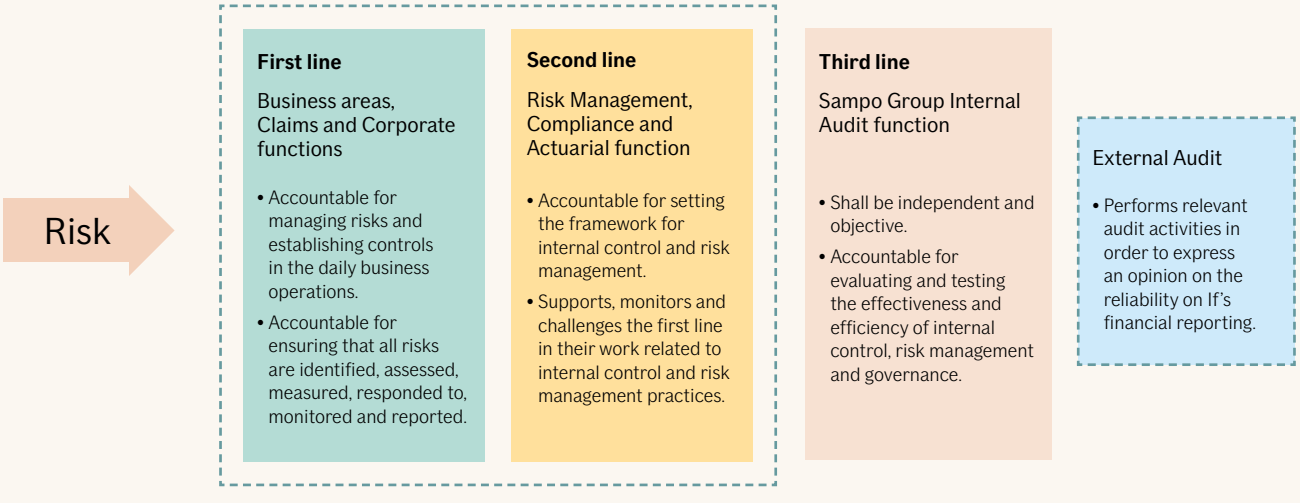
Processes are the basis for efficient business operations and the implementation of external and internal rules. Adequate and effective processes supporting the business objectives, promote a sound internal control culture, and facilitate a structured business follow-up. The key processes must be functioning as intended for If to manage its operations and to reach set goals.

If's Internal Control System is influenced by the COSO[13] framework and the three lines model.

The COSO framework consists of five components, all of which exist in If: control environment, risk assessment, control activities, information and communication and monitoring.

The three lines model addresses how specific duties related to risk and control are assigned and coordinated within If. The responsibilities for each line are described in the figure below.

Figure 8 – Three lines model



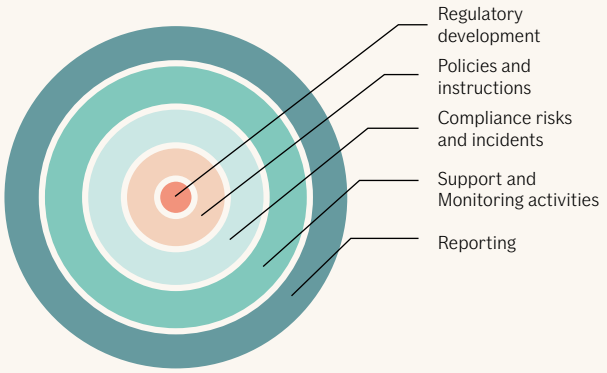
[13] The Committee of Sponsoring Organizations of the Treadway Commission.

2.4.2 Compliance function

The Compliance function is responsible for advising the Board of Directors and the CEO on compliance with the rules related to If's license to conduct insurance business. The Compliance function identifies and assesses the risk of non-compliance. The function also assesses the possible impact of any changes in the legal environment on the operations as well as the adequacy of the measures adopted to prevent non-compliance.

The Compliance function primarily addresses the rules that are related to If's license to conduct insurance business. Activities are also performed in other legal areas when deemed appropriate and necessary by the CCO and at the request of the Board of Directors or the CEO. The Compliance function is separated from the business organisation, operationally independent and part of the second line. The compliance function's areas of responsibilities have been divided into five sub-processes.

Figur 9 – The Compliance function's subprocesses



The CCO is appointed by the Board of Directors and has the overall responsibility for the function and the sub-processes. The Board of Directors has issued an instruction for the CCO, describing the responsibilities in more detail. The CCO appoints Compliance Officers to perform compliance activities. A risk-based Compliance plan is established annually and approved by the Board of Directors.

2.5 Internal Audit function

Internal audit is a function, independent of business operations, which evaluates the efficiency, effectiveness and the maturity of the Internal control system. The function helps the organisation to accomplish its objectives by a systematic, disciplined approach to evaluate and suggest improvements in the risk management, control and governance processes. The function is established by the Board of Directors and managed by the CAE as appointed by the Board of Directors.

2.5.1 Internal Audit Policy

The Internal Audit Policy describes the principles and responsibilities of the Internal Audit function. According to the policy, the function is to apply the Global Internal Audit Standards set by the Institute of Internal Auditors. The policy is reviewed annually and approved by the Board of Directors. No significant changes were made to the policy during the reporting period.

2.5.2 Internal audit plan

An internal audit plan is established annually by the Internal Audit function and considers both short- and long-term aspects. The plan is approved by the Board of Directors. A risk-based approach is applied, and the internal audits cover all main areas of the operations and the system of governance. The external auditors are informed about the internal audit plan.

2.5.3 Reporting

The Internal Audit function reports on the audits and the performed follow-up activities to the Board of Directors. Severe internal control deficiencies are reported without delay to the Board of Directors and the CEO.

Before an audit report is finalised, a draft report is sent to the key stakeholder of the audited area. The key stakeholder sets an action plan, including action owners and a time plan. The final audit reports are approved by the CAE before distribution.

The CAE submits status reports at least twice a year to the Board of Directors and to Sampo's Audit Committee. The status reports include identified severe internal control deficiencies and potential follow-up issues yet to be remedied according to the agreed actions.

2.5.4 Independence and objectivity

The Internal Audit function is independent and objective and does not carry out any operational tasks. Internal auditors are refrained from assessing the operations that they have been responsible for during the last 12 months. Internal auditors are chosen based on their knowledge, skills and integrity.

2.6 Actuarial function

2.6.1 The implementation of the Actuarial function

The Actuarial function is headed by the Chief Actuary who is an advisor on actuarial matters. The function reports the Board of Directors and the CEO. The Chief Actuary is the Chairman of the Actuarial Committee, a coordination forum for the Actuarial function as well as a preparatory and advisory body for the Chief Actuary. The Chief Actuary is a member of the Risk Committee, the Underwriting Committee and the Reinsurance Committee.

The Actuarial function is a part of the system of governance and the second line in the three lines model.

The tasks of the Actuarial function are described in the instruction for the Actuarial function. The main tasks are to:

- coordinate the calculation of technical provisions including their reliability and adequacy;
- present an opinion on the Underwriting Policy;
- present an opinion on the adequacy of the reinsurance arrangements;
- present an opinion on the solvency position; and
- contribute to the risk management framework.

Coordinating the calculation of technical provisions is a central task for the Actuarial function. Calculation of technical provisions according to IFRS is carried out by actuaries within each business area.

Solvency II premium and claims provisions are based on parameters from actuaries from each business area and the Chief Actuary unit. The Actuarial function performs the validation of the technical provisions.

The data quality is regularly assessed by reconciling information in the accounts with information in the actuarial systems. The reconciling procedure is performed monthly and is a formal procedure. The external auditors receive detailed reconciliation sheets with all accounted differences.

Steering documents govern the calculation of technical provisions. The Actuarial function is responsible for ensuring compliance with the steering documents and that local rules and regulations are reflected in guidelines and working routines.

2.6.2 Reporting

The Actuarial function reports information regarding material tasks that have been undertaken as well as their results at least annually to the Board of Directors and the CEO. The function also provides advice on how to remedy any deficiencies. The report includes the methods used, calculations, reliability and adequacy of technical provisions as well as an opinion on the Underwriting Policy and the adequacy of reinsurance arrangements.

The Actuarial function ensures, after each quarterly book closing, that a report is submitted to the Board of Directors and the CEO, consisting of an opinion on the adequacy and appropriateness of the technical provisions.

The Actuarial function is responsible for the quarterly reporting of relevant Actuarial Committee questions to the Risk Committee as well as for coordinating the quarterly reporting of reserve and premium risk to the Risk Committee.

2.7 Outsourcing

2.7.1 The Procurement Policy

The Procurement Policy describes what should be deemed as outsourcing and sets the criteria for determining whether a function or activity should be considered critical or important.

The outsourcing process ensures an effective control of the outsourcing of critical or important functions or activities as well as mitigating the risks associated with such outsourcing. The outsourcing process consists, inter alia, of risk analysis, counterparty evaluation, agreement drafting, decision-making, follow-up and reporting.

The Board of Directors has established a Supplier Committee to monitor that outsourcing is conducted in accordance with the Procurement Policy. Any new or materially amended outsourcing agreement regarding critical or important functions or activities, should be reported to, and assessed by, the Supplier Committee and approved by the Board of Directors prior to notifying the Swedish Financial Supervisory Authority.

2.7.2 Outsourcing of critical or important operational functions or activities

In order to increase efficiency in the insurance business, If outsources critical or important operational activities to internal and external service providers as described below.

- If has an agreement with Sampo, whereby some investment decisions are outsourced to Sampo.
- As a result of If's business areas and Claims operating through different legal entities and branch offices, a number of intra-group outsourcing arrangements have been established. For example, the procurement of IT services has been outsourced to the sister company If IT Services A/S in Denmark, which in turn has entered into agreements with IT providers.
- Several claim handling arrangements have also been signed with service providers. These contracts are entered in order to provide claim handling services in areas where If has no physical presence. There are also claim handling arrangements which have been concluded as part of larger partner cooperations and include sales and franchising arrangements. The partners are mainly located in the Nordic countries.

2.8 Any other information

If's system of governance is considered adequate to the nature, scale and complexity of the risks inherent in the business. There is no other material information regarding the system of governance.

3 Risk Profile

If's overall risk strategy is to focus on both capital efficiency and sound risk management. Available capital should exceed both the economic capital and the regulatory solvency capital requirement.

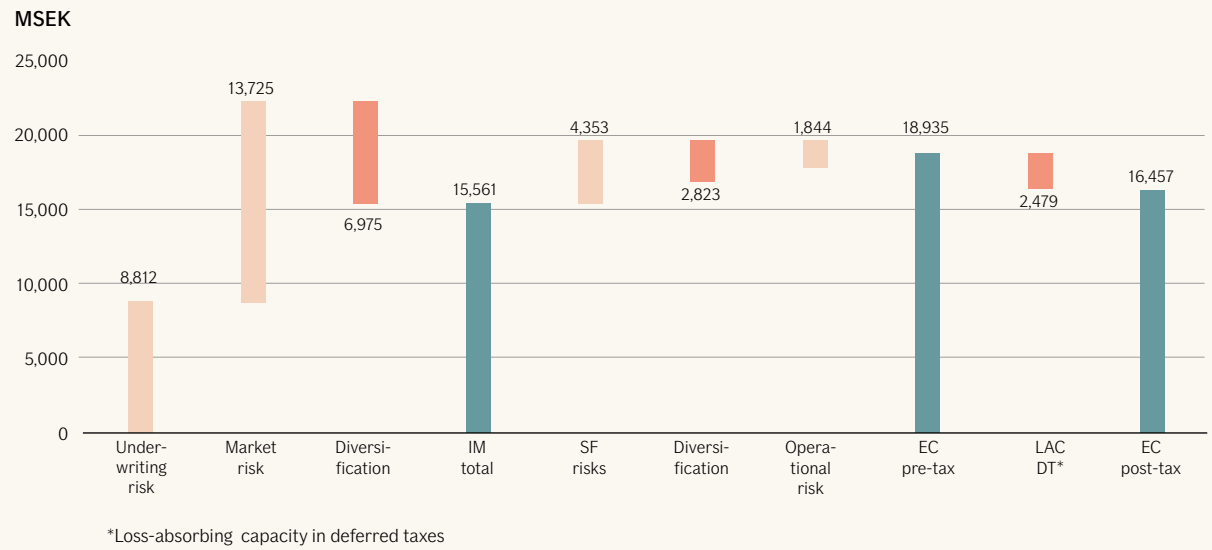
The measure economic capital is used for internal quantitative risk measurement and reporting, as well as for decision-making. The Economic Capital (EC) is based on the Sampo Group Internal Model (IM) for underwriting risk and market risk. Operational risk and less material risks are quantified using the Standard Formula (SF).

To give an accurate view of underwriting risk If applies a partial internal model instead of the standard formula for calculating its regulatory Solvency Capital Requirement (SCR). The regulatory solvency capital requirement is a combination of the major underwriting risks calculated using the internal model and other risks, including market risk, calculated using the standard formula. For more information about the risk measures, see Appendix 1 Explanation of measures used to monitor If's capital position.

In addition to the quantitative measures, qualitative assessments are conducted for all risks. Risks that are not possible to quantify are qualitatively assessed. These risks are liquidity risk, strategic risk, compliance risk, reputational risk and emerging risk.

The risk categories that contribute the most to economic capital are market risk and underwriting risk as shown in the figure below.

Figure 10 – Overview of If's economic capital, 31 December 2024



*Loss-absorbing capacity in deferred taxes

3.1 Underwriting risk

Underwriting risk is the risk of loss, or of adverse change, in the value of technical provisions, due to uncertainty in pricing and provisioning assumptions. Underwriting risk is divided into premium risk, catastrophe risk, reserve risk, inflation risk, lapse risk, and revision risk.

Actuarial and statistical methods are used to reflect the characteristics of the insurance operations for the modelling of underwriting risk in the internal model, complemented by external models for natural catastrophe risk and inflation risk. Lapse risk, revision risk and non-life risk related to internal reinsurance within the Sampo Group are calculated in accordance with the standard formula.

If's economic capital for underwriting risk reflects the underwriting risk exposure over a one-year horizon and has increased from MSEK 7,692 to MSEK 8,812 during 2024. Premium risk and reserve risk have the largest effects on economic capital. During 2024, premium risk, catastrophe risk, reserve risk and inflation risk have all increased mainly driven by underlying business growth.

3.1.1 Premium risk and catastrophe risk

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

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

3.1.1.1 Risk exposure

The main factors affecting premium risk are claims volatility, claims inflation and pricing methodology. The economic capital for premium risk increased due to portfolio growth during 2024.

Given the inherent uncertainty in insurance operations, there is a risk of losses due to unexpectedly high claim costs. Examples include large fires and natural catastrophes or an unforeseen increase in the frequency or the average size of small and medium-sized claims.

If underwrites insurance policies in Sweden, Norway, Finland and Denmark. In addition, the company underwrites policies for Nordic clients with operations outside the Nordic region.

3.1.1.2 Risk management and control

If applies a best-in-risk underwriting philosophy. The principal methods for mitigating premium risk are by reinsurance and risk sharing, diversification of the portfolio, prudent underwriting and detailed and frequent business 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 by 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 program is evaluated by comparing the expected cost with the benefit of the reinsurance, as well as the impact on result volatility and capital requirements.

The main tool for this evaluation is the internal model in which small claims, large claims and natural catastrophes are modelled. The Reinsurance Policy includes limitations on permitted reinsurers and their rating 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 in-house financial and qualitative analyses.

A group-wide reinsurance program has been in place since 2003. In 2024, retention levels were between MSEK 100 and MSEK 300 per risk and MSEK 300 per event.

3.1.2 Reserve risk

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

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance and reinsurance 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.

3.1.2.1 Risk exposure

Risk factors underlying reserve risk are assessed and reported twice annually by the Chief Actuary on an impact and likelihood basis. The main risk factors affecting reserve risk are claims inflation, changes in discount rates, retirement age and life expectancy. During 2024, economic capital for reserve risk increased, mainly due to changes in reserve levels in individual lines of business.

If's reserves are dominated by long tailed business which amplifies the exposure to inflation risk. Future claims inflation is quantified separately for premium and reserve risk. During 2024, economic capital for inflation risk increased due to underlying business growth.

The provisions for Motor third party liability and Workers' compensation lines of business include annuities that are sensitive to changes in retirement age, mortality assumptions, claims inflation and discount rates. The inflation risk is limited in Finland, as index increments for annuities are handled through a national pay-as-you-go system, where yearly increases are included in the insurance premium. The effect of a decrease in discount rates is dampened for provisions with long duration due to convergence towards the ultimate forward rate.

For further information on technical provisions, see Solvency II Quantitative Reporting Templates (QRT) S.12.01.02, S.17.01.02 and S.19.01.21.

3.1.2.2 Risk management and control

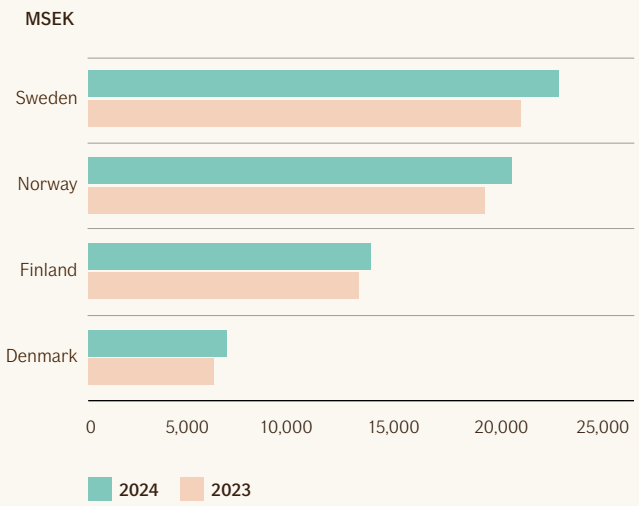
The Board of Directors decides on the guidelines governing the calculation of technical provisions. The Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of total provisions is sufficient.

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 used, combined with projections of number of claims and average claim costs.

3.1.3 Risk concentration

The insurance portfolio is well diversified, given the fact that If has a large customer base and the business is underwritten in different geographical areas and across several lines of business. The geographical distribution of gross written premium is shown in the figure below.

Figure 11 – Gross written premium per country



Despite the diversified portfolio, risk concentrations and consequent severe claims may arise through for example pandemics or natural catastrophes such as storms and floods. Accumulation of risks within the business area Industrial is monitored by detailed latitude/longitude data registration. For further data on the premium distribution across lines of business, see QRT S.05.01.02.

3.1.4 Risk sensitivity

Stress tests have been performed to assess the sensitivity to major risk factors. The sensitivity is expressed as the effect on If's capital position, based on the economic capital and on the regulatory solvency capital requirement.

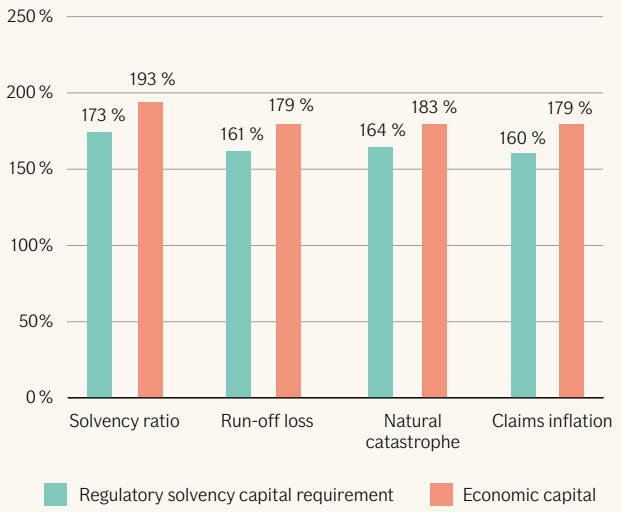
The purpose of the stress tests is to estimate the impact on the capital position of a one in ten-year run-off loss, one in ten-year natural catastrophe, or 100 basis points higher claims inflation than expected. If maintains a solvency ratio above 160% in all tests.

The stress tests are based on the following assumptions:

– In the run-off stress, it is assumed that the technical provisions will increase and lead to a consecutive increase in reserve risk and inflation risk.

– In the natural catastrophe stress, it is assumed that claim payments are immediate, thus not affecting technical provisions. Underwriting risk and market risk are unaffected whilst eligible own funds are reduced.
– In the inflation stress, the increase of claims inflation is assumed to increase the technical provisions.

Figure 12 – Solvency II sensitivity to underwriting risk, 31 December 2024



3.1.5 Use of special purpose vehicles

If has no special purpose vehicles.

3.2 Market risk

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

In accordance with the calculation of economic capital, If's market risk consists of currency risk, equity risk, interest rate risk and spread risk. Even though spread risk is included when calculating economic capital for market risk, If considers spread risk to be a part of credit risk. For information on the exposure, concentration, risk management and control, and sensitivity for spread risk, see Section 3.3 Credit risk.

Asset and liability management risk is included in the calculation of interest rate risk and currency risk.

3.2.1 Risk exposure

The economic capital for market risk decreased from MSEK 14,953 to MSEK 13,725 during 2024. The decrease was mainly due to decreased currency risk. If has a well-diversified investment portfolio, which has positive diversification effects when calculating the economic capital.

The exposure mainly relates to financial instruments and insurance contracts. Assets under active management amounted to MSEK 115,980 (115,568) at 31 December, 2024. See Table 3 Investment performance.

The exposure to 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 allocation of investment assets remained stable, and the proportion of equity investments was 13% (12). The proportion of fixed income investments was 87% (88). Other investment assets amounted to 0% (0) at 31 December 2024.

If's investments mainly consist of Nordic securities. Third party managed investments are mainly used when investing in non-Nordic securities, funds or other assets. The use of derivatives is limited.

The calculation of market risk is typically not complicated since If applies mark-to-market procedures to most of the investments. There are only a limited number of instruments that require mark-to-model procedures. If pledges collateral for letters of credit in the insurance operations and for derivatives.

3.2.2 Risk management and control

If's investment management strategy is long-term and based on knowing the risks. It focuses on Nordic investment assets, cautiously complemented by investments in other markets, and on fixed income assets complemented by a diversifying share invested in equity, property, and alternative investments.

According to the prudent person principle, investments are only made in assets and instruments whose risks properly can be identified, measured, monitored, mitigated and controlled, and appropriately considered in the assessment of the overall solvency needs. Furthermore, all assets are invested with the objective of ensuring the security, quality, liquidity, profitability, and availability of the portfolio as a whole, whilst considering sustainability factors.

The Investment Policy is the principal document for managing market risk. It sets guiding principles, for instance the prudent person principle, specific risk restrictions and a decision-making structure for asset management. When deciding on limits and setting targets, the overall risk appetite, risk tolerance, regulatory requirements as well as the structure and nature of the technical provisions are considered. Market risk is actively monitored and controlled by the Investment Control Committee.

3.2.3 Interest rate risk

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

3.2.3.1 Risk exposure

The exposure to interest rate risk from insurance contracts relates to the technical provisions, where future claim payments are discounted to present value and therefore impacted by changes in discount rates.

If's exposure to interest rate risk from financial instruments arises primarily from fixed income investments. The duration of fixed income investments at year-end 2024 was 2.3 years (2.4). The interest rate risk has decreased slightly according to the standard formula, and increased slightly according to the economic capital compared to 31 December 2023.

3.2.3.2 Risk management and control

Interest rate risk relating to technical provisions is, in accordance with the Investment Policy, considered in the composition of investment assets. Interest rate risk is managed by sensitivity limits for financial instruments.

3.2.4 Equity risk

Equity risk refers to the sensitivity of the value of investment assets to changes in the level, or in the volatility, of market prices of equities.

3.2.4.1 Risk exposure

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, the exposure amounted to MSEK 14,775 (13,831) and the proportion of equities in the investment portfolio was 13% (12). The equity risk has increased mainly due to increased market values.

3.2.4.2 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 15% of the total investment portfolio and the exposure towards an individual issuer is to be limited.

3.2.5 Currency risk

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

Currency risk can be divided into transaction and translation risk. Transaction risk refers to contractual cash flows in foreign currencies related to insurance activities, investment operations, and foreign exchange transactions. Translation risk refers to the risk that arises when consolidating the financial statements of foreign operations that have a different functional currency than the presentation currency of the company.

3.2.5.1 Risk exposure

If is mainly exposed to transaction currency risk due to its insurance operations in foreign currencies. In addition, the company's investment decisions result in currency exposure. The open currency positions, relating to transaction risk, are shown in Table 8. The currency risk has decreased compared to 31 December 2023. If is also exposed to translation risk.

3.2.5.2 Risk management and control

The transaction 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 functional currency on a regular basis. The currency exposure in investment assets is monitored weekly and is hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size.

The translation risk is only hedged in specific circumstances.

3.2.6 Asset and Liability Management risk

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

3.2.6.1 Risk exposure

The exposure to asset and liability management risk arises mainly from interest rate, inflation and currency risk. From an economic perspective, whereby the technical provisions are discounted using prevailing market interest rates, If is exposed to changes in inflation and nominal market rates. The exposure remains similar to the one at 31 December 2023. The risk exposure is further described for each risk in Section 3.2 Market risk.

3.2.6.2 Risk management and control

Asset and liability management risk is considered through the risk appetite framework and is governed by the Investment Policy. To maintain the asset and liability management risk within the overall risk appetite, technical provisions may be matched by investing in fixed income instruments and by using currency and interest rate derivatives.

3.2.7 Risk concentration

If has a well-diversified portfolio to withstand market fluctuations. However, abrupt and severe market-wide stresses could cause significant adverse movement in the portfolio. The main identified factors with such potential are geopolitical uncertainty and events that negatively affect the Nordic banking sector.

The investment portfolio consists mainly of fixed income investments, corresponding to 87%, and equities to 13%. The market risk concentration of the investment portfolio as per 31 December 2024 is presented in the figures below.

Figure 13 – Market values per type of asset, 31 December 2024

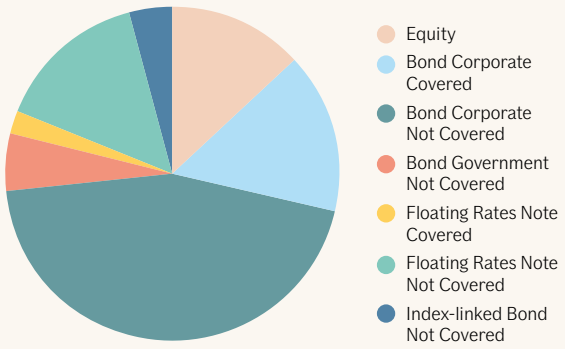
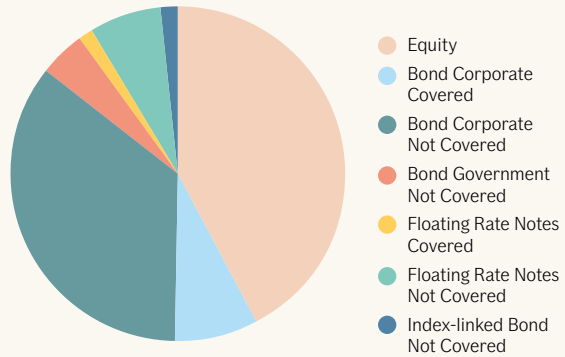


Figure 14 – Economic capital per type of asset, 31 December 2024



The IFRS values in Table 5 and Table 6 give a reasonable picture of risk concentrations and do not materially differ from Solvency II values. In Table 5 and 6, equity investments by industry sector and geographical area are presented.

Table 5 – Breakdown of equity investments by industry sector

MSEK	2024		2023	
Industry sector	**Carrying amount**	**%**	**Carrying amount**	**%**
Industrial	5,995	66.6	5,858	65.0
Consumer Discretionary	1,522	16.9	1,695	18.8
Materials	745	8.3	773	8.6
Telecommunication Services	495	5.5	416	4.6
Energy	157	1.7	205	2.3
Consumer Staples	58	0.6	50	0.6
Health Care	23	0.3	16	0.2
Finance and Real Estate	4	0.0	4	0.0
Total	**8,998**	**100**	**9,017**	**100**

Compared to Table 3 and 4 Investment performance, investments made through equity funds, ETF:s and private equity funds of MSEK 5,777 (4,814) are excluded.

Table 6 – Breakdown of equity investments by geographical area

MSEK	2024		2023	
Geographical area	**Carrying amount**	**%**	**Carrying amount**	**%**
Sweden	6,716	45.9	6,860	49.7
Europe	3,140	21.5	2,776	20.1
Asia	1,928	13.2	1,555	11.3
North America	1,744	11.9	1,288	9.3
Norway	1,098	7.5	1,117	8.1
Latin America	-	-	217	1.6
Denmark	2	0.0	2	0.0
Finland	-	-	-	-
Total	**14,628**	**100**	**13,815**	**100**

Compared to Table 3 and 4 Investment performance, investments made through private equity funds of MSEK 147 (16) are excluded.

The duration of the fixed income investments is shown in the table below.

Table 7 – Duration and breakdown of fixed income investments per instrument type

MSEK	2024			2023		
Instrument type	**Carrying amount**	**%**	**Duration**	**Carrying amount**	**%**	**Duration**
Scandinavia, long-term government and corporate securities	70,324	69.5	2.0	74,720	73.1	2.0
Europe, long-term government and corporate securities	17,836	17.6	2.5	15,326	15.0	3.1
USA, long-term government and corporate securities	5,000	4.9	3.3	3,912	3.8	4.1
Scandinavia, index-linked bonds	4,755	4.7	4.0	4,666	4.6	4.0
Global, long-term government and corporate securities	2,648	2.6	4.4	2,425	2.4	4.7
Short-term fixed income	692	0.7	0.0	1,107	1.1	0.0
Total	**101,255**	**100**	**2.3**	**102,156**	**100**	**2.4**

If's open currency positions against SEK are shown in the table below. The figures are according to IFRS and give a fair picture of currency risk concentrations excluding translation risk. The largest currency exposure is to the EUR.

Table 8 – Currency risk

MSEK Currency	EUR	NOK	DKK	GBP	USD	JPY	Other
2024	-1,311	-363	24	-67	-407	137	-308
2023	-432	-49	-18	-172	-218	52	-98

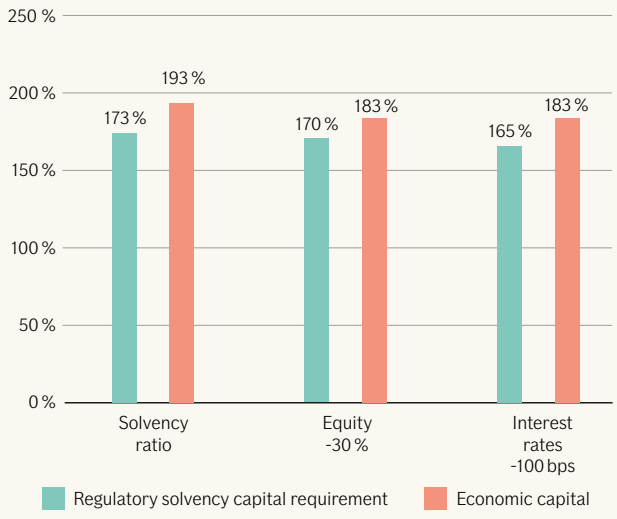
For information on exposure, concentration, risk management and control, and sensitivity for spread risk, see Section 3.3 Credit risk.

3.2.8 Risk sensitivity

To test the sensitivity to changes in market risk, equity and interest rate stresses have been performed. The sensitivity is expressed as the effect on the solvency ratio, both in terms of economic capital and in terms of the regulatory solvency capital requirement as per 31 December 2024.

The purpose of the stress tests is to estimate how the capital position is affected by a 30% decrease in the market values for equities and by a 100 basis points decrease in interest rates. In both stresses, If maintains a solvency ratio above 160%.

Figur 15 – Market risk sensitivity, 31 December 2024



The stress tests are based on the following assumptions:

- The key assumption in the equity stress is that the equity risk decreases with the same proportion as the market value, with change in symmetric adjustment for equities explicitly taken into consideration for the regulatory capital requirement. Due to a change in symmetric adjustment for equity risk, the solvency ratio decreases by less than implied by the loss to own funds from a 30% decrease in the market values for equities.
- In the interest rate stress, the decreased interest rates increase the investment assets as well as technical provisions. The increase in technical provisions is larger than the increase in investment assets due to the longer duration of the technical provisions.
- The interest rate stress is based on a parallel shift of the market rates used as input to the calculation of the Solvency II yield curves. The effect is dampened for the highest maturities due to convergence to the ultimate forward rate used in the long end, which is not stressed in this calculation.

3.3 Credit risk

Credit risk is the risk of loss, or of adverse change, in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which the company is exposed in the form of counterparty default risk, spread risk, or market risk concentrations. Credit risk relating to market risk concentrations is described in the Section 3.2.7 Risk Concentration.

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.

Counterparty default risk is the risk of loss due to unexpected default, or deterioration in the credit standing, of counterparties and debtors. 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.

In terms of economic capital, spread risk is calculated using the internal model as described in Section 3.2 Market risk. In terms of regulatory solvency capital requirement, spread risk is calculated using the standard formula. Counterparty default risk is calculated using the standard formula for both economic capital and the regulatory solvency capital requirement.

3.3.1 Risk exposure

The most significant credit risk exposures arise from fixed income investments in asset management.

Credit risk also arises from insurance operations, mainly through ceded reinsurance. The credit risk exposure to policyholders from insurance operations is limited since non-payment of premiums generally results in the cancellation of insurance policies.

3.3.1.1 Credit risk in asset management

Credit risk in asset management 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. The asset therefore has a lower market value, even in the case of no default. Accordingly,

the spread is essentially the market price of credit risk. For financial assets measured at amortised cost and where market prices do not exist, credit risk is measured using models for expected credit losses.

3.3.1.2 Credit risk in reinsurance operations

In ceded reinsurance, credit risk arises in the form of reinsurance receivables and through the reinsurers' portion of claims outstanding. The exposure to credit risk towards reinsurance counterparties is deemed limited.

3.3.2 Risk concentration

3.3.2.1 Risk concentration in asset management

A large part of the fixed income investments is concentrated to financial institutions, whereof the main part of the investments is made in the Nordic market. Exposure by sector, asset class and rating category is presented in Table 9.

Table 9 – Exposure by sector, asset class and rating, 31 December 2024

	Fixed income assets											
MSEK Industry sector	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	Non- rated	Total	Equities	Properties	Derivatives	Total	Change compared to 31 Dec, 2023
Basic Industry	-	-	384	1,644	321	328	**2,676**	363	-	-	**3,039**	-7
Capitals Goods	-	-	542	2,495	297	358	**3,692**	5,930	-	-	**9,622**	-333
Consumer Products	-	-	1,176	2,468	177	941	**4,762**	1,981	-	-	**6,743**	-784
Energy	-	-	182	-	-	500	**682**	157	-	-	**839**	-237
Financial Institutions	384	4,845	15,385	7,421	307	169	**28,512**	-	-	10	**28,521**	-689
Governments	5,778	1,396	-	-	-	-	**7,174**	-	-	-	**7,174**	1,805
Government Guaranteed	-	264	-	-	-	-	**264**	-	-	-	**264**	14
Health Care	-	-	166	1,499	266	512	**2,443**	23	-	-	**2,466**	391
Insurance	-	-	304	1,395	-	1,499	**3,197**	4	-	-	**3,201**	240
Media	-	-	-	50	59	284	**393**	-	-	-	**393**	248
Packaging	-	-	-	68	126	108	**302**	-	-	-	**302**	65
Public Sector, Other	5,444	203	-	-	-	-	**5,647**	-	-	-	**5,647**	-124
Real Estate	-	402	1,507	1,107	291	1,346	**4,688**	-	5	-	**4,693**	-1,152
Services	-	-	470	2,001	1,543	621	**4,635**	-	-	-	**4,635**	864
Technology and Electronics	-	123	242	633	-	729	**1,727**	-	-	-	**1,727**	289
Telecommunications	-	-	75	1,746	-	-	**1,821**	495	-	-	**2,317**	-201
Transportation	-	392	575	248	59	715	**1,988**	-	-	-	**1,988**	251
Utilities	-	-	1,054	2,009	685	943	**4,691**	-	-	-	**4,691**	1,562
Covered Bonds	20,513	-	-	-	-	-	**20,513**	-	-	-	**20,513**	-3,300
Funds	-	-	-	-	-	366	**366**	5,777	-	-	**6,143**	1,211
Other	-	-	340	227	-	415	**983**	45	-	-	**1,028**	275
Clearing House	-	-	-	-	-	-	**-**	-	-	-	**-**	-18
Total	**32,120**	**7,625**	**22,403**	**25,012**	**4,131**	**9,833**	**101,157**	**14,775**	**5**	**10**	**115,947**	**372**
Change compared to 31 Dec, 2023	-2,491	-696	1,545	1,532	402	-828	**-501**	944	0	-71	**372**	**-**

3.3.2.2 Risk concentration in reinsurance operations

The distribution of recoverables and receivables, excluding expected loss, is presented in Table 10. The increase in 2024 is mainly due to a few very large claims. In addition, there are MSEK 2,718 (2,268) of reinsurance recoverables and receivables, mainly relating to captives and statutory pool solutions, also contributing to the credit risk exposure.

Table 10 – Reinsurance recoverables

MSEK Rating (S&P)	2024	%	2023	%
AA	3,615	48.5	2,554	50.9
A	3,834	51.4	2,466	49.1
BBB	3	0.0	-	-
Non-rated	2	0.0	2	0.0
Total	**7,454**	**100**	**5,021**	**100**

The distribution of ceded treaty and facultative premiums per rating category is presented in the table below.

Table 11 – Ceded treaty and facultative premiums per rating category

MSEK Rating (S&P)	2024	%	2023	%
AA	1,551	56.5	1,043	55.3
A	1,195	43.5	843	44.7
Total	**2,746**	**100**	**1,886**	**100**

3.3.3 Risk management and control

3.3.3.1 Risk management and control in asset management

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

Before investing, potential investments are analysed 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. The macroeconomic environment, market trends, external opinions of analysts, and credit ratings by rating agencies are also taken into account. In addition, the 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.

3.3.3.2 Risk management and control in reinsurance operations

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

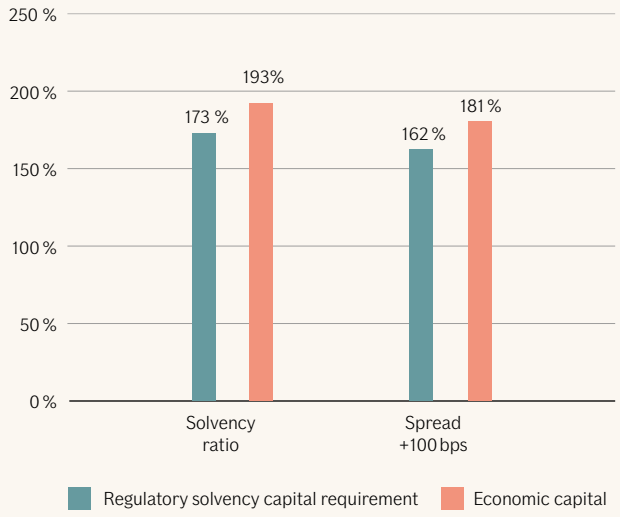
The Reinsurance Security Committee gives input and suggestions to decisions in respect of various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Policy. The Chairman is responsible for the reporting of policy deviations and other issues to the Risk Committee.

3.3.4 Risk sensitivity

3.3.4.1 Risk sensitivity in asset management

To test the sensitivity for major risk factors, a credit spread stress has been performed showing the effect on the solvency ratio for the regulatory solvency capital requirement and economic capital as per 31 December 2024. The spread stress estimates an impact on the solvency ratio of a 100 basis points increase in the spreads. The key assumption in the spread stress is that the stress does not have an impact on technical provisions. If maintains a ratio above 160% after the stress.

Figure 16 – Credit risk sensitivity according to Solvency II, 31 December 2024



3.3.4.2 Risk sensitivity in reinsurance operations

A credit simulation is performed within the reinsurance operations to quantify the exposure to credit losses due to reinsurance counterparty default. In the simulation, a counterparty default rate of 50% on average is assumed and future credit losses are estimated for 50,000 outcomes with a one-year horizon. Non-rated captives and pools are treated as BBB rated. The exposure is based on discounted values in line with Solvency II as per 31 December 2024. The credit simulation shows the maximum loss with a given probability over a one-year horizon. The impact of the stress test has increased slightly but remains limited. The outcome is presented on a quarterly basis to the Risk Committee.

3.4 Liquidity risk

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

3.4.1 Risk exposure

If's liquidity risk from a claim settling and policyholder perspective is limited, since premiums are collected in advance and large claim payments are usually known well in advance before they fall due.

Large claims, either new or adverse reserve developments, might temporarily create the need to free up liquidity. There might also be other needs to free up liquidity, e.g. to fund dividends or potential

acquisitions but generally If has a large amount of available liquidity. If has a relatively low amount of financial liabilities and thus the refinancing risk is small.

3.4.2 Risk concentration

The maturities of cash flows from financial instruments are presented in Table 12, in which financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. The table also shows expected future cash flows for the net provision for claims outstanding, which are inherently associated with a degree of uncertainty.

Table 12 – Maturities of cash flows, 31 December 2024

				Cash flows for contractual maturity						
MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	2025	2026	2027	2028	2029	2030-2039	2040-
Financial assets	119,005	*15,461*	*103,543*	16,066	21,144	27,974	17,652	12,479	21,535	32
Derivative liabilities	-223	-	*-223*	-225	-	-	-	-	-	-
Other financial liabilities	-3,144	*-37*	*-3,107*	-3,107	-	-	-	-	-	-
Provision for outstanding claims (net) and other insurance related payables[1]	-80,647	-	-80,647	-25,303	-7,624	-5,081	-3,906	-3,229	-17,518	-17,987

[1)] Other insurance and reinsurance related payables are presented within Creditors and amounts to MSEK 4,543.

3.4.3 Risk management and control

The Investment Policy, together with the prudent person principle and the instruction for the Investment Control Committee, establishes strategies, objectives, processes, reporting and procedures for the management of liquidity risk. The Cash Management unit is responsible for liquidity planning. To identify liquidity risk, expected cash flows from investment assets and provision for claims outstanding are analysed 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 analysed and reported continuously to the Risk Committee.

3.4.4 Risk sensitivity

Cash flows from investment assets are also measured from an availability point of view. If has a considerable amount of fixed income investments of high credit quality that are likely to maintain their marketability also in stressed market conditions. Combined with the aforementioned favourable risk exposure arising from the insurance business, If is not particularly sensitive to liquidity risk.

3.4.5 Expected profit included in future premiums

The total amount of the expected profit included in future premiums (EPIFP) was MSEK 3,253 (3,220) as per 31 December 2024.

3.5 Operational risk

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

3.5.1 Risk exposure

Operational risk occurs in all parts of the organisation and is a natural part of the business. A continuous assessment of the risks is performed to balance the level of risk mitigation, since it is not cost-effective to eliminate all operational risks. Business area, Claims and Corporate function managers are risk owners and responsible for continuously managing significant risks within their operations.

Some of the more material operational risks are associated with cyber events, outdated technology solutions, business continuity management, low employee engagement and third-party management.

External factors that may affect operational risk are identified through the processes for strategic risk and emerging risk, see Section 3.6.1 Strategic risk and Section 3.6.4 Emerging risk. A special process is in place to identify and report any external and internal fraud.

There have been no material changes in the risk exposure during the reporting period.

3.5.2 Risk concentration

No significant operational risk concentrations have been identified.

3.5.3 Risk management and control

Generally, If adopts a conservative approach to operational risk and strives to reduce the risk as much as possible within appropriate risk tolerance levels, considering the effort and resources required to mitigate risk.

If has issued several steering documents that are relevant for the management of operational risk. These include, but are not limited to, the Risk Management Policy, Business Continuity and Security Policy and Information Security Policy.

Self-assessments to identify, assess, respond to and monitor operational risk are performed and reported regularly by the business areas, Claims and Corporate functions. Identified operational risks

are assessed from a likelihood and impact perspective and evaluated.

An operational risk coordinator network in the business areas, Claims and Corporate functions supports the risk owners. The results are challenged and aggregated by the Risk Management function. There is also a system for incident reporting and follow-up. Incident data is used to analyse operational risk and severe incidents are tracked to ensure that proper actions are taken.

To manage operational risk related to IT, the focus is on digital resilience and continued investment in technology transformation and development.

Other examples of key risk mitigating techniques are clear and well implemented steering documents, set mandates, four-eyes and grandfather principles, clear roles and division of responsibilities, employee training as well as other automated and manual controls in key business processes.

3.5.4 Risk sensitivity

If regularly conducts impact analyses, exercises and tests to ensure capable crisis management such as business continuity exercises and digital resilience testing. The results of the tests and exercises indicate a sound business resilience.

3.6 Other material risks

3.6.1 Strategic risk

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

3.6.1.1 Risk exposure

In If, strategic risk is associated with the core elements of the business strategy and the business model, which are maintained competitiveness, being best at pricing risk, the ability to attract and retain key competences and succeeding with sustainability goals.

There have been no material changes in the risk exposure during the reporting period.

3.6.1.2 Risk concentration

No significant strategic risk concentrations have been identified.

3.6.1.3 Risk management and control

The development of identified material strategic risks is controlled and mitigated through continuous monitoring of competitors, the market and regulatory changes. These risks are assessed and proactively managed in the yearly strategy and financial process, as well as on an ongoing basis whenever larger events occur.

If focuses on new and existing customers and on providing the best service. To be able to set accurate prices and grow profitability, If closely monitors and evaluates the economic and geopolitical conditions, and their implications for market conditions.

3.6.2 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.

3.6.2.1 Risk exposure

The main compliance risks are identified as the risk of breaching the General Data Protection Regulation (GDPR) and the risk of breaching the Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) legislation.

There have been no material changes in the risk exposure during the reporting period. However, due to both societal developments and new regulations, digital and operational resilience requires increased attention going forward.

3.6.2.2 Risk concentration

No significant compliance risk concentrations have been identified.

3.6.2.3 Risk management and control

The internal control system encompasses a range of both proactive and reactive mitigating techniques to mitigate compliance risks, e.g. clear and implemented steering documents and instructions, employee training, access rights, segregation of duties, four-eyes principle and other manual and automatic control activities. The effectiveness of the risk mitigation techniques is monitored through various quality follow-ups.

Furthermore, the Compliance function is responsible for monitoring that there are effective processes for identifying, assessing, mitigating, monitoring and reporting compliance risk exposure.

Relevant steering documents for the management of compliance risk include the Compliance Policy, the Personal Data Policy, the Conflicts of Interest Policy, the Procurement Policy, the Distribution Policy, the Risk Management Policy, the Ethics Policy and the AML/CTF Policy.

Internal training in 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.

The Board of Directors has established a Legal Committee to ensure a high level of control of legal developments, material disputes, and legal implementation projects. Furthermore, the committee should be a preparatory and advisory body for the Chief Legal Counsel and the Risk Committee in legal issues, as well as consider and propose changes in If's internal rules.

3.6.3 Reputational risk

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

3.6.3.1 Risk exposure

Some processes are especially sensitive to reputational risk, such as marketing and claims handling.

There have been no material changes in the risk exposure during the reporting period.

3.6.3.2 Risk concentration

No significant reputational risk concentrations have been identified.

3.6.3.3 Risk management and control

Examples of mitigating techniques are clear and implemented steering documents, e.g. the Ethics Policy and the Social media Instruction, incident handling procedures and the whistleblowing process.

Professional handling and communication, correct and clear insurance terms and conditions, as well as transparent and fair claims handling are key to managing reputational risk. There are established procedures for customer complaints and incident reporting. If provides training for employees in ethical guidelines and continuously monitors what is written about the company in media.

3.6.4 Emerging risk

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

3.6.4.1 Risk exposure

Closely monitored risks are Artificial Intelligence (AI), regulatory development and changing landscape in mobility.

3.6.4.2 Risk concentration

No significant emerging risk concentrations have been identified.

3.6.4.3 Risk management and control

A process to identify and assess emerging risk has been established consisting of key people from the business areas. This group follows and analyses important emerging risk factors and suggests actions. The most serious risks are reported to the Risk Committee.

The awareness of new risks from internal and external sources, in combination with constant reviewal of insurance terms, are necessary means of managing and mitigating new risks. To mitigate emerging risk, identified risks can be excluded from future insurance policies or an appropriate premium can be added to the policies for insurable risks. Reinsurance is also used as a mitigating technique.

3.6.5 Sustainability risk

Sustainability risks are uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the business model, capability to achieve goals and targets and to create value, and therefore may influence decisions and business relationships.

The most significant sustainability risk for If is climate-related risk. Climate-related risk includes the impacts from increasing physical manifestations of global warming (physical risk), as well as from measures taken by societies to transition to low-emission economies (transition risk).

3.6.5.1 Risk exposure

Regarding underwriting, climate-related physical risk is already relevant in the short-term and is likely to grow in the mid-to long-term. In the short-term, risk arises in the form of changes in claims frequency and/or the severity related to the climate-related physical risks that are relevant in the Nordic region, such as windstorms, floods, heavy rainfall, landslides, erosion and heatwaves. In the short-term, windstorms are the main physical risk in If's claim portfolio. If's investment portfolio is exposed to physical risk and transition risk that could affect the value of investments.

To identify weak spots, four climate change risk scenarios have been developed. The climate change scenarios show that both If's investment and underwriting results are resilient to climate changes.

3.6.5.2 Risk concentration

No significant sustainability risk concentrations have been identified.

3.6.5.3 Risk management and control

Daily risk management processes include prudent underwriting and price analysis. Increasing natural catastrophe claims costs can be mitigated through pricing. The economic impact of unexpectedly high severity or frequency of natural disasters is managed through a combination of reinsurance and diversification.

Reinsurance protects If from losses beyond its risk appetite. Transition risk in the supply chain is identified through the due diligence process, which identifies and assesses risks based on the Supplier Code of Conduct, as well as sector-specific environmental requirements.

In the investment operations, transition risk is identified and managed using ESG[14] risk ratings, sensitive sector screenings, norm-based research and active ownership.

3.6.6 Risk sensitivity

Strategic, compliance, reputational, emerging and sustabinbility risk are not included in the quantitative risk measures. If a severe risk event occurs as a result of any of these risks, it may have an effect on own funds but not any direct impact on the economic capital or the regulatory solvency capital requirement.

A material strategic risk event might have a negative effect on the ability to compete, with decreased premium volumes and profitability as consequences.

A significant materialised compliance risk can for example result in sanctions or interventions from the Swedish Financial Supervisory Authority.

A significant materialised reputational risk event may lead to a combination of decreased premium volumes due to customers leaving If and a one-time cost effect on own funds to manage the risk.

Emerging risks can affect all the other existing risk categories. The sensitivity and concentration of these qualitative risks are, due to their nature, difficult to quantify.

A significant materialised sustainability risk could, depending on its nature, result in large claim costs or decrease the value of the investment portfolio.

3.7 Other Information

There is no other material information regarding If's risk profile.

[14] Environmental, Social and Governance.

4 Valuation for Solvency Purposes

The valuation of assets and liabilities in the Solvency II balance sheet is based on fair value principles. Items in the Solvency II balance sheet are based on corresponding items in the annual report, adjusted in accordance with the Solvency II regulation. The annual report is prepared according to Swedish accounting regulation referred to as IFRS restricted by law. Figures in the annual report are referred to as statutory accounts value.

The accounting policies used in the statutory accounts have not been subject to any significant amendments in 2024. Balance sheet items in foreign currency are translated to SEK using the closing date exchange rate, both in the statutory accounts and in Solvency II.

As an effect of the Solvency II adjustments the excess of assets over liabilities is MSEK 6,157 higher in the Solvency II balance sheet compared to the statutory accounts at year-end. The Solvency II adjustments are mainly related to technical provisions.

The table below provides an overview of the balance sheet adjustments for Solvency II.

Table 13 – Balance sheet adjustments for Solvency II, 31 December 2024

MSEK	Statutory accounts value	Solvency II adjustments	Solvency II value	Category
Assets				
Goodwill	30	-30	-	
Deferred acquisition costs	1,491	-1,491	-	A
Pension benefit surplus	-	412	412	D
Property, plant and equipment held for own use	204	1,265	1,469	B
Investments (other than assets held for index-linked and unit-linked contracts)	**113,615**	**-**	**113,615**	
Property (other than for own use)	*5*	*-*	*5*	
Equities	*8,953*	*-*	*8,953*	
Bonds	*98,352*	*-*	*98,352*	
Collective Investments Undertakings	*6,138*	*-*	*6,138*	
Derivatives	*166*	*-*	*166*	
Loans and mortgages	1,968	-	1,968	
Reinsurance recoverables from:	**9,373**	**-1,204**	**8,169**	A
Non-life and health similar to non-life	*9,373*	*-1,204*	*8,169*	
Life and health similar to life, excluding health and index-linked and unit-linked	*-*	*-*	*-*	
Insurance and intermediaries receivables	19,180	-14,729	4,451	A
Reinsurance receivables	1,981	-	1,981	
Receivables (trade, not insurance)	2,499	-622	1,877	C
Cash and cash equivalents	594	-	594	
Any other assets, not elsewhere shown	511	-48	463	B, D
Total assets	**151,448**	**-16,446**	**135,001**	
Liabilities				
Total Technical provisions	**101,728**	**-24,782**	**76,947**	A
Technical provisions – non-life (excluding health)	*62,561*	*-20,348*	*42,212*	
Technical provisions - health (similar to non-life)	*19,184*	*-4,696*	*14,488*	
Technical provisions - life (excluding index-linked and unit-linked)	*19,984*	*263*	*20,247*	
Provisions other than technical provisions	925	-	925	
Pension benefit obligations	207	28	235	D
Deferred tax liabilities	1,295	1,744	3,039	E
Derivatives	223	-	223	
Financial liabilities other than debts owed to credit institutions	-	1,259	1,259	B
Insurance and intermediaries payables	1,916	-	1,916	
Reinsurance payables	2,627	-118	2,509	A
Payables (trade, not insurance)	3,825	-622	3,203	C
Any other liabilities, not elsewhere shown	2,171	-113	2,059	A
Total liabilities	**114,916**	**-22,603**	**92,313**	
Excess of assets over liabilities	**36,531**	**6,157**	**42,688**	

The adjustments in Table 13 can be divided into the following categories:

A. Technical provisions and items related to these which are affected as a result of Solvency II valuation, i.e. technical provisions, deferred acquisition costs, premium receivables and equivalent items related to ceded reinsurance.
B. Leasing arrangements valued according to IFRS 16 in Solvency II.
C. The Finnish Medical Malpractice Pool public sector contracts, which are not insurance contracts in Swedish accounting regulation, are reclassified from payables (trade, not insurance) to technical provisions and netted against receivables related to the pool.
D. Pension benefit obligations are valued according to IAS 19 which involves some reclassifications and nettings.
E. The effect of Solvency II adjustments on the carrying amount of deferred tax assets and liabilities.

The methods used for the valuation of assets and liabilities are disclosed separately for each material class in the sections below. The disclosure includes the basis, methods and main assumptions as well as a quantitative and qualitative explanation of any material differences between the valuation in the statutory accounts and Solvency II regulations. The aggregation of assets and liabilities into material classes is based on the nature, function and materiality of the items.

4.1 Assets

4.1.1 Property, plant and equipment held for own use

Property, plant and equipment held for own use consist of machinery and equipment and are initially valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less accumulated straight-line depreciation in the statutory accounts. Depreciation is based on the historical acquisition value and the estimated economic useful life.

The acquisition value is considered a reasonable approximation of the fair value and the current treatment in the statutory accounts is therefore applicable also for Solvency II.

Right of use assets related to rented real estate are reported as property, plant and equipment held for own use in the Solvency II balance sheet. Information about leased assets and leasing liabilities is included in Section 4.5.1 Lease arrangements.

4.1.2 Investments

4.1.2.1 Equities

Equities are measured at fair value in the statutory accounts and in Solvency II. For equities listed on an authorised stock exchange or marketplace, the sales value normally refers to the latest trade price on the closing date.

4.1.2.2 Bonds

Interest-bearing securities with short and long maturity are reported as bonds, and the balance consists of corporate and government bonds. Bonds are fair valued in the statutory accounts and in Solvency II. When measuring at fair value, the listed bid price or yield-curve models based on listed mid prices, are used.

4.1.2.3 Collective investment undertakings

Collective investment undertakings in the Solvency II balance sheet relate to ownership in investment funds and alternative investment funds. In the statutory accounts, investment funds are either reported as shares and participations or as bonds and other interest-bearing securities, depending on the investment strategy of the fund. Investment funds are valued at fair value in the statutory accounts and in Solvency II. Unlisted securities included in private equity investments are valued using established valuation models in the statutory accounts and in Solvency II.

4.1.2.4 Derivatives

Derivates are financial instruments that are valued based on the expected future price movements of the underlying assets to which they are linked. All derivative instruments are valued individually at fair value both in the statutory accounts and in Solvency II.

4.1.3 Loans and mortgages

In the statutory accounts, loans are recognised at accrued acquisition value pursuant to application of IFRS 9. The treatment in the statutory accounts is applicable also for Solvency II, as the accrued acquisition value is considered a reasonable approximation of the fair value.

4.1.4 Reinsurance receivables and Receivables (trade, not insurance)

Reinsurance receivables and receivables (trade, not insurance) are reported based on the expected value to be received in both the statutory accounts and in Solvency II. This is considered to be a reasonable approximation of the fair value. No expected credit losses have been recognised for intercompany receivables as they are deemed significant.

Receivables (trade, not insurance) in the Solvency II balance sheet mainly consist of inter-company receivables.

The receivables on the Finnish Medical Malpractice Pool for the public sector, amounting to MSEK 622, have been reclassified to best estimate technical provisions in Solvency II.

4.1.5 Cash and cash equivalents

In the statutory accounts and in Solvency II, cash balances are valued at nominal value. In addition to petty cash amounts, cash and cash equivalents consist of bank balances in insurance operations and uninvested funds transferred to asset management.

4.1.6 Any other assets, not elsewhere shown

Any other assets not elsewhere shown include balances that are not shown in any other Solvency II balance sheet item. The assets are mainly accrued income and prepaid expenses not directly related to insurance operations, pension assets and an asset related to leasing. Except for the treatment of pension assets described in Section 4.3.2 Pension benefit obligation, and reversal of prepaid expenses related to leasing agreements described in Section 4.5.1 Lease arrangements, the balances are treated consistently in the statutory accounts and Solvency II. The carrying amount is considered a reasonable approximation of the fair value.

4.1.7 Assets linked to the calculation of Solvency II technical provisions

4.1.7.1 Deferred acquisition costs

Deferred acquisition costs in the statutory accounts relate to selling costs with a clear connection to the writing of insurance contracts. Selling costs include operating expenses such as commissions, marketing costs, salaries and overheads for sales personnel, directly or indirectly related to the acquisition or renewal of insurance contracts. These costs are reported as assets in the statutory accounts.

Deferred acquisition costs in assets and liabilities in the statutory accounts are de-recognised from the Solvency II balance sheet.

Deferred acquisition costs arise from accrual accounting in the statutory accounts. These items are unrelated to the timing of the acquisition cost cash flows which is the criteria under which Solvency II technical provisions are recognised. Future acquisition cost cash flows (i.e. those cash flows expected but not yet incurred in relation to policies in force) are instead considered through the Solvency II calculation of the best estimate technical provisions.

4.1.7.2 Reinsurance recoverables

Reinsurance recoverables refer to reinsurers' share of the Solvency II technical provisions. Technical provisions are covered in more detail in Section 4.2 Technical provisions.

4.1.7.3 Insurance and intermediaries' receivables

In line with the Solvency II classification, insurance and intermediaries' receivables relate to receivable amounts due by policyholders, other insurers, and receivables linked to the insurance business. Under the Solvency II classification, the technical provisions should fully take account of all cash inflows and outflows. Rather than recognising a receivable amount to future premiums expected on policies in force but not yet due, as is done in the statutory accounts treatment of premium receivables, the future premiums are instead fully considered within the best estimate premium provision in the Solvency II balance sheet.

The remaining balance in Solvency II relates only to the amounts due for payment by policyholders and insurers as well as other receivables linked to the insurance business. These are reported in the amounts expected to be received, both in the statutory accounts and in Solvency II.

4.2 Technical Provisions

The value of technical provisions is equal to the sum of a best estimate and a risk margin, which corresponds to the current amount the undertaking would have to pay if it immediately transferred its insurance and reinsurance obligations to another undertaking.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the solvency capital requirement necessary to support the insurance and reinsurance obligations over their lifetime. The solvency capital requirement for the calculation of the risk margin is based on the partial internal model.

The calculation of the best estimate is done separately for each material currency.

For more information about the partial internal model see Section 5.2 Solvency capital requirement and minimum capital requirement.

4.2.1 Valuation used for solvency purposes

Differences in valuation of technical provisions between Solvency II and the statutory accounts mainly refer to:

– recognition of the premium provisions in Solvency II compared to the unearned premium reserve of the statutory accounts;
– application of discounting and differences in discounting rates; and
– recognition of an explicit risk margin in Solvency II.

Some minor valuation differences also arise due to the counterparty default calculation in relation to reinsurer's share of technical provisions.

The total effect of revaluation of net technical provisions for Solvency II purposes as per 31 December 2024 was MSEK 7,589 (8,089). This includes the effects of netting the premium receivables described in Section 4.1 Assets, as well as the removal of deferred acquisition costs.

No material changes in the level of technical provisions have occurred during the reporting period.

Table 14 – Revaluation of technical provisions according to Solvency II

MSEK **Solvency II adjustments**	**2024**	**2023**
Gross deferred acquisition costs	-1,491	-1,291
Ceded technical provisions	-1,204	-920
Premium receivable asset	-14,729	-13,891
Total adjustment of assets	**-17,424**	**-16,102**
Technical provisions gross (excl. risk margin)	-27,087	-26,317
Reinsurance payable liability	-118	-98
Ceded deferred acquisition costs	-113	-81
Introduction of risk margin	2,305	2,305
Total adjustment of liabilities	**-25,012**	**-24,191**
Net of valuation adjustment related to technical provision	**-7,589**	**-8,089**

4.2.2 Main quantitative differences explained

One of the main differences in the valuation of technical provisions between Solvency II and the statutory accounts is related to the inclusion of future cash inflows for payments not yet due by policyholders. They are instead a part of the premium receivables in the statutory accounts. Another difference is related to discounting, where the majority of the technical provisions are undiscounted in the statutory accounts (with the exception of vested annuities in the claims provision, IBNR[15] and the reserve for claim adjustment expenses). In Solvency II, all reserves are subject to discounting. As a result of discounting, ceded provisions and gross provisions decrease. The valuation adjustments are partly offset by adding a risk margin.

[15] Claims incurred but not yet reported.

The table below displays differences in valuation of technical provisions between Solvency II and the statutory accounts.

Table 15 – Split of technical provisions by Solvency II lines of business

	Reinsurers' share of best estimates			Technical provisions, gross				
MSEK Type of technical provisions	Statutory accounts	Solvency II-adjustment	Solvency II value	Statutory accounts	Solvency II adjustment	Solvency II value	Best estimate	Risk margin
Total	**9,373**	**-1,204**	**8,169**	**101,729**	**-24,782**	**76,947**	**74,642**	**2,305**
Health similar to life	**-**	**-**	**-**	**10,320**	**158**	**10,478**	**10,224**	**254**
Income protection insurance (annuities)	-	-	-	885	42	927	882	44
Medical expense insurance (annuities)	-	-	-	16	0	16	16	0
Workers' compensation insurance (annuities)	-	-	-	9,419	116	9,535	9,326	209
Health similar to non-life	**363**	**-33**	**330**	**19,184**	**-4,696**	**14,488**	**13,791**	**697**
Income protection insurance	4	0	3	9,539	-2,837	6,702	6,370	332
Medical expense insurance	53	-10	43	4,406	-1,501	2,905	2,804	102
Workers' compensation insurance	306	-23	283	5,239	-358	4,880	4,617	263
Life excluding health	**-**	**-**	**-**	**9,664**	**105**	**9,769**	**9,563**	**207**
Fire and other damage to property insurance (annuities)	-	-	-	50	1	51	50	1
Motor vehicle liability insurance (annuities)	-	-	-	9,448	97	9,545	9,349	196
General liability insurance (annuities)	-	-	-	165	8	174	164	10
Non-life excluding health	**9,010**	**-1,171**	**7,839**	**62,561**	**-20,349**	**42,212**	**41,064**	**1,148**
Fire and other damage to property insurance	7,210	-767	6,442	27,789	-7,969	19,819	19,407	412
Marine, aviation and transport insurance	284	-46	238	1,266	-267	1,000	966	34
Other motor insurance	35	-12	23	11,625	-7,155	4,470	4,377	93
Motor vehicle liability insurance	9	-2	6	11,722	-3,187	8,534	8,259	276
General liability insurance	1,473	-343	1,129	9,564	-1,645	7,919	7,595	324
Non-proportional casualty reinsurance	0	-	0	595	-125	470	460	10

Based on If's assessment that there is no material degree of underwriting risk prevalent, the Medical Malpractice Pool public sector in Finland is not recognised as an insurance contract in the statutory accounts. It is instead treated as a financial instrument with its components recognised in other assets and liabilities. According to Solvency II, this liability should be recognised as an insurance obligation. All receivables and liabilities related to the Medical Malpractice Pool public sector are reclassified as forming a part of the Solvency II best estimate technical provisions. Under this treatment the receivables are netted against the liabilities in the technical provisions, as the receivables are premium cash inflows and thus included in the best estimate.

4.2.3 Assumptions underlying the calculation of If's technical provisions

4.2.3.1 General Provisions

All material assumptions underlying the calculation of If's technical provisions are reviewed quarterly and material changes are reviewed in the actuarial opinion of each business area actuary. Assumptions are documented and reviewed on the basis of adequate data. The methodology is documented in the Guiding Technical Principles Policy and the General Reserving Policy.

The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts (see Section 4.2.3.15 Recoverables from reinsurance contracts and special purpose vehicles). The calculation of the technical provisions considers the time value of money by using the relevant risk-free interest rate term structure. Reserves are calculated in a transparent manner and would be possible to review by a qualified expert.
The risk margin is intended to represent a technical provision corresponding to the cost of capital for holding the insurance liabilities to full run-off in an empty reference undertaking that is assumed to take over the liabilities.

4.2.3.2 Data quality

Directories of all the data used in the calculation of the technical provisions exist separately for Denmark, Finland, Norway and Sweden. Data used in the calculation of technical provisions is primarily If's own historical claims data. This includes payments, reserves and number of claims. Since the products and risks are similar from year to year within the defined homogenous risk groups, the data is consistent with the purpose for which it is used (i.e. estimating future claims development based on experience) and reflects the risks to which If is exposed.

4.2.3.3 Risk-free interest rate term structures

The risk-free interest rate term structures used to calculate the best estimate with respect to insurance or reinsurance obligations are calculated separately for each material currency, based on information and data relevant for that currency. The risk-free interest rate term structures are determined in a transparent, prudent, reliable and objective manner.

4.2.3.4 Basic risk-free interest rate term structures

The basic risk-free rates are derived for DKK, EUR, GBP, NOK, SEK and USD. The aforementioned currencies cover more than 99% of the technical provisions.

4.2.3.5 Volatility adjustment and matching adjustment

No volatility adjustment or matching adjustment is applied.

4.2.3.6 Other long–term guaranties and transitional measures

No long-term guaranties nor transitional measures are applied.

4.2.3.7 Segmentation and setting up homogenous risk group

If segments its insurance and reinsurance obligations into clearly defined homogeneous risk groups, and as a minimum by line of business, when calculating technical provisions. The segmentation is more granular than the Solvency II lines of business. Unbundling of package products is done when required or whenever practicable. Lines of business as defined by Solvency II differ from the presentation of lines of business in the statutory accounts.

4.2.3.8 Methods and assumptions

Methods used to calculate best estimate of technical provisions are based on recognised actuarial and statistical techniques and are proportionate to the nature, scale and complexity of the risks supported by If. The calculation of technical provisions is largely based on If's own historical claims data. External data, such as consumer price index and various industry indices, is based on official sources, which are publicly available and considered reliable and transparent.

4.2.3.9 Assumptions on future management actions

If makes the assumption that future reinsurance will be purchased to cover its run-off of written business. This assumption is only relevant for the evaluation of the premium provision since the horizon of the premium provision is beyond the expiry date of present reinsurance contracts in force. Therefore, the costs of future reinsurance are included in calculating the net best estimate.

4.2.3.10 Assumptions on policyholder behaviour

The calculation of Solvency II technical provisions takes into account the likelihood that policyholders may exercise the option to cancel their contracts.

Future policyholder behaviour is considered through a policy lapse assumption, which is based on an analysis of past policyholder behaviour for the relevant lines of business and business areas and is therefore based on credible and relevant experience of cancellations. There have been no material changes in the assumptions regarding lapse rates since the last reporting period.

4.2.3.11 On proportionality and the use of simplifications

If employs standard actuarial methods that are considered proportionate to the nature, scale and complexity of the insurance obligations. The deviation between estimates of the outstanding liabilities at different points in time is continually monitored. The source of material deviations between projected and actual outcome is investigated to assess whether the assumptions underlying the relevant method need to be adjusted.

If does not apply the simplified calculation of recoverables from reinsurance contracts. Instead, the recoverables are calculated directly from gross. If applies simplified methods for calculation of the risk margin, the premium provision of the best estimate for insurance obligations and the expected loss due to counterparty default.

4.2.3.12 Boundary of contract

In Solvency II, an insurance contract is recognised when the premiums become due but at the latest when the insurance cover begins, unless this interpretation has a material impact on the solvency assessment. If adopts a proportionate approach regarding the boundary of insurance contracts used for solvency purposes. In certain cases, an insurance contract cannot be cancelled even though the risk coverage period has not incepted. Thereby If's approach might not lead to the exact same definition of the boundaries of contract as the Solvency II definition. Contracts that cannot be cancelled are currently not recognised in the valuation of technical provisions, leading to a negligible underestimation in own funds.

All insurance contracts are subsequently derecognised at expiry date after which If has the right to adjust the premium for a new period to fully reflect the risk. The approach is not expected to give rise to material differences in the valuation of technical provisions.

4.2.3.13 Cash-flow projections for the calculation of the best estimate

Cash-flow projections used in the calculation of the best estimate include all claim payments that will be paid to policyholders and beneficiaries (including General liability insurance and Motor vehicle liability insurance), as well as payments to builders, repair shops etc. for services rendered and expected recoveries from reinsurance contracts. Recoveries and payments for salvage and subrogation are considered. In line with Section 4.2.3.12 Boundary of contract, cash flows for premium provisions will include future premium payments on existing contracts where they have a material effect on the result.

The best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time value of money using the risk-free interest rate term structure. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles. The cash flow projection used in the calculation of the best estimate implicitly considers relevant uncertainties and dependencies in the cash flow.

Expenses in claims provisions are implicitly taken into account since they are part of the historical claims data and allocated to each claim. Claims handling expenses for incurred claims are considered when estimating the claims adjustment reserve. Expenses for non-incurred claims are taken into account when estimating the premium provision. The allocation of claim handling expenses to homogeneous risk groups is performed using keys maintained by the controller departments and is regarded as being realistic and consistent over time.

4.2.3.14 Derivation of the risk margin

The risk margin is based on the solvency capital requirement according to the partial internal model.

When calculating the risk margin, it is assumed that the assets are selected in such a way that the solvency capital requirement for market risk, to which the reference undertaking is exposed to, is zero, i.e. there is no residual market risk. To calculate the risk margin, cash flows are recalculated to best estimates, which in turn are used to calculate a basic solvency capital requirement. The basic solvency capital requirement for the relevant risks, together with operational risk, are discounted and a cost-of-capital rate is introduced to arrive at the final risk margin. The risk margin is then distributed over its corresponding lines of business, reflecting their contribution to the solvency capital requirement.

4.2.3.15 Recoverables from reinsurance contracts and special purpose vehicles

The amounts recoverable from reinsurance contracts for non-life insurance obligations are calculated separately for premium provisions and claims provisions. The adjustment relates to expected losses due to counterparty default. The adjustment is calculated as the expected present value of the change in cash flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty or dispute. The calculation

considers the probability of defaults over the lifetime of the reinsurance obligations. It is carried out separately per counterparty and per reserve type. In cases where a deposit has been made for the cash flows, the amounts recoverable are adjusted accordingly to avoid doubling the assets and liabilities relating to the deposit. If has no special purpose vehicles.

4.2.3.16 Uncertainties connected to the calculations

There is always an inherent uncertainty associated with the calculations of technical provisions since it involves assumptions about future events. The main risk factors affecting reserve risk are described further in Section 3.1 Underwriting risk.

4.3 Liabilities (other than technical provisions)

4.3.1 Provisions other than technical provisions

Provisions other than technical provisions relate to liabilities of uncertain timing or amount. The item mainly relates to the restructuring reserves for approved organisational changes, and to provisions for other commitments and uncertain obligations. The treatment of the item is consistent in the statutory accounts and in Solvency II.

4.3.2 Pension benefit obligation

If's pension benefit obligations comprise pension plans in several national systems that are regulated through local and collective bargaining agreements and national insurance laws. The obligations consist of both defined contribution plans and defined benefit plans. For defined contribution plans, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies.

Regarding defined benefit plans, the reporting of pension costs and obligations in the statutory accounts is not fully aligned with the IFRS framework. However full IFRS alignment is ensured in the Solvency II accounts in accordance with IAS 19 Employee benefits. According to this standard, the present value of future pension obligations, valued according to the Projected Unit Credit method, less the market value of the plan assets covered by the respective plans, is to be recognised as a net pension liability or a net pension asset in the balance sheet. Moving from legal entity to IAS 19 recognition of pension obligations results in two main effects when comparing Solvency II and statutory information in the balance sheet.

As a result of IAS 19 revaluation of pension obligations, the pension asset increased by MSEK 412 and the liability increased by MSEK 28 when compared with the statutory accounts, leading to a revalued net positive position of MSEK 177.

Further information in relation to pension liabilities is found in Section 4.5 Any other information.

4.3.3 Deferred tax assets and liabilities

Deferred tax attributable to temporary differences between the amounts in Solvency II and the equivalent actual taxation, is reported in Solvency II.

Deferred tax assets and tax liabilities are reported net in those cases where they pertain to the same tax authority and can be offset against each other. The tax effects of tax loss carry-forwards are reported as deferred tax assets if it is considered likely that they can be used to off-set taxable profits in the future.

Deferred tax assets and tax liabilities are not discounted and are measured at the tax rates expected to apply when the asset is realised, or the liability is settled. Table 16 presents the tax rates used when calculating deferred tax assets and liabilities.

Table 16 – Tax rates

Country	2024	2023
Sweden	20.6%	20.6%
Norway	25.0%	25.0%
Denmark	26.0%	26.0%
Finland	20.6%	20.6%
United Kingdom	25.0%	25.0%
Germany	27.4%	27.4%
France	25.8%	25.8%
Netherlands	20.6%	20.6%

For the year-end 2024, a net deferred tax liability of MSEK 1,295 was recognised in the statutory accounts. As an effect of Solvency II valuation adjustments, the deferred tax liability was increased by MSEK 1,744 to a deferred tax liability position of MSEK 3,039.

Table 17 - Reconciliation of net deferred tax position in Solvency II balance sheet, 31 December 2024

MSEK Reconciliation of net deferred tax position	Statutory accounts value	Solvency II adjustments	Solvency II value
Provisions, including pension obligations, reported in line with IAS 19 in Solvency II	53	-85	-32
Investment assets at fair value	-1,485	-	-1,485
Deferred tax relating to untaxed reserves	-129	-	-129
Technical provisions recalculated according to Solvency II	-	-1,503	-1,503
Leasing according to IFRS 16	-	9	9
Other temporary differences	267	-165	102
Deferred tax liabilities, net	**-1,295**	**-1,744**	**-3,039**

The main drivers for this change are technical provisions (including re-insurance recoverables). Deferred taxes related to untaxed reserves (refers to the Swedish security reserve) are not recognised in Solvency II. Hence untaxed reserves have the same value in the statutory accounts as in Solvency II.

4.3.4 Derivatives

Derivative liabilities are treated the same way as Derivative assets, see Section 4.1.2.4 Derivatives.

4.3.5 Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions include leasing liabilities in accordance with IFRS 16 that are recognised in Solvency II. The treatment of the item is presented more closely in Section 4.5.1 Lease arrangements.

4.3.6 Insurance and intermediaries' payables

In line with Solvency II classification, insurance and intermediaries' payables include amounts due to policyholders and other insurers as well as payables linked to the insurance business, which are not recognised as a part of the technical provisions. These balances are recognised as the amounts expected to be paid both in the statutory accounts and in Solvency II, as the carrying amount is considered a reasonable approximation of the fair value.

4.3.7 Reinsurance payables

In line with Solvency II classification, reinsurance payables include amounts due to reinsurers and payables linked to reinsurance.

Under Solvency II classification, the technical provisions should fully take account of all cash inflows and outflows. Rather than recognising a payable amount in relation to future ceded premiums expected on policies in force but not yet due, the future premiums are instead fully considered within the ceded part of the best estimate premium provisions, i.e. (the reinsurance recoverables). Payables of MSEK 118 are reclassified from reinsurance payables to the ceded part of the insurance obligation. The remaining balance in reinsurance payables consists of amounts payable to reinsurers. The treatment of these balances in the statutory accounts is applicable also in Solvency II.

4.3.8 Payables (trade not insurance)

Payables are disclosed at the amount anticipated to be paid (tax liabilities and premium tax) or at amortised cost. The amortised amount is considered a reasonable estimation of the fair value.

4.3.9 Any other liabilities not elsewhere shown

In line with Solvency II classification, any other liabilities not elsewhere shown mainly include accrued expenses related to salaries and social insurance. The carrying amount is considered a reasonable approximation of the fair value. Reinsurers' share of ceded deferred acquisition costs amounting to MSEK 113 are eliminated in Solvency II.

4.4 Alternative methods for valuation

The default valuation method in Solvency II is to value assets and liabilities using quoted market prices in active markets (QMP). An active market is typically characterised by quoted prices that are easily and regularly available and that represent actual, and regularly occurring, transactions between independent parties. If quoted market prices in active markets for assets or liabilities are unavailable, the Solvency II valuation method is to use quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences (QMPS). If that option is also unavailable, alternative methods for valuation (AVM) should be applied.

No Solvency II adjustments are necessary for investments or financial liabilities apart from leasing liabilities. As the Solvency II framework bears many affinities and similarities to the IFRS framework when it comes to identification and measurement of financial assets and liabilities, the presentation in Solvency II is based on the disclosures in the statutory accounts. The fair value hierarchy within the IFRS framework consists of:

– Level 1: Quoted prices in active markets.
– Level 2: Level 1 quoted prices are unavailable. Fair value is based on observable market data.
– Level 3: Inputs that are not based on observable market data.

The table below provides information on how the assets are split between categories AVM and QMP/QMPS. Technical provisions and classes of assets and liabilities are excluded in the table where the carrying amount is considered a reasonable approximation for the fair value. The level of uncertainty is immaterial since only a minor part of the investment assets are classified as AVM.

Table 18 – Solvency II assets split between AVM and QMP/QMPS, 31 December 2024

MSEK	AVM	QMP/QMPS	Total
Government bonds	-	14,636	**14,636**
Corporate bonds	138	83,578	**83,717**
Derivatives	-	166	**166**
Equities	9	8,944	**8,953**
Collective investment undertakings	15	6,123	**6,138**
Property (other than own use)	5	-	**5**
Total	**167**	**113,448**	**113,615**

Corporate bonds that are valued with AVM are illiquid assets that are rarely traded. The values are based on the latest market transactions.

External evaluations are obtained for some unlisted equities. The external valuations are based on models that contain non-observable assumptions.

The fair values for private equity investments in collective investment undertakings are based on prices and share values obtained from fund administrators. These quotations are founded on the value of the underlying assets in accordance with market practice.

The value of property (other than for own use) corresponds to the net realisable value and is set annually by external surveyors using the local sales-price method or cash flow models.

4.5 Any other information

4.5.1 Lease arrangements

If only has significant operating lease arrangements in the capacity of lessee. Lease arrangements pertain to lease of premises and vehicles. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease in the statutory accounts.

Table 19 – Operating leases, 31 December 2024

MSEK	Total future minimum lease payments				Total lease payments during the period
Asset class	**<1 year**	**1-5 years**	**>5 years**	**Total**	
Property, plant and equipment	387	869	636	**1,893**	**332**

In accordance with RFR 2 Accounting for legal entities, IFRS 16 Leases is not applied to statutory accounts. No right-of-use assets or liabilities are recognised in the balance sheet. Instead, all lease payments are recognised as an expense in the income statement in accordance with IAS 17. In Solvency II, the right-of-use assets and liabilities are recognised in accordance with IFRS 16. The valuation according to IFRS 16 is considered consistent with Article 75 in the Solvency II Directive.

The right-of-use assets are recognised under Property, plant and equipment held for own use in Solvency II and initially the value corresponds to the present value of future lease payments and any expenses directly associated with the lease arrangement.
The initial value of the lease liability is also the present value of future lease payments. The treatment of leases is considered a reasonable approximation of the fair value.

Only lease agreements attributable to major office premises are treated according the IFRS 16. On 31 December 2024 application of IFRS 16 in Solvency II has only a minor effect on the excess of assets over liabilities.

Table 20 – Lease arrangements according to Solvency II, 31 December 2024

IFRS 16 Lease Agreements MSEK	Solvency II
Right-of-use assets and reversal of prepaid lease expenses	1,217
Lease liabilities	-1,259
Net effect on excess of assets over liabilities in Solvency II	**-41**

4.5.2 Defined benefit pension plans (post-employment benefits)

If has defined benefit plans in Sweden and Norway. For both countries, the pension benefits referred to are old-age pension and survivors' pension. A common feature of the defined benefit plans is that the employees, and their next of kin encompassed by the plans, are entitled to a guaranteed pension that mainly depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, referring to a life-long pension after anticipated retirement age.

Table 21 - Analysis of the employee benefit obligations

	2024			2023		
MSEK	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Defined benefit pension obligations, including social costs	2,228	235	**2,463**	2,063	227	**2,290**
Fair value of plan assets	2,641	-	**2,641**	2,418	-	**2,418**
Net liability / net asset recognised in the Solvency II balance sheet	**-412**	**235**	**-177**	**-355**	**227**	**-127**
of which recognised as Pension benefit surplus			***412***			***355***
of which recognised as Pension benefit obligations			***235***			***227***

The pension obligations in Norway are unfunded pension benefits where If is responsible for ongoing payments. The pension obligations in Sweden are primarily funded through insurance whereby the insurer establishes the premiums and disburses the benefits (funded plans). If's pension obligation in Sweden is insured with Skandia and the obligation is primarily fulfilled through the payment of premiums. To cover the funded pension benefits, the related capital is managed as part of Skandia's management portfolio. The insurer and If are jointly responsible for monitoring the pension plan, including investment decisions and contributions. All pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, longevity of the employees and the choice of discount interest rate, affecting the valuation in the statutory accounts. The pension obligations in Sweden are also subject to investment risk associated with the plan assets.

In accordance with IAS 19, the pension obligations and the pension costs attributable to the financial period are calculated using the Projected Unit Credit method. The calculation of the defined benefit obligation is based on future anticipated pension payments and includes yearly updated assumptions regarding salary growth, inflation, mortality and employee turnover. The expected pension payments are then discounted to a present value using a discount rate set with reference to AAA and AA corporate bonds, including covered bonds issued in local currency. The chosen discount rate takes into account the duration of the company's pension obligations in each country. After a deduction for the plan assets, a net asset or net liability is recognised in the balance sheet.

Table 22 contains several material assumptions, specifications of pension assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as per the end of the financial year. The carrying amounts have been, where applicable, stated including special payroll tax in Sweden (24.3%) and a corresponding fee in Norway (19.1%).

Tabell 22 – Specification of employee benefit obligations by country, 31 december 2024

MSEK	Sweden	Norway
Balance sheet		
Defined benefit pension obligation, including social costs etc.	2,228	235
Fair value of plan assets	2,641	-
Net liability / net asset recognised in the Solvency II balance sheet	-412	235
Distribution by asset class		
Bonds	41%	-
Equities	22%	-
Properties	9%	-
Other	28%	-
Significant actuarial assumptions, etc.		
Discount rate	3.3%	4.0%
Future salary increases	3.0%	3.3%
Price inflation	2.0%	2.3%
Mortality table	DUS23	K2013
Average duration of pension liabilities	17 years	11 years
Expected contributions to the defined benefit plans during 2024	60	-
Sensitivity analysis effect of reasonably possible changes		
Discount rate, +0.50%	-176	-10
Discount rate, -0.50%	196	11
Future salary increases, +0.25%	40	1
Future salary increases, -0.25%	-38	-1
Expected longevity, +1 year	76	6

5 Capital Management

5.1 Own funds

If shall always maintain an adequate capitalisation. This means ensuring that available capital exceeds the regulatory solvency capital requirements and the target limits for those set by the Boards of Directors and the internal economic capital requirements.

In addition, to maintaining capital resources at a sufficient level, If shall manage its capitalisation in order to balance returns to shareholders with robust long term financial stability.

Available capital above the regulatory solvency capital requirement and the economic capital requirements shall be calculated on a quarterly basis to assess the strength and adequacy of If's capitalisation, both in normal and under adverse circumstances. Stress tests to evaluate risk sensitivities shall be performed quarterly. Scenario analyses shall be performed at least yearly and shall cover the financial planning period to evaluate the future capital situation.

The calculations shall be performed on a more frequent basis if decided by the Board of Directors, for example in case of low buffers, taking the prevailing and future risk profile and risk view into account.

The annual ORSA process, described in Section 2.3.5. Own risk and solvency assessment, is a key tool in assessing whether own funds are sufficient at present as well as over a three-year planning period.

The financial plan covers the three-year planning period and considers any planned capital issuances, redemptions or repayments of own fund items. It also outlines how the dividend forecast will affect own funds.

The combination of the above procedures enables effective monitoring and projection of the solvency position and capital needs over the planning period, ensuring that the Board of Directors is provided with relevant input to their strategic management process and decision-making.

5.1.1 Description of own funds

Available capital is referred to as eligible own funds. According to the Solvency II framework, an insurance company must have own funds amounting to at least the solvency capital requirement.

The solvency capital requirement reflects a level of own funds that enables an undertaking to absorb unforeseen losses and that gives reasonable assurance to policyholders and beneficiaries. The confidence level for the solvency capital requirement is 99.5% which corresponds to an event occurring once in every 200 years. A breach of the solvency capital requirement triggers an intervention by the supervising authorities.

The minimum capital requirement reflects a level of own funds where the company, in 85% of all possible outcomes during a year, can meet its commitments.

Total eligible own funds for the solvency capital requirement coverage decreased by MSEK 2,703 (2,977) over the reporting period. No own funds items have been issued or redeemed during the year.

5.1.2 Composition of eligible own funds for the solvency capital requirement and the minimum capital requirement coverage

Own funds comprise basic own funds consisting of the excess of assets over liabilities in the Solvency II balance sheet which may be called up in order to absorb losses. On 31 December 2024, there were no own funds items qualifying for ancillary own funds treatment, subordinated debts, or deferred tax assets.

The available own funds are tiered based on their eligibility to cover the solvency capital requirement and the minimum capital requirement. The tiers reflect the degree of loss-absorbency of an undertaking's own funds in the event of liquidation.

5.1.3 Tiering of basic own funds items

The ordinary share capital of MSEK 104 (104) meets the requirement for inclusion in Tier 1 unrestricted items.

On 31 December 2024, the reconciliation reserve amounted to MSEK 28,629 (31,272). The reconciliation reserve consisted of shareholders' equity and untaxed reserves (excluding ordinary share capital and Norwegian natural perils capital) according to the statutory accounts as well as Solvency II valuation adjustments. A proposed dividend of MSEK 11,000 (8,000) has been deducted from the reconciliation reserve. The reconciliation reserve was included in eligible own funds and was classified as a Tier 1 unrestricted item.

The Norwegian branch provides property insurance that includes protection against perils caused by natural events. Consequently, the branch is a member of the Norwegian Natural Peril's Pool and is obliged to make equity provisions in the form of natural perils capital. The natural perils capital of MSEK 2,955 (3,015) was included as Tier 2 own funds and presented as other items approved by the Swedish Financial Supervisory Authority. The item includes an untaxed part of MSEK 2,907 (2,954) and a taxed part of MSEK 48 (61).

Table 23 – Changes in own funds

MSEK	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Eligible own funds for solvency capital requirement coverage at 1 January 2024	**34,391**	**31,376**	**-**	**3,015**	**-**
Net result, statutory accounts	**10,954**	10,954	-	-	-
Other comprehensive income, statutory accounts	**453**	453	-	-	-
Change in own funds items not included in equity in the statutory accounts	**-37**	3	-	-40	-
Change in Solvency II valuation adjustments in excess of assets over liabilities	**-374**	-367	-	-7	-
Transfer between tiers	**-**	13	-	-13	-
Paid dividend	**-2,700**	-2,700	-	-	-
Proposed dividend	**-11,000**	-11,000	-	-	-
Eligible own funds for solvency capital requirement coverage at 31 December 2024	**31,688**	**28,733**	**-**	**2,955**	**-**

Table 24 – The tiering of own funds, 31 December 2024

MSEK	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Ordinary share capital	**104**	104	-	-	-
Reconciliation reserve	**28,629**	28,629	-	-	-
Subordinated liabilities	**-**	-	-	-	-
Deferred taxes	**-**	-	-	-	-
Other own fund items approved by the Financial Supervisory Authority	**2,955**	-	-	2,955	-
Eligible own funds, in QRT* template S.23.01.01	**31,688**	**28,733**	**-**	**2,955**	**-**

* Quantitative Reporting Templates (QRT)

Table 25 – Assessment of eligible own funds, 31 December 2024

MSEK	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Eligible own funds to meet the solvency capital requirement	**31,688**	28,733	-	2,955	-
Eligible own funds to meet the minimum capital requirement	**30,384**	28,733	-	1,651	-
Solvency capital requirement	**18,340**	-	-	-	-
Solvency capital requirement, ratio	**173%**	-	-	-	-
Minimum capital requirement	**8,253**	-	-	-	-
Minimum capital requirement, ratio	**368%**	-	-	-	-

5.1.4 Minimum duration requirements criteria for basic own funds items

All items included in Tier 1 own funds are undated and thus fulfil the permanence requirements.

5.1.5 Application of general eligibility limit

Eligible own funds were sufficient to meet both the solvency capital requirement and the minimum capital requirement. There were no eligibility constraints on Tier 2 own funds for coverage of the solvency capital requirement, but there was an eligibility constraint for coverage of the minimum capital requirement, as Tier 2 own funds are limited to cover a maximum 20% of the minimum capital requirement.

5.1.6 Reconciliation of shareholders' equity to Solvency II excess of assets over liabilities

The excess of assets over liabilities is based on shareholders' equity when all assets and liabilities are revalued in accordance with the Solvency II regulation, as reported in QRT S.02.01.02 and S.23.01.01.

For the items that are revalued from the statutory accounts to the Solvency II balance sheet as shown in Table 26, more detailed explanations are provided in Chapter 4 Valuation for Solvency purposes.

Tabell 26 – Shareholders' equity and untaxed reserves, excess of assets over liabilities and available basic own funds

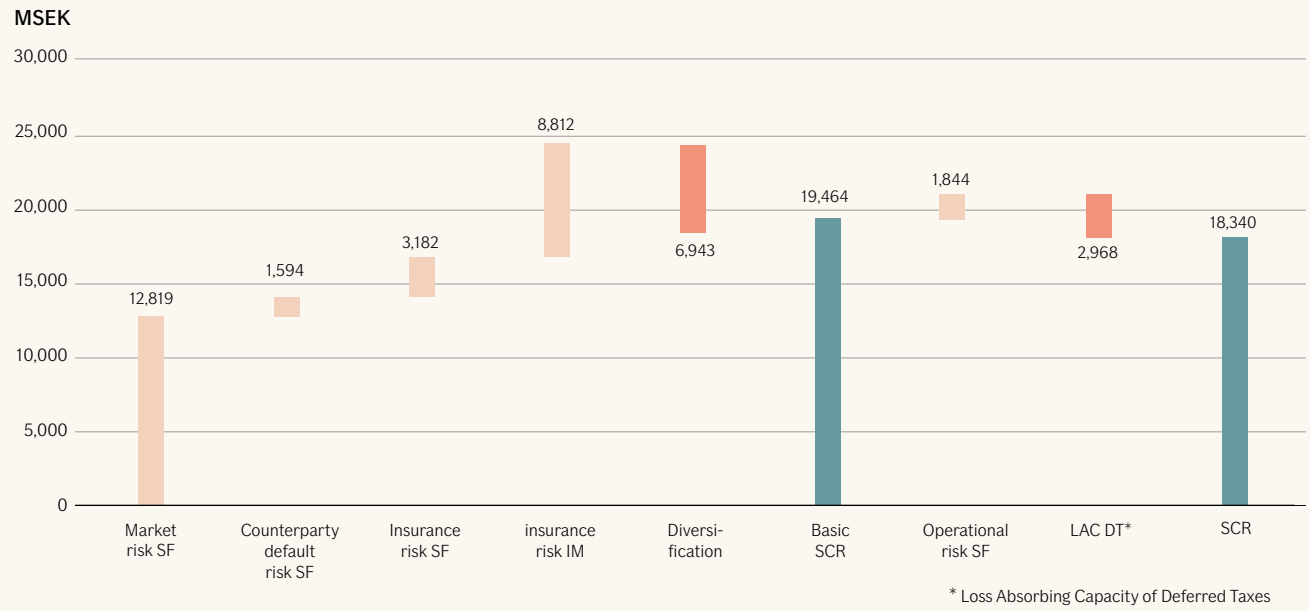
MSEK	2024	2023
Ordinary share capital	104	104
Statutory reserve	388	388
Fund for costs of development	-	-
Fair value reserve	-	-
Retained earnings and net income for the year	29,136	28,429
Untaxed reserves	6,902	6,939
Total equity and untaxed reserves statutory accounts	**36,531**	**35,860**
Solvency II valuation adjustments		
Eliminations for goodwill and intangible assets	-30	-
Changes in deferred taxes	-1,744	-1,857
Changes in net technical provisions	7,589	8,089
Changes in pension benefit obligations	385	341
Changes in valuation of leasing agreements	-42	-43
Changes in valuation of subordinated liabilities	-	-
Sum of all reconciling movements, due to differences in valuation	**6,157**	**6,531**
Excess of assets over liabilities, Solvency II balance sheet template	**42,688**	**42,391**
Subordinated liabilities in basic own funds	-	-
Proposed dividend	-11,000	-8,000
Total available basic own funds, reported in the own funds QRT	**31,688**	**34,391**

5.2 Solvency capital requirement and minimum capital requirement

To give an accurate view of underwriting risk If applies the Sampo Group partial internal model instead of the Standard Formula (SF) for calculating its regulatory Solvency Capital Requirement (SCR). The regulatory solvency capital requirement is a combination of the major underwriting risks calculated using the Internal Model (IM) and other risks, including market risk, calculated using the standard formula. If does not apply any undertaking-specific parameters in the life, non-life and health underwriting risk modules based on the standard formula. Neither does If apply simplified calculations for any of the standard formula risk modules (or sub-modules).

The figure below summarises If's regulatory solvency capital requirement based on the partial internal model.

Figure 17 – Regulatory solvency capital requirement, 31 December 2024



On 31 December 2024 the solvency capital requirement amounted to MSEK 18,340. Aside from underwriting risk, market risk is predominant in the calculation of the basic solvency capital requirement. The largest components of market risk are spread risk, equity risk and currency risk. More detailed figures are shown in QRT S.25.05.21.

The linear minimum capital requirement is calculated for each individual line of business by adding two factors. The first is applied to technical provisions net of reinsurance (not including the risk margin), subject to a minimum value of zero. The second is applied to written premiums, net of reinsurance, over the last 12-months, subject to a minimum value of zero.

The intention is that the minimum capital requirement is calibrated to the Value-at-Risk of the basic own funds, subject to a confidence level of approximately 85% over a one-year time horizon. As If has both non-life and life exposures, the linear minimum capital requirement is derived separately for life (this includes If's non-life and health annuities) and non-life exposures. In the final computation of the minimum capital requirement, the minimum capital requirement must be in the range between 25% and 45% of the solvency capital requirement and never below 4 MEUR.

The linear minimum capital requirement on 31 December 2024 corresponds to the upper limit of the minimum capital requirement (MSEK 8,253 or 45% of the solvency capital requirement).

Further disclosure of If's solvency capital requirement and minimum capital requirement are included in QRT S.25.05.21 and S.28.01.01 respectively.

5.2.1 Loss-absorbing capacity in deferred taxes

To arrive at If's solvency capital requirement a tax adjustment is subtracted from the pre-tax solvency capital requirements, representing the loss-absorbing capacity of deferred taxes. As the untaxed reserves are fully included in the own funds, the solvency capital requirement's tax computation is adjusted to primarily consider the loss absorption of these reserves on a pre-tax basis. This in turn affects the tax computation, since If's calculation of the loss-absorbing capacity of deferred taxes only takes into account the solvency capital requirement pre-tax which exceeds the untaxed reserves.

When demonstrating the utilisation of the loss-absorbing capacity of deferred taxes it is assumed that the eligible own funds pre-tax decrease corresponding to the solvency capital requirement (SCR shock). Current net deferred tax liabilities are used to the extent possible to offset loss. The remaining part is justified with increases in deferred tax assets following available future taxable profit.

Table 27 – Loss-absorbing capacity of deferred taxes, 31 December 2024

MSEK	
Justified by reversion of deferred tax liability	2,910
Justified by reference to probable future taxable economic profit	58
Justified by carry back	-
Total	**2,968**

To demonstrate the probability of future available taxable profit, the following assumptions are made:

- The financial plan is adjusted for the increased lapse rates following the SCR shock and the effect is kept constant throughout the financial planning period.
- The effects of the SCR shock on the balance sheet and future available taxable profits are explicitly considered.
- A capital injection is assumed post SCR shock to restore the solvency ratio to 100%.
- New business sales beyond the financial planning period are not assumed and appropriate haircuts are applied to profits that materialise after the financial planning period.
- The investment forecast is adjusted to be in line with the risk-free rate of return following the SCR shock. It is assumed that risk premiums continue to be earned on the equity and corporate bond portfolios post shock.

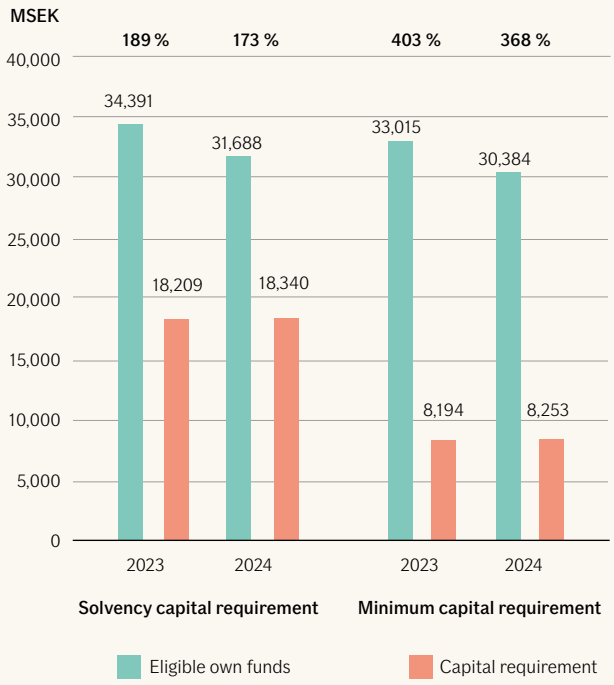
5.2.2 Capital position

On 31 December 2024, the solvency capital requirement ratio amounted to 173% (189) and the minimum capital requirement ratio to 368% (403).

During the year, the solvency capital requirement has increased from MSEK 18,209 to MSEK 18,340. The main driver being increased underwriting risk due to business growth, partially offset by a decrease in market risk. The minimum capital requirement has increased from MSEK 8,194 to MSEK 8,253 during the year, driven by the increased solvency capital requirement.

Eligible own funds have decreased during the year while the solvency and minimum capital requirement have increased slightly, which explains the decreased solvency ratios.

Figure 18 – If's capital and solvency overview



Based on the financial plan[16], If is considered to have a strong capital structure and solvency position, a high level of profitability and stable results. If is considered to be in a good position to generate capital and to maintain a level of capital needed to support risks and business objectives going forward.

5.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The duration-based equity risk sub-module is not used by If.

5.4 Differences between the standard formula and the internal model

The main difference between the standard formula and the internal model is the modelling approach and the resulting capital requirements. The modelling of underwriting risk in the internal model is based on stochastic simulations for premium risk, reserve risk, natural catastrophe risk and inflation risk. Since internal model accounts for geographical diversification and is based on parameters from internal data, it gives a more accurate view of the capital related to underwriting risk compared to that of the standard formula.

The main objective of the internal model for underwriting risk is to contribute to the risk management process. The main uses of the model in If are:

- calculation of economic capital and regulatory solvency capital requirement;
- capital allocation to lines of business and calculation of risk-based combined ratio targets;
- evaluation of reinsurance program structures; and
- risk and solvency assessment over the planning period (ORSA).

In the internal model, the insurance business is modelled by country, business area and insurance class, divided into homogenous risk

[16] Decided by the Board of Director's in December 2024..

groups called lines of business. Underwriting risk includes premium risk, reserve risk, catastrophe risk and inflation risk. The modelling of premium risk and reserve risk is based on established statistical methods for the modelling of underwriting risk applied to If's historical data. Risks not covered by the internal model's regulatory scope are market risk, operational risk, counterparty default risk, lapse risk, revision risk of annuities and non-life risk related to internal reinsurance within the Sampo Group. These are instead calculated with the standard formula. The result from the standard formula and the internal model are aggregated to obtain the total solvency capital requirement.

Correlation matrices are used to model dependencies within underwriting risk. They are combined with dependency assumptions within the external models used for inflation risk and catastrophe risk. The setting of correlations for underwriting risk is based on quantitative analysis and qualitative input from business experts. Catastrophe risk is modelled using third party catastrophe models that explicitly model events and their impact across the whole portfolio. The inflation scenarios are considered independent of the outcome of claims, as the uninflated attritional claims, large claims, reserve risk and catastrophe claims are considered independent of inflation. By adding inflation to the uninflated claims outcome, the effect of inflation is captured as a risk driver throughout the modelling of underwriting risk, capturing dependencies within, and between, countries.

On a basic solvency capital requirement level, capital requirements for risks covered by the standard formula are aggregated with the capital requirement from the internal model using an implied correlation parameter derived from the standard formula. Operational risk is added to the resulting capital requirement without any diversification benefits.

The modelling horizon is one year, and the risk measure used for the solvency capital requirement is Value-at-Risk at a 99.5% percentile of the change in own funds. As the internal model is based on simulations, it provides a full distribution of outcomes. If is therefore not limited to a specific risk measure or confidence level. The internal model is primarily used for the calculation of the solvency capital requirement and the economic capital.

The main differences between the results of the standard formula and the internal model are due to the measurement of diversification effects in relation to underwriting risk. If underwrites policies that cover individual and corporate risks on a diverse geographical scale. The majority if risks exist in Sweden, Norway, Finland and Denmark, but If also underwrites policies for the operations of Nordic corporate clients' outside of the Nordic countries. In addition to the geographical diversification, the business is well-diversified over lines of business. The standard formula does not recognise geographical diversification benefits between countries in the Nordic area, although they are key drivers in If's business model.

The specification of the data needed for the different stages of the internal model is the responsibility of the Financial Risk and Capital Management unit. Risk data, including data for the internal model, is collected and stored in a customised database. Different types of data are used in the internal model including data used for the setting of risk parameters, exposures such as reserves and the financial plan. All data specifications and quality requirements are part of the database documentation and follow the Accounting, Reserve and Risk Data Instruction.

5.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

If has at no point in time during the year been non-compliant with the minimum capital requirement or the solvency capital requirement.

5.6 Any other information

The Sampo Group partial internal model was approved by the Swedish Financial Supervisory Authority in May 2024 and replaced the If partial internal model. If's regulatory solvency capital requirement and solvency position remained largely unaffected by the model change.

6 Appendix

Appendix 1 – Explanation of measures used to monitor If's capital position

Measure	Eligible own funds (EOF):
Economic capital (EC): Economic capital is based on the Sampo Group internal model and is a risk measure used in the quantification of the own solvency needs, risk reporting and decision-making. Economic capital is calculated by aggregating the underwriting risk and the market risk from the internal model. The remaining risks are calculated using the Solvency II standard formula. The loss coverage capacity for deferred tax is considered. Economic capital is defined as the difference between the expected result and the simulated result at a 99.5% percentile over a one-year horizon (1-in-200 years).	The eligible own funds for the coverage of economic capital are based on the Solvency II balance sheet, where the risk margin is calculated based on the economic capital.
Solvency Capital Requirement according to the Sampo Group Partial Internal Model (SCR PIM): The solvency capital requirement is calculated by aggregating the underwriting risk from the Sampo Group partial internal model with the remaining risks calculated using the Solvency II standard formula. The loss coverage capacity for deferred tax is considered. The solvency capital requirement reflects a level of eligible own funds that enables insurance and reinsurance undertakings to absorb significant losses. It also gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. The underwriting risk from the Group partial internal model is defined as the difference between the expected result and the simulated result at a 99.5% percentile over a one-year horizon (1-in-200 years).	The eligible own funds for the coverage of the solvency capital requirement are based on the Solvency II balance sheet, where the risk margin is calculated based on the Group partial internal model.
Minimum capital requirement (MCR): The level of the minimum capital requirement should constitute 25-45% of the solvency capital requirement. The minimum capital requirement must be at least 4.0 MEUR. The intention is that the minimum capital requirement is calibrated to the Value-at-Risk of the basic own funds, subject to a confidence level of approximately 85% over a one-year time horizon.	The eligible own funds for the coverage of the minimum capital requirement are based on the Solvency II balance sheet along with own funds for the coverage of the solvency capital requirement. There are however additional restrictions on the inclusion of specific eligible own fund items.

Appendix 2 – Quantitative reporting templates

The following reporting templates (QRT) are included as attachments to the report. The files can be found on www.if.se/solvens-och-verksamhetsrapporter.

S.02.01.02 Balance sheet

S.04.05.21 Premiums, claims and expenses by country

S.05.01.02 Premium, claims and expenses per line of business

S.12.01.02 Life and Health SLT technical provisions

S.17.01.02 Non-life technical provisions

S.19.01.21 Non-life insurance claims

S.23.01.01 Own funds

S.25.05.21 Solvency Capital Requirement - internal model (partial or full)

S.28.01.01 Minimum capital requirement

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