Annual Report 2012

Contents

Comments by the President and CEO

Torbjörn Magnusson

For If, 2012 was another successful year with stable profitability, several major transactions and continued ambitious and sustainable business development.

Anyone who has observed If over a period of time will not be surprised to hear that we once again exceeded our long-term objectives. If has now achieved its goals in 33 of the most recent 34 quarters; the only absent quarter was in 2010, when snow, freezing temperatures and ice led to greater-than-normal insurance claims. In 2012, If's combined ratio was 89.3% (92.0), the technical result was MSEK 4,877 (4,129) and profit before tax MSEK 7,456 (5,572). Premium growth, slightly more than 3%, was excellent.

These results were achieved in a business environment that for many If countries was marked by low growth and record-low interest rates. Although a lower level of activity in public finances also affects If, particularly in the large-company area, the insurance industry is usually less sensitive to recessionary conditions than other parts of the business sector. Businesses and private individuals still need insurance policies, even when times are tough. However, low interest-rates have a direct impact on insurance companies due to the lower rate of return on their investments, which are predominantly in interest-bearing instruments. As a result, the industry's focus on profitability in the actual insurance operations significantly increased during the past year. Compared with many other players, this was not a major shift for If, since profitability in the core business, understanding risk better than others and setting the right prices have been our key strategic themes for more than a decade. However, now that others are following suit, the demands on us will intensify if we want to maintain our market advantage.

In 2012, If's business was dominated by major transactions and partnership agreements. Towards year-end, for example, If acquired Tryg's Finnish operations with a premium volume of approximately EUR 80 million and a market share of about 2%. The intention is to integrate the operations with If during the first half of 2013. (This transaction is subject to customary regulatory approval.) During the year, If also signed a partnership agreement with Nordea in Finland, Sweden and the Baltic countries. Nordea will sell If's products at its bank branches and through its online banking service. In the vehicle insurance area, an essential business for If, a number of partnership agreements were extended, including a new three-year agreement with Volkswagen Group Sweden (VGS) in Sweden. In 2012, a partnership with Coop in Norway was initiated. If's strategic investment in healthcare insurance continued with new initiatives and partnership agreements. If's Russian subsidiary, Region, was divested during the year. If's focus on the Internet was further strengthened during the year and online sales and claims adjustment continued to grow. In 2012, If developed a number of e-commerce solutions, leading to improvements for customers and more efficient internal processes.

A core objective for If is to create the best customer experience in all types of contacts, particularly when customers file an insurance claim. Every claims case is monitored and the claimant is asked to rate and comment on the service he or she received. The results of these measurements are very encouraging. Those customers who have filed an insurance claim are even more satisfied with If than those who have never filed a claim. Nine of ten private customers gave us the highest, or second-highest, rating. High-quality insurance expertise, a high level of motivation, effective internal processes and customized IT support are some of the key reasons for success in our customer contacts. If makes ambitious and sustainable investments in these areas to secure and strengthen its competitiveness both today and tomorrow.

In 2012, If's Group management underwent two changes. Morten Thorsrud was appointed Head of the Private Business Area, following the resignation of Line Hestvik. Niclas Ward replaced Morten Thorsrud as Head of the Industry Business Area.

Torbjörn Magnusson, CEO

Board of Directors' Report

The Board of Directors and the President of If P&C Insurance Holding Ltd, corporate registration number 556241-7559, hereby issue their annual report for the 2012 fiscal year.

ORGANISATION

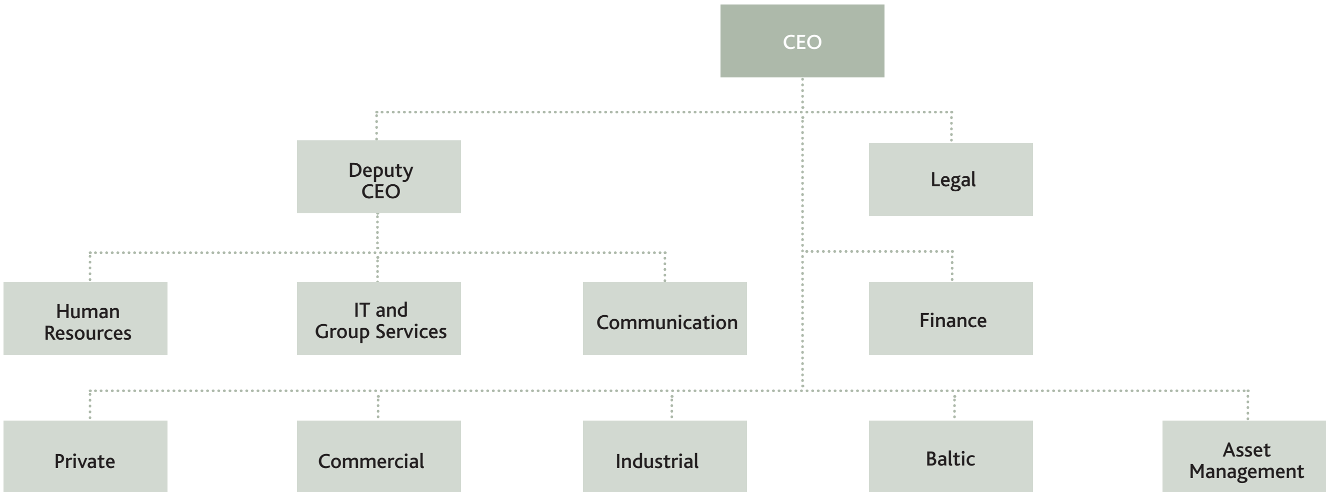
If is a Nordic group that also conducts insurance operations in the Baltic countries. The Group's headquarter is located in Solna, Sweden.

The Parent Company of the If Group, If P&C Insurance Holding Ltd (publ), is a wholly owned subsidiary of Sampo Abp, a Finnish listed company, whose registered office is in Helsinki. In addition to the property and casualty insurance operations conducted within If, the Sampo Group also conducts life insurance operations and a substantial holding in Nordea Bank AB (publ). If's property and casualty insurance operations constitute an independent segment within Sampo.

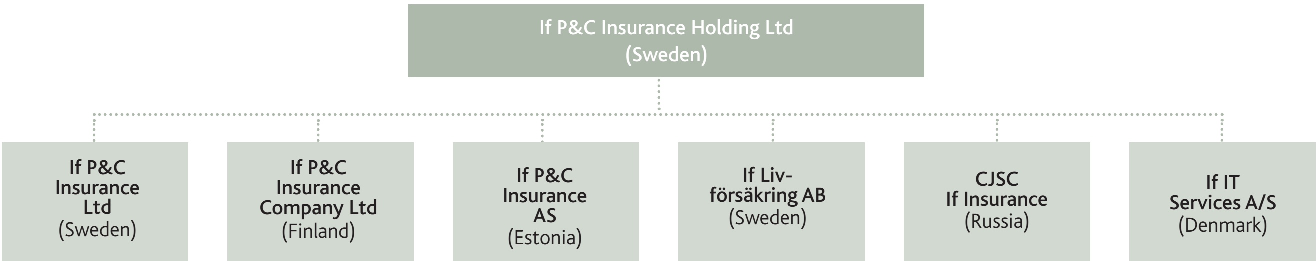
The main role of If P&C Insurance Holding Ltd (publ) is to own and manage shares in property and casualty insurance operations. The holding company owns the Swedish companies, If P&C Insurance Ltd and If Livförsäkring AB, the Finnish company If P&C Insurance Company Ltd and the Estonian company If P&C Insurance AS, as well as the Russian company CJSC If Insurance. In late 2012 the Russian company IPSC Region was sold and is no longer a part of If. If's operations in Denmark, Norway and partly in Finland are conducted via branches of If P&C Insurance Ltd in each country. In addition, If P&C Insurance Ltd has branch offices in France, the Netherlands, the UK and Germany to support customers with international operations. The Estonian company If P&C Insurance AS also conducts operations in Latvia and Lithuania via branches.

The insurance operation in the Nordic region is organizationally divided in accordance with customer segment into the business areas Private, Commercial and Industrial. Insurance operations in the Baltic countries are organized in one business area, Baltic. Asset management is a separate business area responsible for all investment assets within the Group. Support functions such as IT, Human Resources, Communication and Finance are organized as a support to the business segments.

Operational structure



Legal structure, summary



RESULTS FROM OPERATIONS

Group results

The result before income taxes was MSEK 7,456 (5,572). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 4,877 (4,129). Adjusted for exchange-rate effects and a lower allocated return on capital the technical result increased by 19% compared to last year.

Premiums written

Gross written premiums for the year amounted to MSEK 40,895 (39,855). Adjusted for exchange-rate effects, the underlying increase in premium volumes was slightly more than 3%. All business areas shows an increase in premium volumes.

Claims incurred and operating expenses

Claims paid amounted to MSEK 29,889 (28,933). Adjusted for exchange-rate effects, claims expenses rose by slightly more than 4%.

The claims ratio improved and amounted to 72.1% (74.7). Mild winter conditions and less significant weather-events compared to earlier years were the main causes for the improvement.

Operating expenses in the insurance operation totaled MSEK 6,508 (6,380). Adjusted for exchange-rate effects, the operating expenses increased slightly more than 3%. The expense ratio improved compared with the preceding year and was 17.1% (17.3).

The combined ratio improved and amounted to 89.3% (92.0). The improvement is due to a lower claims ratio and a stable expense ratio.

Investment result

Earnings from asset management, measured at marked to market, were MSEK 5,975 (1,822), and the return on investments was 6.1% (1.8). Net investment return amounts to MSEK 3,617 (3,175) in the income statement, and MSEK 2,358 (-1,353) in other comprehensive income. At the beginning of the year, financial markets were uncertain if a global economic recovery was in sight. However, during the second half of the year, the markets turned more optimistic regarding the debt crises in several euro-countries, which led to stronger stock markets and at the same time the historically low interest-rates continued. Taking the financial turbulence into account, this year's investment return is very satisfactory and significantly better than last year's result. The improvement compared to last year is mainly due to considerable better result for the equity portfolios, at the same time the fixed income portfolio again showed a strong performance. Additional information is presented in note 6.

Net profit and tax costs

Net profit was MSEK 5,847 (4,186). The effective tax rate for the year was 21.6% (24.9). Of total taxes, current tax expenses amounted to MSEK 1,777 (1,582) and the deferred tax income was MSEK 168 (income 196).

Results per business area

Information concerning operations and the earnings trend in the Group's business areas is presented in Note 6.

CONSOLIDATED RESULTS PER QUARTER AND FULL-YEAR

MSEK	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2012 Jan-Dec	2011 Jan-Dec
Premiums earned, net of reinsurance	9,670	9,471	9,392	9,440	37,973	36,966
Allocated investment return transferred from the non-technical account	116	171	224	261	772	1,124
Other technical income	81	58	67	80	286	277
Claims paid, net of reinsurance	-6,902	-6,847	-6,510	-7,127	-27,386	-27,614
Operating expenses for insurance operations, net of reinsurance	-1,688	-1,615	-1,605	-1,600	-6,508	-6,380
Other operating expenses	-76	-65	-56	-63	-260	-244
Technical result from property and casualty insurance	**1,201**	**1,173**	**1,512**	**991**	**4,877**	**4,129**
Investment result	766	818	994	1,039	3,617	3,175
Allocated investment return transferred to the technical account	-233	-290	-352	-392	-1,267	-1,632
Interest expense, subordinated debt	-43	-43	-45	-43	-174	-158
Share of associates' result	114	71	122	96	403	58
Result before income tax	**1,805**	**1,729**	**2,231**	**1,691**	**7,456**	**5,572**
Risk ratio	65.5%	66.2%	63.0%	69.0%	65.9%	68.4%
Cost ratio	23.4%	23.2%	23.4%	23.4%	23.3%	23.5%
Combined ratio	88.8%	89.3%	86.4%	92.4%	89.3%	92.0%
Claims ratio	71.4%	72.3%	69.3%	75.5%	72.1%	74.7%
Expense ratio	17.4%	17.1%	17.1%	16.9%	17.1%	17.3%
Insurance margin	12.4%	12.5%	16.0%	10.3%	12.8%	11.1%

SOLVENCY CAPITAL AND CASH FLOW

The solvency ratio strengthens and amounted to 77.4% (72.4). Solvency capital increased to MSEK 29,912 (27,452). Cash flow from insurance operations remained strong, amounting to MSEK 3,268 (3,303). Cash flow from investment management, in terms of flows generated from the direct investment return, amounted to MSEK 3,851 (3,843). During the year, a dividend of MSEK 4,700 (3,700) was paid.

TECHNICAL PROVISIONS (RESERVES)

Gross provisions at year end have decreased to MSEK 84,569 (85,085). Currency effects arising from the conversion of provisions made in foreign currencies contributed to a lower provision with MSEK 964, mainly due to the strengthening of the Swedish krona compared to the Euro. The sale of the Russian company IPSC Region contributes to a lower provision by MSEK 5. After adjustments for exchange-rate effects the premium reserve increased by MSEK 690 and the claims reserve decreased by MSEK 732.

SIGNIFICANT ACQUISITIONS DURING THE FISCAL YEAR

In November 2012, an agreement was signed to acquire the P&C insurance business of the Finnish branch of Tryg A/S for a consideration of MEUR 15. The acquisition is expected to have a minor positive impact on If's result in medium term. The transaction is subject to approval by the authorities and is expected to be completed during the spring of 2013.

OBJECTIVES AND POLICIES FOR FINANCIAL RISK-MANAGEMENT

The core of the group insurance operations is the transfer of risk from the insured clients to the insurer. For If, the result depends on both the underwriting result and the return on investment assets. If's risk-management approach is to ensure that sufficient return is achieved for the risks taken in all business transactions. All risks are taken into account in risk-return considerations and pricing decisions.

The key objectives for risk-management are to ensure that If has sufficient capital in relation to the risks in the business activities and to limit fluctuations in financial results. This requires all risks to be properly identified and monitored. The company´s risks, exposures and risk-management are described in Note 5.

PERSONNEL

During the year, the number of employees decreased and amounted to 6,205 (6,226) at year end. The average number of employees during the year was 6,225 (6,299), of whom 55% (55) were women.

If recruits approximately 500 employees annually, in order to replace people who have retired or left the company and to add new competencies to the company.

APPLIED ACCOUNTING POLICIES AND PREPARATION OF CONSOLIDATED ACCOUNTS

As of 2005, If applies the International Financial Reporting Standards (IFRS) adopted by the EU. For the 2012 fiscal year, If's accounting was not subject to any significant amendments or new regulations. The consolidated accounts are prepared by the Central Finance- and Accounting Department, which is also responsible for control systems, accounting and reporting in accordance with generally accepted accounting principles. The Board of Directors and the President are ultimately responsible for all financial reporting.

OUTLOOK

The development of the global economy will be difficult to predict during 2013. Despite increased competition in the market, underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

The long-term objective for the Group is to achieve a combined ratio below 95% and a return on equity of at least 17.5%. For 2013, the objective is to achieve a combined ratio by a margin, below 95%.

PARENT COMPANY

The operations of the Parent Company If P&C Insurance Holding Ltd (publ) consist primarily of ownership and management of shares in subsidiaries.

The Parent Company is also the main account holder for a Group cash pool account system comprising the major part of the flows of liquid funds from the insurance operations. Underlying flows give rise to intra-Group transactions within the Parent Company's balance sheet. Intra-Group transactions also arise in connection with payment of dividends from subsidiaries that are not passed on externally as dividends by the Parent Company or invested externally.

The Parent Company's net profit decreased to MSEK 3,222 (6,363), mainly as a result of decreased dividends from subsidiaries.

The Parent Company's solvency capital at year end amounted to MSEK 19,276 (20,754) and its total assets to MSEK 19,953 (21,364).

FIVE-YEAR SUMMARY

MSEK	2012	2011	2010	2009	2008
Condensed income statement					
Premiums earned, net of reinsurance	37,973	36,966	37,170	38,701	36,635
Allocated investment return transferred from the non-technical account	772	1,124	1,606	2,139	2,242
Other technical income	286	277	235	240	249
Claims incurred, net of reinsurance	-27,386	-27,614	-28,093	-28,856	-27,269
Operating expenses in insurance operations, net of reinsurance	-6,508	-6,380	-6,402	-6,801	-6,372
Other operating expenses	-260	-244	-232	-239	-212
Technical result from property and casualty insurance	**4,877**	**4,129**	**4,284**	**5,184**	**5,273**
Investment result	3,617	3,175	5,187	4,793	3,162
Allocated investment return transferred to the technical account	-1,267	-1,632	-2,156	-2,769	-2,819
Interest expense, subordinated debt	-174	-158	-276	-307	-279
Share of associates' result	403	58	-	-	-
Dissolvement of collective guarantee provision	-	-	-239	-	-
Results before income tax	**7,456**	**5,572**	**6,800**	**6,901**	**5,337**
Income taxes	-1,609	-1,386	-1,815	-1,700	-1,451
Net profit for the year	**5,847**	**4,186**	**4,985**	**5,201**	**3,886**
Balance sheet, December 31					
Assets					
Intangible assets	1,289	1,257	1,259	1,358	1,335
Investment assets	100,586	100,449	102,078	106,832	98,036
Reinsurers' share of technical provisions	4,951	4,709	4,575	4,892	4,686
Deferred tax assets	263	453	392	666	1,497
Debtors	10,664	10,166	9,367	9,869	9,750
Other assets, prepayments and accrued income	5,379	5,155	4,818	4,912	4,935
Total assets	**123,132**	**122,189**	**122,489**	**128,529**	**120,239**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	24,062	21,563	22,818	22,542	17,140
Subordinated debt	2,776	2,881	3,714	4,240	4,489
Deferred tax liability	3,337	3,461	4,103	4,054	4,011
Technical provisions	84,569	85,085	83,733	87,993	85,749
Creditors	5,544	6,424	5,264	6,663	6,109
Provisions, accruals and deferred income	2,844	2,775	2,857	3,037	2,741
Total shareholders' equity, provisions and liabilities	**123,132**	**122,189**	**122,489**	**128,529**	**120,239**
Key data, property and casualty operations					
Claims ratio	72.1%	74.7%	75.6%	74.6%	74.4%
Expense ratio	17.1%	17.3%	17.2%	17.6%	17.4%
Combined ratio	89.3%	92.0%	92.8%	92.1%	91.8%
Risk ratio	65.9%	68.4%	69.1%	68.0%	68.1%
Cost ratio	23.3%	23.5%	23.7%	24.1%	23.7%
Insurance margin	12.8%	11.1%	11.5%	13.4%	14.3%
Key data, asset management					
Total return ratio [1]	6.1%	1.8%	7.4%	12.4%	-3.1%
Other key data					
Capital base	26,614	24,043	26,504	24,886	21,890
Solvency requirement	7,369	7,493	6,592	6,504	6,199
Solvency capital	29,912	27,452	30,243	30,171	24,143
Solvency ratio	77.4%	72.4%	79.5%	77.3%	65.7%
Return on equity	30.5%	11.1%	27.5%	50.1%	-3.3%

1) The calculations are based on the policies used internally by If for the valuation of investment operations. Refer to Note 15.

Consolidated income statement

MSEK	Note	2012	2011
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	7	40,895	39,855
Premiums ceded	7	-2,243	-1,921
Change in provision for unearned premiums and unexpired risks		- 690	-959
Reinsurers´share of change in provision for unearned premiums and unexpired risks		11	-9
		37,973	**36,966**
Allocated investment return transferred from the non-technical account	8	772	1,124
Other technical income		286	277
Claims incurred, net of reinsurance			
Claims paid			
Gross		-29,889	-28,933
Reinsurers´share		1,468	1,115
Change in provision for claims outstanding			
Gross		732	78
Reinsurers´share		303	126
	9	**-27,386**	**-27,614**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-6,677	-6,520
Commissions and profit participations in ceded reinsurance		169	140
		-6,508	**-6,380**
Other operating expenses		- 260	-244
	10,11,12,13	**-6,768**	**-6,624**
Technical result from property and casualty insurance	14	**4,877**	**4,129**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		3,704	3,954
Changes in value		49	-637
Management costs		- 136	-142
	15	**3,617**	**3,175**
Allocated investment return transferred to the technical account	8	-1,267	-1,632
Interest expense, subordinated debt	16	-174	-158
Share of associates' result	17	403	58
Result before income taxes		**7,456**	**5,572**
Taxes	18	-1,609	-1,386
Net profit for the year		**5,847**	**4,186**

Consolidated statement of comprehensive income

MSEK	Note	2012	2011
Net profit for the year		**5,847**	**4,186**
Other comprehensive income			
Effects of changes in exchange rates, foreign operations		- 152	-59
Effects of changes in exchange rates, foreign associated companies		- 120	-19
Exchange rate differences at realisation of foreign operations		41	-
Remeasuring of financial assets available for sale		2,116	-1,771
Value changes recognized in income statement on AFS assets		242	418
Reversal of fair value changes related to reclassified holdings		-	-803
Taxes related to other comprehensive income	18	-554	568
		1,573	**-1,666**
Total comprehensive income		**7,420**	**2,520**

Consolidated balance sheet

ASSETS, DECEMBER 31

MSEK	Note	2012	2011
Intangible assets			
Goodwill		1,109	1,109
Other intangible assets		180	148
	19	**1,289**	**1,257**
Investment assets			
Land and buildings	20	257	266
Investments in associated companies	21	2,942	2,859
Loans to associated companies		19	7
Other financial investment assets	22, 23	97,356	97,306
Deposits with ceding undertakings		12	11
		100,586	**100,449**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		468	469
Provisions for claims outstanding		4,483	4,240
	24	**4,951**	**4,709**
Deferred tax assets	33	**263**	**453**
Debtors			
Debtors arising out of direct insurance operations	25	9,425	9,059
Debtors arising out of reinsurance operations	26	680	569
Other debtors	27	559	538
		10,664	**10,166**
Other assets			
Tangible assets	28	138	140
Cash and bank balances		2,243	2,002
Securities settlement claims		29	17
		2,410	**2,159**
Prepayments and accrued income			
Accrued interest and rental income		1,086	1,164
Deferred acquisition costs	29	1,473	1,395
Other prepayments and accrued income	30	410	437
		2,969	**2,996**
Total assets		**123,132**	**122,189**

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES, DECEMBER 31

MSEK	Note	2012	2011
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Other restricted reserves		-	613
Fair value reserve		3,121	1,242
Profit carried forward		11,968	12,396
Net profit for the year		5,847	4,186
		24,062	**21,563**
Subordinated debt	31	**2,776**	**2,881**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		18,083	17,570
Provisions for claims outstanding		66,486	67,515
	32	**84,569**	**85,085**
Provisions for other risks and charges			
Deferred tax liability	33	3,337	3,461
Other provisions	34, 35	1,133	1,200
		4,470	**4,661**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	36	1,283	1,457
Creditors arising out of reinsurance operations		884	614
Derivatives	23	327	1,804
Other creditors	37	3,050	2,549
		5,544	**6,424**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		30	34
Other accruals and deferred income	38	1,681	1,541
		1,711	**1,575**
Total shareholders' equity, provisions and liabilities		**123,132**	**122,189**
Memorandum items			
Assets and coresponding collateral pledged	39	2,837	1,704
Assets covered by policyholders' beneficiary rights	39	64,017	65,440
Contingent liabilities and other commitments	40	367	480

Parent Company

INCOME STATEMENT

MSEK	Note	2012	2011
Other operating income		0	0
Other operating expenses		0	0
Operating result		**0**	**0**
Result from financial investments			
Dividends from Group companies		3,239	6,404
Dividends from associated companies		2	-
Interest income and similar income items	1	37	106
Interest expense and similar expense items	2	-55	-146
		3,223	**6,364**
Result after financial items		**3,223**	**6,364**
Tax on net profit for the year	3	-1	-1
Net profit for the year		**3,222**	**6,363**

BALANCE SHEET ON DECEMBER 31

MSEK ASSETS	Note	2012	2011
Financial fixed assets			
Shares in Group companies	4	17,121	17,212
Shares in associated companies	5	1,134	1110
Loans to associated companies		19	7
		18,274	**18,329**
Deferred tax assets	3	-	-
Debtors			
Debtors, Group companies		986	2,423
		986	**2,423**
Cash and bank balances		**693**	**611**
Prepayments and accrued income			
Accrued interest		0	1
		0	**1**
Total assets		**19,953**	**21,364**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Profit carried forward		12,928	11,265
Net profit for the year		3,222	6,363
		19,276	**20,754**
Provisions			
Other provision		-	-
		-	**-**
Current creditors			
Creditors, Group companies		676	610
Provision for taxes		1	0
		677	**610**
Total shareholders' equity and liabilities		**19,953**	**21,364**
Memorandum items			
Contingent liabilities	6	17	18

Changes in shareholders' equity

GROUP

MSEK	Restricted equity				Unrestricted equity		
	Share capital	Statutory reserves	Other restricted reserves	Fair value reserve	Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2011	**2,726**	**400**	**1,054**	**2,825**	**15,813**	**-**	**22,818**
Transfer between restricted and unrestricted equity	-	-	-414	-	414	-	0
Total comprehensive income	-	-	-27	-1,583	-56	4,186	2,520
Share of associates' other changes in equity	-	-	-	-	-75	-	-75
Dividend to shareholder [1]	-	-	-	-	-3,700	-	-3,700
Equity at end of 2011	**2,726**	**400**	**613**	**1,242**	**12,396**	**4,186**	**21,563**
Equity at beginning of 2012	**2,726**	**400**	**613**	**1,242**	**16,582**	**-**	**21,563**
Transfer between restricted and unrestricted equity	-	-	-613	-	613	-	0
Total comprehensive income	-	-	-	1,879	-306	5,847	7,420
Share of associates' other changes in equity	-	-	-	-	-221	-	-221
Dividend to shareholder [2]	-	-	-	-	-4,700	-	-4,700
Equity at end of 2012	**2,726**	**400**	**-**	**3,121**	**11,968**	**5,847**	**24,062**

PARENT COMPANY

MSEK	Restricted equity		Unrestricted equity		
	Share capital	Statutory reserves	Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2011	**2,726**	**400**	**14,924**	**-**	**18,050**
Dividend to shareholder [1]	-	-	-3,700	-	-3,700
Group contribution received	-	-	55	-	55
Tax effect of group contribution	-	-	-14	-	-14
Net profit for the year	-	-	-	6,363	6,363
Equity at end of 2011	**2,726**	**400**	**11,265**	**6,363**	**20,754**
Equity at beginning of 2012	**2,726**	**400**	**17,628**	**-**	**20,754**
Dividend to shareholder [2]	-	-	-4,700	-	-4,700
Net profit for the year	-	-	-	3,222	3,222
Equity at end of 2012	**2,726**	**400**	**12,928**	**3,222**	**19,276**

There are a total of 136,350,000 shares with a par value of SEK 19.99 each, including 103,525,000 Series A shares carrying one vote and 32,825,000 Series B shares carrying one tenth of a vote. The accumulated translation difference amounted to MSEK -607 (-376).

[1] During 2011, dividends paid totaled approximately SEK 27,14 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 27,14 per share. The Board of Directors and the President propose that the 2012 Annual General Meeting resolve not to pay any dividend.

[2] During 2012, dividends paid totaled approximately SEK 34,47 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 34,47 per share. The Board of Directors and the President propose that the 2013 Annual General Meeting resolve not to pay any dividend.

The equity presentation complies with legal requirements and a separate disclosure of contributed capital would not add any siginficant information.

Cash flow statements

GROUP

MSEK	2012	2011
Cash flow from insurance operations		
Premium flows, direct insurance	40,146	39,059
Claim payments, direct insurance	-29,804	-28,591
Reinsurance flows	-683	-758
Costs of operations	-6,391	-6,407
	3,268	**3,303**
Cash flow from investment operation		
Current income/return, direct	3,851	3,843
Net investments in financial investment assets	754	112
	4,605	**3,955**
Cash flow from other operations	**-7,618**	**-7,029**
Cash flow for the year	**255**	**229**
Cash and bank		
Cash and bank balances on January 1	2,002	1,797
Effect of exchange rate changes	-14	-24
Cash flow for the year	255	229
Cash and bank balances on December 31	**2,243**	**2,002**

Supplementary information on the Group's cash flow is presented in Note 41.

PARENT COMPANY

MSEK	2012	2011
Net profit for the year	3,222	6,363
Realized result sale of Group company	24	45
Change in current business assets and liabilities	1,493	-1,701
Investments		
Net investments in Group companies	67	-18
Net investment in associated companies	-24	-1,035
Financing		
Dividend	-4,700	-3,700
Group contribution, net	-	41
Cash flow for the year	**82**	**-5**
Change in cash and bank balances	**82**	**-5**

NOT 1 Accounting policies

COMPANY INFORMATION

This annual report and the consolidated financial statements for If P&C Insurance Holding Ltd were prepared and authorized for publication by the Board of Directors and CEO on March 5, 2012 and will be presented to the 2012 Annual Meeting for approval. The company is a Swedish limited liability company with its registered office in Stockholm and its headquarters in Solna, Sweden.

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

STATEMENT OF COMPLIANCE WITH REGULATIONS APPLIED

The annual report for the Parent Company If P&C Insurance Holding Ltd was prepared in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for legal entities).

In accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), If P&C Insurance Holding Ltd is regarded as a financial holding company, which entails that the company must apply the provisions of this Act regarding the preparation of the consolidated financial accounts.

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS including IAS, SIC and IFRIC), as adopted by the European Commission. In addition, If applies the supplementary provisions ensuing from legislation, the Swedish Financial Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2008:26) and, in appropriate parts, the Swedish Financial Reporting Board's Recommendation RFR 1 (Supplementary Accounting rules for Groups).

Issued, but not yet effective, international accounting standards entail certain extended disclosure requirements but are assessed not to cause any significant additionally impact on the financial statements when first applied, except IFRS 9 Financial Instruments. As this standard is still not complete, a comprehensive assessment has not been possible to conduct. Furthermore, the prevailing IAS 19 Employee Benefits is now being replaced by a revised standard that is to be applied as of the 2013 fiscal year. Under the new standard, what is known as the corridor is being abolished, and all actuarial gains and losses will affect the liabilities in the balance sheet. Under the transitional regulations, If's accumulated unrecognized losses of MSEK 1,347 plus social security fees, at December 31, 2011 will reduce opening equity for the comparative year 2012, while the subsequent changes will be recognized in other comprehensive income. The corresponding amount at December 31, 2012 is MSEK 974. This effect has already been considered in the calculation of If Group's capital base.

MEASUREMENT BASES FOR THE PREPARATION OF THE ACCOUNTS

The accounts are based on historical acquisition values with the exception of the totally dominant share of investment assets, which are reported at fair value. The financial reports and notes are presented in SEK millions (MSEK), unless otherwise stated.

BASES FOR CONSOLIDATION

The consolidated accounts include the Parent Company, If P&C Insurance Holding Ltd, and all companies in which the Parent Company directly or indirectly holds more than 50 percent of the votes for all shares or in some other manner has a controlling interest.

The consolidated accounts have been prepared in accordance with IAS 27 and IFRS 3. Acquired companies are reported in accordance with the purchase method, which means that assets and liabilities are reported in the acquiring company's accounts at the acquisition values determined in accordance with an established acquisition analysis. The identified assets and liabilities in the acquired company are fair valued in the acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the established fair value of the acquired assets and liabilities, the difference is reported as goodwill. In conjunction with the transition to IFRS, an opening balance sheet was compiled as of January 1, 2004. In line with the exemption rules in IFRS 1, no recalculation was made of acquisitions and mergers prior to this date.

In consolidating foreign subsidiaries, locally prepared income statements and balance sheets are recompiled to eliminate differences between local accounting policies and the accounting policies applied in the consolidated accounts. These recompilations mainly comprise adjustments for unrealized changes in value in investment assets and derivatives, deferred acquisition costs, provision for unexpired risks and interest allocated to the technical result.

Outside Sweden, any equalization or catastrophe reserves governed by tax or business laws are treated in consolidation in the same manner as Swedish untaxed reserves.

In 1999, Storebrand and Skandia agreed to form a joint venture and transfer their portfolios of property and casualty business to If P&C Insurance Ltd. The merger in 1999 is reported in the consolidated accounts, applying joint venture accounting based on the carryover method. According to the carryover method, the joint venture unit assumes the assets and liabilities transferred from the owners at the carrying amount and then continues to operate the business that has been taken over. As a result of this accounting procedure, no goodwill arose in If P&C Insurance Holding Ltd Group. Goodwill based on net assets is reported in the subsidiary If P&C Insurance Ltd, since in formal terms the assets from Storebrand were transferred at a value that exceeded the previous carrying amount. Since the subsidiary If P&C Insurance Ltd has a right to make a tax deduction for the amortization of the goodwill based on the net assets, a value has arisen in the Group, reported in the consolidated accounts for 2012 at a rate of 22 % of the non-amortized goodwill amount in the subsidiary, which represents deferred tax assets.

According to an agreement that Skandia and Storebrand jointly signed with Sampo during 2001, Sampo's property and casualty insurance business was transferred to If in January 2002 in return for payment in the form of shares in If P&C Insurance Holding Ltd and a small proportion of cash. In the consolidated accounts, this merger is reported in accordance with the purchase method.

Sampo's acquisition in 2004 of all of the shares outstanding in If P&C Insurance Holding Ltd did not give rise to any change in the accounting policies applied in the Group for reporting the operations transferred to If from former owners.

TRANSACTIONS, RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY AND TRANSLATION OF THE ACCOUNTS OF FOREIGN SUBSIDIARIES AND BRANCHES

Income statement items in foreign currency are translated to SEK using the average exchange rate for the month during which they were reported.

In individual companies and branches, assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported in the income statement as changes in value under "Investment result". Currency forward contracts used to hedge currency exposure are fair valued and these effects are reported in their entirety in the income statement as changes in value.

In the case of If's foreign Group companies and branches, the functional currency is the local currency in the country in which the company or branch is active. Translation to SEK is effected in line with IAS 21. Balance sheet items are translated using the closing date exchange rate and income statement items are translated using the average exchange rate for the period during which the item arose. The translation differences arising as a result of the use of different exchange rates for items in the balance sheet and income statement, the fact that capital contributions and dividends are translated at different exchange rates than those prevailing on the transaction date and that shareholders' equity is translated at a different exchange rate at year-end than at the beginning of the year are reported in other comprehensive income.

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

	2012	2011
US dollars	6.50	6.89
Danish kroner	1.15	1.20
Euro	8.58	8.91
Norwegian kroner	1.17	1.15
Lithuanian litas	2.49	2.58
Latvian lats	12.30	12.74

POLICIES APPLIED TO ITEMS IN THE CONSOLIDATED BALANCE SHEET

Goodwill

Goodwill is valued at its acquisition value, adjusted for any impairments. Goodwill arises in connection with the acquisition of operations or portfolios. In conjunction with acquisitions, an acquisition balance sheet is compiled in which all identified assets and liabilities are fair valued on the acquisition date. When the acquisition price cannot be attributed to identifiable assets and liabilities, this portion is reported as goodwill.

Goodwill is an asset with an indefinite useful life and thus it is not subject to amortization according to plan. To ensure that goodwill is not overvalued in the balance sheet, an annual analysis is conducted of individual goodwill items to identify impairment requirements. The analysis determines the recoverable amount, defined as the higher of the value in use and the net realizable value. The value in use is calculated as the discounted value of expected future cash flows attributable to the acquired net assets. When the recoverable amount measured on the valuation date is less than the carrying amount in the Group, the carrying amount is impaired to the recoverable amount. During 2010 and 2011, impairment losses related to the acquisition of a subsidiary has been recognized in the "Changes in value" item within Investment result in the Income statement. If, subsequently, a higher recoverable amount can be set, this does not result in revaluation or reversing of previous impairments.

Other intangible assets

Other intangible assets consist of externally acquired rights etc. and internally developed intangible assets. Intangible assets are valued at their acquisition value less deductions for accumulated planned amortization.

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

Rights and similar assets are amortized from the day they are valid. Capitalized development expenses are amortized from the date the asset is put into production. Amortization is made over its estimated useful life. The useful life is determined individually per asset and may amount to a maximum of 10 years.

If there is any indication on the closing date that the carrying amount of an intangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. Recoverable amount refers to the higher of the asset's net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is impaired to its recoverable amount. If, subsequently, a higher value in use can be set, a revaluation or reversal of previous impairments may be undertaken.

Land and buildings/Investment properties

If reports all its properties as investment assets (investment properties), fair valued pursuant to IAS 40 and with changes in value reported in the income statement. This classification complies with the company's basic approach to these assets. If has concluded that a separation of such properties, which according to IAS 40 represent owner-occupied properties, would have only an insignificant effect on the particular asset and profit/loss item. The fair value consists of the net realizable value and is set annually by external surveyors using acknowledged and accepted valuation methods. Accepted methods consist of local sales-price method (current prices paid for comparable properties in the same location/area) or cash flow models applying current market interest-rates for the calculation of the present value of the property. Since valuation is effected at fair value, there is no depreciation of properties.

Shares in associated companies

Associated companies refer to companies in which If P&C Insurance Holding Ltd directly or indirectly has significant influence, which is normally the case when the shareholding amounts to a minimum of 20% of the voting rights for all shares in the company. Associated companies are reported in the consolidated accounts using the equity method. The equity method means that an associated company's carrying amount is continually adjusted for changes in the holding company's share of the associated company's net assets. Certain insignificant holdings are reported at acquisition value.

The holding in Topdanmark A/S has an effect on the consolidated income statement (If´s share of the company´s result after taxes, after deduction for amortization of customer relations), the consolidated statement of comprehensive income (effects of changes in exchange rates) and the group shareholder equity (If´s share of the company's other changes in equity). Due to the late publication of Topdanmark´s financial statements, the result is based on a consensus estimate and any deviations from the published earnings will be adjusted next quarter.

Some other minor holdings are accounted for in a simplified way. The carrying amount is normally only adjusted with If´s share of respective company's result after tax and with one quarter delay. Additional information is provided in Notes 17 and 21.

Valuation of other investments assets

Financial investment assets are reported in the original currency and at fair value with – as a main principle – changes in value recognized in other comprehensive income until being realized. A previous classification, using the fair value option in IAS 39 and with all changes in value (realized as well as unrealized) reported in the income statement, is still applied for financial investment assets acquired in certain small Group companies. The presentation below describes the detailed valuation for each type of asset.

The purchase and sale of money market and capital market instruments on the spot market are reported in the balance sheet on the transaction date. The counterparty's receivable/liability is reported between the transaction date and payment date in gross form under the item "Other assets" or "Other creditors". Business transactions whose receivables/liabilities are settled net via clearing are reported in the balance sheet with a net amount per counterparty. Futures transactions are registered on the transaction date but are viewed as off-balance sheet undertakings up until the payment date. Reporting on the payment date is done in the balance sheet.

Shares

Shares are fair valued, calculated as a sales value without deduction for sales costs. For shares listed on an authorized stock exchange or marketplace, the sales value normally refers to the latest bid price on the closing date or, in the case of shares listed on Nasdaq OMX, to the latest trade price. Unlisted securities included in private equity investments are valued using established valuation models.

Interest-bearing securities

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

Derivatives

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

Receivables

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

Tangible assets

Tangible assets consist of machinery and equipment and are 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 depreciation according to plan. These deductions are based on the historical acquisition value and the estimated economic life of the asset concerned.

Acquisitions of assets financed through leasing agreements, but for which If is responsible for the financial risks and benefits associated with ownership (financial leasing), are reported as tangible assets at acquisition value. The financial obligation resulting from leasing agreements is reported as a liability that is calculated on the basis of future lease payments discounted to present value using the interest-rate specified in the contracts. Machinery and equipment are reported at the historical acquisition value, less accumulated depreciation according to plan, based on the useful life of the assets. Current lease payments are divided among amortization and interest expense.

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

In the event that there is an indication at the reporting date that the scheduled value of a tangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. The recoverable amount is the higher of the asset's net realizable value and value in use. If the determined recoverable amount is less than the carrying amount, the asset is impaired to its value in use. If, at a later date, a higher value is established, a previous impairment may be reversed.

Cash and bank

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

Deferred acquisition costs

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

Subordinated debt

Issued subordinated loans are reported in their original currency at accrued acquisition value. The acquisition value includes surplus/deficit prices arising on the issue date and other external expenses attributable to borrowing. During the term of the loan, costs for subordinated loans are reported using the accrued acquisition value, whereby surplus/deficit prices and capitalized borrowing expenses are distributed over the term of the loan; however, no later than the interest-adjustment date in the case of loans with adjustable interest-rates. Outstanding loans are translated to SEK using the closing exchange rate. The effect arising from translation is reported as an exchange rate gain/loss and is included in the item "Changes in value" under investment result.

Technical provisions

Technical provisions consist of :

• Provision for unearned premiums and unexpired risks and
• Provision for claims outstanding.

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

Provision for unearned premiums and unexpired risks

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

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

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

Provision for claims outstanding

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

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

Pension costs and pension commitments and other employee benefits

The Group's pension 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 and defined benefit plans.

For defined contribution plans, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies.

The reporting of funded and unfunded defined benefit pension plans complies with the regulations contained in IAS 19 Employee benefits (issued in 1998). According to these rules, the amounts reported as pension costs during a fiscal year consist of the sum total of (1) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (2) calculated interest expense for appreciating the preceding year's established pension obligations less (3) calculated revenues from the plan assets covered by the plan. The calculation of pension costs during the fiscal year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the anticipated return on plan assets and the market interest-rate on the obligation during the fiscal year.

When reporting defined benefit plans in the balance sheet, If uses the so-called corridor model. According to this model, accrued actuarial gains and losses resulting from differences between calculated assumptions and the actual outcome are not reported in the income statement unless the accumulated deviation exceeds 10% of the present value of the future obligation or the fair value of plan assets. Accumulated differences that exceed the 10% limit are accrued in the income statement as pension costs throughout the duration of the obligation. The accumulated accrued actuarial gains and losses calculated in this way, and which are not reported in the income statement, are disclosed in the balance sheet as an addition or deduction from the net pension obligation calculated at year-end.

If has certain pension obligations that have been classified as defined-benefit plans but recognized as defined-contribution plans, either because If lacks the information necessary to recognize them as defined-benefit plans or because they have been deemed as insignificant.

Provision is also made for the calculated value of other earned remuneration of employees, the final amount of which is determined and paid after the end of the fiscal year, such as one-year variable remuneration and multi-year incentive programs. Refer to Note 12 for information regarding these provisions.

POLICIES APPLYING TO ITEMS IN THE CONSOLIDATED INCOME STATEMENT

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

Items included in the technical result pertain overwhelmingly to the Group's operations as an insurer, that is, the transfer of insurance risk pursuant to the definition in IFRS 4, Insurance Contracts. Only contracts that do not cover a significant transfer of insurance risk are attributable to other operations and are reported pursuant to IAS 18 Revenue.

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

Premiums written

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

Premiums earned

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

Allocated investment return transferred from the non-technical account

Total investment result is reported in the non-technical result. Part of the income is transferred from investment result to the technical result for insurance operations based on the net of the insurance operations' average technical provisions and outstanding net receivables. When calculating this income, interest-rates are used that for each currency match the interest-rate for government bonds with a maturity that approximates with the technical provisions.

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

Investment result

The investment result is distributed among direct investment income and changes in value arising from market price fluctuations and with deductions for management costs. The "Direct investment income" item primarily includes dividends on shareholdings and interest income from investments reported using the effective interest-rate principle, in conjunction with which surplus/deficit values resulting from acquisitions are distributed across the remaining useful life of the asset. The "Changes in value" item mainly comprises realized value changes on investment assets, but also impairment losses from Available-for-sale financial assets that were deemed necessary in accordance with the specific impairment requirements in IAS 39.

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

A previous classification, using the fair value option in IAS 39 and with all changes in value (realized as well as unrealized) reported in the income statement, is still applied for financial investment assets acquired in certain small Group companies.

The Group's currency result is included in the "Changes in value" item. During 2010 and 2011, impairment losses on goodwill related to the acquisition of a subsidiary has also been recognized in this item.

Taxes

The Group tax expense is calculated in accordance with IAS 12 Income taxes. This entails that current as well as deferred tax is calculated and reported.

Current taxes are calculated individually for every unit in accordance with the tax rules in each country. Current taxes also include non-deductible coupon taxes in respect of dividends received.

If's foreign branch offices are taxed on their results in the country concerned. In Sweden, the company is liable for taxation on all income, including the results from the foreign branch offices. If the company pays tax in Sweden for its foreign income, with the aim of avoiding double taxation, a deduction for the taxes paid abroad is normally allowed.

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

The income tax rate in Sweden was during the year 26.3% of taxable income. In Norway, the tax rate was 28%, with 25% in Denmark and 24.5% in Finland. The tax rate in Sweden is from 2013 reduced to 22 %, which has been considered when calculating deferred tax assets and liabilities as of December 31, 2012.

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

Application of joint venture accounting resulted in a deferred tax asset arising in connection with Storebrand's transfer of operations. This is based on the difference between the value for tax purposes and the carrying amount of these net assets. Additional comments regarding joint venture accounting are provided in the section Bases for consolidation above.

ACCOUNTING POLICIES IN THE PARENT COMPANY

Accounting for holdings in subsidiaries and associates

Shares in subsidiaries and associates are reported at the acquisition value with deductions for any impairments. The acquisition value includes in certain cases external transaction costs attributable to the acquisition. Dividend from group companies and associated companies is accounted for when received.

NOTE 2 Significant considerations and assessments affecting the financial statements

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

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2012 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

GOODWILL

If reports goodwill attributable to the acquisition of Sampo's Finnish property and casualty operations and the acquisition of Volvia's motor insurance operation. In line with IFRS 3, goodwill is no longer amortized. To ensure that the carrying amount for these items is not reported at an excessively high value, a calculation of each recoverable amount has been done. Additional comments on the parameters used, conducted assessments and so forth are made in Note 19.

VALUATION OF INVESTMENT ASSETS

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

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. The company's assessment affects the reported profit of the year but not shareholders' equity. The assessment criteria are presented in Note 1 (under the heading of Investment result). Additional information is provided in Notes 5, 15 and 22.

TECHNICAL PROVISIONS

The provision for unsettled claims is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR provision. The provision is calculated using statistical methods or through individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year results in recent years is available in Note 32.

The provision for unearned premiums and unexpired risk is designed to cover anticipated claims and operating expenses during the remaining term of the insurance contracts concluded. For most products, the provision is calculated strictly in proportion to time. If the premium level is deemed to be insufficient to cover the anticipated claims and operating expenses, they are strengthened with a provision for unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk. This provision is also commented on in Note 5.

PROVISIONS FOR PENSIONS

If applies what is referred to as the corridor model in IAS 19 Employee benefits (issued in 1998) for reporting pensions expenses and outstanding pension commitments. According to this standard, the company should determine which pension plans that are to be seen as defined benefit plans, as well as a number of parameters that are significant in the calculation of, for example, the company's net obligations and the amounts that are to be reported in the income statement and balance sheet. The basis for deciding the discount rate for the Swedish obligation is from 2010 and onwards liquid covered mortgage bonds issued by mortgage institutions. As of 2012, covered mortgage bonds are also used as the basis for the Norwegian obligation. Significant parameters are further presented in Note 34.

NOTE 3 Recognition of the effects of changed exchange rates

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

MSEK Exchange-rate effects in the technical result from property and casualty insurance	2012	2011	Change	Of which exchange-rate effect
Premiums earned, net of reinsurance	37,973	36,966	1,007	-368
Allocated investment return transferred from non-technical account	772	1,124	-352	3
Other technical income	286	277	9	-6
Claims incurred, net of reinsurance	-27,386	-27,614	228	275
Operating expenses	-6,768	-6,624	-144	77
Technical result from property and casualty insurance	**4,877**	**4,129**	**748**	**-19**

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

Technical income and operating expenses net, distributed by currency	Premiums earned	Total expenses	Of which claims costs	Of which operating expenses
SEK	27%	27%	22%	5%
NOK	38%	34%	27%	7%
DKK	9%	11%	9%	2%
EUR	22%	24%	20%	4%
USD	1%	1%	1%	0%
Other	3%	3%	2%	1%
Total	**100%**	**100%**	**81%**	**19%**

Balance sheet items established in foreign currency are translated into SEK using the exchange rate on the balance sheet date. Currency exposure in the balance sheet is mainly controlled by means of the activity involving continuous allocations of currency investments in If's investment assets. On other occasions, the exposure that arises is cost effectively managed through the use of currency forward contracts.

MSEK Exchange-rate effects in the balance sheet Assets	2012	2011	Change	Of which exchange-rate effect
Intangible assets	1,289	1,257	32	-1
Investment assets	100,586	100,449	137	-910
Reinsurers' share of technical provisions	4,951	4,709	242	-45
Deferred tax assets	263	453	-190	9
Receivables	10,664	10,166	498	-94
Other assets	2,410	2,159	251	-18
Prepaid expenses and accrued income	2,969	2,996	-27	-36
Total assets	**123,132**	**122,189**	**943**	**-1,095**

MSEK Shareholders' equity, provisions and liabilities	2012	2011	Change	Of which exchange-rate effect
Shareholders' equity	24,062	21,563	2,499	-19
Subordinated debt	2,776	2,881	-105	-107
Technical provisions	84,569	85,085	-516	-899
Provisions for other risks	4,470	4,661	-191	-11
Creditors	5,544	6,424	-880	-42
Accrued expenses and deferred income	1,711	1,575	136	-17
Total shareholders' equity, provisions and liabilities	123,132	122,189	943	-1,095

For 2012, a net exchange rate loss of MSEK -11 was recognized in the income statement. The loss arose as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

Conversion of items in the income statement and balance sheet	152
Realized effects of currency derivatives	-1,049
Unrealized effects of currency derivative	886
Total exchange-rate loss	**-11**

NOTE 4 Information about related companies

RELATIONS WITH ASSOCIATED COMPANIES

The parent company If P&C Insurance Holding Ltd (publ) owns shares in Topdanmark A/S , which together with the Finnish subsidiary If P&C Insurance Company Ltd shares' in Topdanmark amounts to a share of 25.4%.

The parent company If P&C Insurance Holding Ltd (publ) owns a share of 28.6% of Urzus Group AS. Subsidiaries to Urzus convey insurance on behalf of If´s Swedish and Finnish P&C Insurance companies, for which they are paid commission.

The parent company If P&C Insurance Holding Ltd (publ) owns a share of 33.0% of Svithun Assuranse AS. Svithun Assuranse AS conveys insurance on behalf of the subsidiary If P&C Insurance Ltd (Sweden) for which they are paid commission.

The parent company If P&C Insurance Holding Ltd (publ) owns a share of 22.0% of Consulting AB Lennermark & Andersson, which provides systems and services for calculations of costs of repairing vehicles.

The subsidiary If P&C Insurance Company Ltd (Finland) owns a share of 35.5% of the associated company Autovahinkokeskus Oy that commissions sales of vehicles redeemed by If.

RELATIONS WITH SAMPO

Sampo is defined as Sampo Abp. The subsidiaries of Sampo are defined as all of the subsidiaries in the Sampo Group with the exception of If P&C Insurance Holding Ltd (publ) and its subsidiaries.

If has concluded agreements with Sampo subsidiaries regarding the marketing of the counterparty's products in own distribution networks in primarily Finland and the Baltic countries. The compensation takes the form of commission.

In Finland, If has concluded agreements with Sampo subsidiaries regarding life and voluntary pension insurance agreements for employees. In Finland and the Baltic countries, Sampo or its subsidiaries have also concluded P&C insurance agreements with If.

Sampo's purchase of data-processing services and data production are conducted through If IT Services A/S which has monitoring and administrative responsibility for IT operations with the supplier.

The subsidiary If P&C Insurance Company Ltd (Finland) issued a subordinated loan of MEUR 65 in 2002, which was subscribed in full by the owners (inter alia Sampo) in relation to each of the owners' holding in If. In turn, Sampo has sold the loan to its subsidiary Mandatum Life. The loan has a duration of 20 years and carries fixed interest for ten years followed by variable interest. Further information on this matter is provided in Note 31 Subordinated debt.

The subsidiary If P&C Insurance Ltd (Sweden) issued in 2011 a subordinated loan of MEUR 110, which was fully subscribed by the owner Sampo Abp. The loan has a duration of 30 years and carries fixed interest for ten years, followed by variable interest. Further information on this matter is provided in Note 31 Subordinated debt.

Sampo Abp manages the main part of the Group's investment assets. Compensation for these services is based on a fixed commission calculated in accordance with market value of the managed investment assets.

In Finland, Sampo and Sampo subsidiaries purchase HR services as well as IT, procurement and investigation services from If. If also purchases IT services related to a claim system from Sampo's subsidiary Mandatum Life.

Office premises and services are used together with subsidiaries to Sampo.

RELATIONS WITH NORDEA

Nordea is an associated company to Sampo which is If´s parent company and therefore is Nordea a related company to If.

Nordea is If's banking partner in Sweden, Finland, Denmark, Norway, Latvia and the United Kingdom and agreements have been concluded covering the management of bank accounts and related services. The Parent Company – If P&C Insurance Holding Ltd – is the primary account holder in the Nordic cash pool in Nordea. At year-end, balance on this account amounted to MSEK 692. The subsidiaries of P&C Insurance Holding Ltd (publ) also have its own accounts with Nordea. At year-end balance in those accounts amounts to MSEK 707. During the year fees were paid by MSEK 19 and interest income received by MSEK 2 and no interest was paid.

In asset management, investments are made in bonds issued by companies in the Nordea Group and Nordea is also included among the market makers used for general securities trading. Further information on this matter is provided in Note 5, table 19. During the year the coupon income was MSEK 309. Nordea is also the counterparty for transactions in interest-rate- and currency derivatives. At year end, the market value for interest-rate derivatives was MSEK 8 and for currency derivatives MSEK 31.

In Finland, If´s subsidiary has written insurance policies with Nordea subsidiaries. The policies also include property financed by Nordea.

If P&C Insurance Holding Ltd (publ) has entered into an agreement with Nordea regarding distribution of P&C insurance products through Nordea's banking offices in Sweden, Finland and the Baltics. The agreement enters into force in 2013.

NOTE 5 Risks and risk-management

DEVELOPMENTS DURING THE YEAR

If continuously develops its risk-management framework and systems. This work is based on internal needs and future Solvency II requirements. A separate Solvency II program was introduced in 2007 to prepare If for the anticipated changes. The program has encompassed a thorough review of If's corporate governance and internal control structure, the risk-management framework and the internal capital model. The program was finalized in 2012 and responsibilities have been transferred to the line organization.

The volatility in the capital market decreased during the year and had a positive effect on the risk level for If. If has a continuously cautious portfolio strategy characterized by a low equity level and low fixed income duration.

OVERVIEW OF IF´S RISK-MANAGEMENT

The fundamental principle of insurance is the transfer of risk from insured clients to the insurer. If collects insurance premiums from a large group of policyholders and thereby commits to compensate them if insured events occur. The operating result depends on both the underwriting result and the return on investment assets.

Risk-Management Approach

The main objectives of If's risk-management are to ensure that sufficient return is obtained for the risks taken and that all risks are taken into account in pricing decisions and other business decisions. This requires all risks to be properly identified and monitored. Therefore core competences in the business operations are pricing of risks and proper management of the arising risk exposures.

Risk taking is restricted through a system of limits decided by If's Board of Directors. Risk-management activities are performed in the business areas as part of the normal course of day-to-day business.

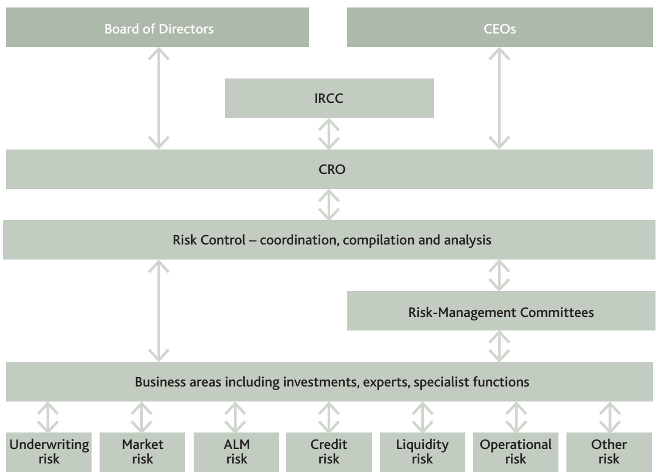
Risk-Managements seeks to secure that If has sufficient capital in relation to the risk profile and to limit fluctuations in the financial result.

If's Enterprise Risk-Management (ERM) is rated "Strong" by Standard & Poor's.

Risk Governance and Reporting Structure

The Board of Directors has the overall responsibility for the risk-management process and constitutes the ultimate decision-making body. The Board of Directors ensures that the management and follow-up of risks are satisfactory, monitors risk reports and approves risk-management plans.

FIGUR 1 **Risk-management reporting structure**



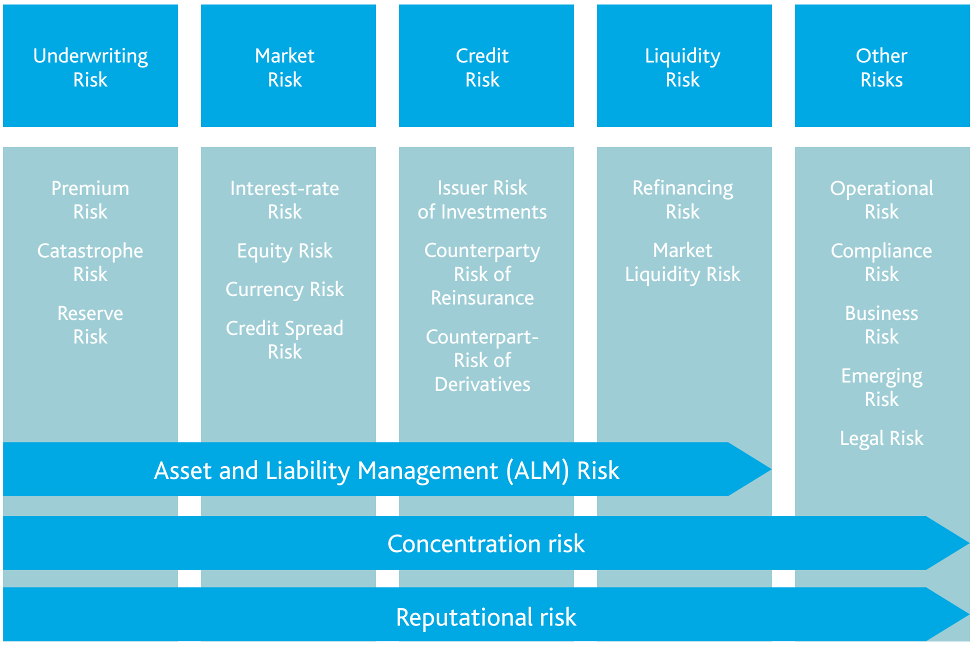
The If Risk Control Committee (IRCC) assists the Chief Executive Officers (CEOs) and the Board of Directors of the If Group in fulfilling their responsibilities pertaining to the risk-management process. The IRCC reviews, discusses and gives input on risk issues raised from the relevant risk committees, experts and line organization. Furthermore, the IRCC monitors that the If Group's short-term and long-term aggregated risk profile is aligned with its risk strategy and capital adequacy requirements. The Risk Control unit within the Risk-Management department is, on behalf of the Chief Risk Officer (CRO), responsible for coordinating and analyzing the information reported to the IRCC.

The respective risk committees in If do not have a decision mandate. The responsibilities of the respective committees are described below:

- The Actuarial Committee (AC) is responsible for the coordination of the Actuarial Function in the If Group, as well as a preparatory and advisory body for the Chief Actuary. The committee shall secure a comprehensive view and effective control over reserve risk, as part of the risk-management framework. The committee shall discuss and give recommendations regarding policies and guidelines of technical provisions and review and give suggestions for update of the Risk Data Policy.
- The Compliance Committee (CC) is responsible for coordination and is an advisory body for the Chief Compliance Officer (CCO) regarding legal compliance issues. The task of the committee is to secure a comprehensive view of compliance risk and activities in the If Group.
- The Ethics Committee (EC) discusses and coordinates ethics issues in the If Group, within the scope of policies or other governing documents regarding values and ethical behavior. The committee shall also give recommendations on ethical issues to the chairman of the committee, to be communicated to the line organization and management. The committee shall also propose changes and/or extensions to the Ethical Policy.
- The Chairman of the Investment Control Committee (ICC) is responsible for monitoring the investment activities and supervising the implementation of the Investment Policy ensuring compliance with the principles and limits specified in the Investment Policy and for reporting deviations from the policy.
- The Chairman of the Operational Risk Committee (ORC) is responsible for reporting on the operational risk status for the If Group as a whole based on the risks identified in the Operational Risk Assessment (ORA) process. The committee shall consider and propose changes and/or extensions to policies and instructions regarding operational risks.
- The Reinsurance Committee (RC) is a collaboration forum formed to secure the corporate mission of reinsurance in If. The committee is responsible for issues regarding reinsurance and is an advisory body in which decision items are discussed and recommendations given. The committee shall consider and propose updates and changes to the Reinsurance Policy and the Internal Reinsurance Policy.
- The Chairman of the Reinsurance Security Committee (RSC) is responsible for reporting deviations from the Reinsurance Security Policy to the IRCC. The committee shall monitor and evaluate reinsurance credit-risk exposure in the portfolio, and suggest possible actions.
- The Chairman of the Underwriting Committee (UWC) is responsible for reporting deviations from the Underwriting Policy to the IRCC. UWC is responsible for monitoring compliance with the established underwriting principles. The committee shall propose changes and/or extensions to the Underwriting Policy.

Figure 2 shows If's Risk categorization and each risk is described below

FIGURE 2 **Categorization of RisksCapital Management**



CAPITAL MANAGEMENT

If focuses on both capital efficiency and sound risk-management while keeping the capital resources at an appropriate level in relation to the risks taken. This means ensuring that available capital exceeds the internal and regulatory capital requirements.

Capital management is based on Ifs risk appetite statement, which is further detailed by risk preferences and the risk tolerance. These are implemented through policies approved by the Board of Directors. If´s risk profile; required capital and available capital are measured, analyzed and reported to IRCC and the Boards of Directors on a quarterly basis, or more often when deemed necessary.

In addition to maintaining capital at a sufficient level If shall:

- Allocate capital to business areas in order to secure that a risk-based approach is used for target setting and profitability evaluation;
- Manage the debt to equity structure in order to enhance returns to shareholders while maintaining reasonable financial flexibility;
- Assure sustainable dividend capacity; and
- Retain a single A rating (Standard & Poor's and Moody's).

Capital Position

The capital position is the relationship between available capital and required capital. To fulfill requirements from various stakeholders, different measures to describe the capital position are used: internal economic measures, regulatory measures and rating agency measures.

INTERNAL ECONOMIC MEASURES

Economic capital is an internal measure showing the size of a deviation from expected result calculated at a confidence level corresponding to 99.5% in a one-year horizon. In the calculation of economic capital, all major quantifiable risks are included and the calculations are based on an economic, market consistent, perspective. The economic capital includes the risks calculated in If's internal model, credit-risk towards reinsurers and operational risk. Thereby all material risks are covered and changes in the risk profile are captured.

Adjusted solvency capital is an internal measure for available capital. Adjusted solvency capital is calculated by adding an adjustment to the regulatory solvency capital. The adjustment is the difference between carrying amount and fair value of technical provisions, whereby the market value of technical provisions is the discounted value of future cash flows plus a risk margin.

The internal measures economic capital and adjusted solvency capital are presented in Table 1.

TABLE 1 **Regulatory capital measures and internal economic measures, Dec 31**

MSEK	2012	2011
Solvency requirement	7,369	7,493
Capital base	26,614	24,043
Economic Capital (99.5%)	13,839	13,015
Adjusted solvency capital	26,516	25,436

REGULATORY MEASURES

Insurance is a regulated business with formal rules for the capital requirement and available capital. The regulatory capital requirement and the regulatory solvency capital are presented in Table 1. All If companies fulfilled their regulatory capital requirements during 2012.

RATING AGENCY MEASURES

The legal entities If P&C Insurance Ltd and If P&C Insurance Company Ltd within the If Group are rated A by Standard & Poor's and A2 by Moody's. The main rating objective is to retain a single A rating.

Risk and Capital Modeling

In order to assess the overall risk profile, it is necessary to incorporate the interrelationships between the various risks, as some of the risks may develop in opposite directions creating natural hedges. For this purpose, If has used an internal model for several years. Through simulations of both investment and insurance operations, the effect of, for example, reinsurance structure and investment allocations can be analyzed simultaneously.

The economic capital for market risk and underwriting risk are calculated using If Group's internal model. Credit-risk relating to reinsurance is calculated using a separate simulation tool and operational risks are estimated using the standard formula of the proposed Solvency II framework.

In addition to the calculation of economic capital, the internal model is also used as a basis for decisions regarding:

- Overall capital requirements for If and its subsidiaries;
- Allocation of capital to the various business areas in order to achieve consistent profit targets throughout the organization;
- Risk limits in the Investment Policy; and
- Reinsurance retention levels

Distribution of Economic Capital

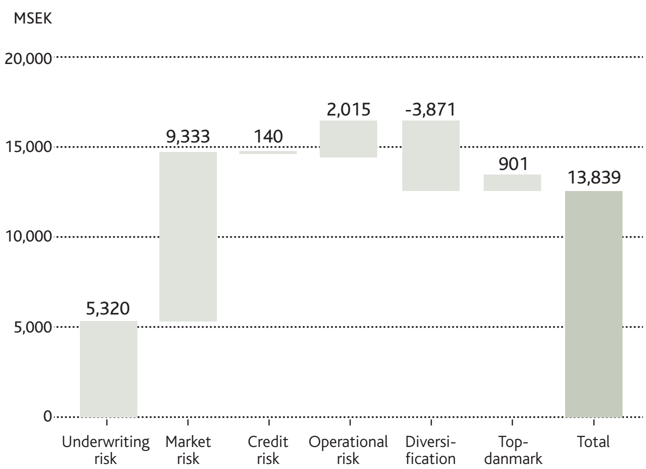
Economic capital tied up in If's operations on December 31, 2012 was MSEK 13,839 compared with MSEK 13,015 on December 31, 2011 (confidence level of 99.5%).

Economic capital does not only reflect the capital requirements for different kinds of risks, but also their mutual diversification effect. This gives a more accurate view of the overall capital requirements since it is highly unlikely that all risks will materialize simultaneously.

During 2011 If's holding in Topdanmark increased and the Danish insurance company became an associated company. The holding is treated as an equity exposure and If's share of Topdanmark's regulatory solvency requirement of MSEK 901 as of December 2012 is included in the economic capital.

Figure 3 shows the distribution of economic capital between various risk areas.

FIGURE 3 Economic Capital, Dec 31, 2012



UNDERWRITING RISKS

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

Premium Risk and Catastrophe Risk

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

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

PREMIUM RISK AND CATASTROPHE RISK-MANAGEMENT AND CONTROL

The Underwriting Policy (UW Policy) is the principal document for underwriting and sets general principles, restrictions and directions for the organization of underwriting activities. The Board of Directors decides on the UW Policy at least once a year.

The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover such areas as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits, such as amounts insured and risks that are not acceptable to underwrite. The UWC is responsible for monitoring compliance with the established underwriting principles.

The business areas manage the underwriting risk on a day-to-day basis. A crucial factor affecting the profitability and risk of P&C insurance operations is the ability to accurately estimate future claims and administrative costs and thereby correctly price insurance contracts. The pricing within the Private business area and smaller risks within the Commercial business area are set through tariffs. The underwriting of risks in the Industrial business area and more complex risks within the Commercial business area is based to a greater extent on general principles and individual underwriting than strict tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

The insurance portfolio is well diversified, given the large number of customers and the fact that business is underwritten in different geographical areas and across several insurance classes.

Despite the diversified portfolio, risk concentrations and thereby severe claims may arise through, for example, exposures to natural catastrophes such as storms and floods. The geographical areas most exposed to such events are Denmark, Norway and Sweden. Also single large claims can potentially have a significant impact on the insurance operations result. The economic impact of natural disasters and single large claims is mitigated using reinsurance.

If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance are analyzed based on statistical models for single large claims, while If cooperates with external advisors for the evaluation of the exposure to natural catastrophes and the probability of occurrence of catastrophe losses. The analysis relies on catastrophe models in which catastrophes are simulated based on historical meteorological data, supplemented by statistical models. Different reinsurance structures are evaluated by looking at the expected cost versus the benefit of the reinsurance, the impact on volatility in result and lowered capital requirement (economic, regulatory and rating capital requirement).

A Nordic-wide reinsurance program has been in place in If since 2003. In 2012, retention levels were between MSEK 100 and MSEK 200 per risk and MSEK 200 per event.

QUANTIFICATION OF PREMIUM RISK

There is a risk, given the inherent uncertainty of P&C insurance, that losses due to claims may be unexpectedly high. Examples include large fires, natural catastrophes such as severe storms, or unforeseen increases in the frequency or the average size of small and medium-sized claims.

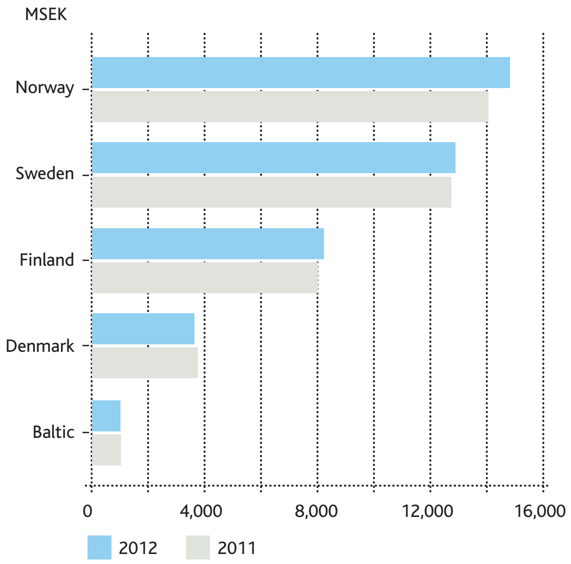
A sensitivity analysis of the aggregated premium risk is presented in Table 2.

TABLE 2 **Sensitivity analysis of premium risk, Dec 31**

MSEK			Effect on result before tax	
Parameter	Current level, 2012	Change	2012	2011
Combined ratio, Business Area Private	88.1%	+/- 1 percentage point	+/- 214	+/- 207
Combined ratio, Business Area Commercial	89.0%	+/- 1 percentage point	+/- 116	+/- 113
Combined ratio, Business Area Industrial	95.8%	+/- 1 percentage point	+/- 38	+/- 39
Combined ratio, Business Area Baltic	87.1%	+/- 1 percentage point	+/- 10	+/- 11
Premium level	37,973	+/- 1%	+/- 380	+/- 370
Claims level	27,386	+/- 1%	+/- 274	+/- 276

If mainly underwrites agreements in the Nordic and Baltic countries and to a limited degree in Russia. If also underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of premium income is shown in Figure 4.

FIGURE 4 **Premium income per country, Dec 31**



RESERVE RISK

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

The technical provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. Since claims are paid after they have occurred, it is also necessary to set provisions for claims outstanding. The technical provisions are the sum of provisions for unearned premiums and provisions for claims outstanding.

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

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

Reserve Risk-Management and Control

The Board of Directors decides on the guidelines governing the calculation of technical provisions. If's Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient. The Chief Actuary issues a quarterly report on the adequacy of technical provisions, which is submitted to the Board of Directors, CEO, CFO and the IRCC.

The AC is a preparatory and advisory board for the Chief Actuary. The committee makes recommendations concerning guidelines for technical calculations. The committee also monitors technical provisions and provides advice to the Chief Actuary regarding the adequacy of these provisions.

If's actuaries analyze the uncertainty of technical provisions. The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.

The actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are monitored include loss development trends, the level of unpaid claims, legislative amendments, case law and economic conditions. When setting provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and the average claim costs.

The anticipated inflation trend is taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as MTPL and WC. This is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own estimation of cost increases for various types of claims cost.

Inflation risk in the technical provisions is an important consideration taken into account in If's investment strategy.

Quantification of Reserve Risk

For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions that are related to MTPL and WC was 69%.

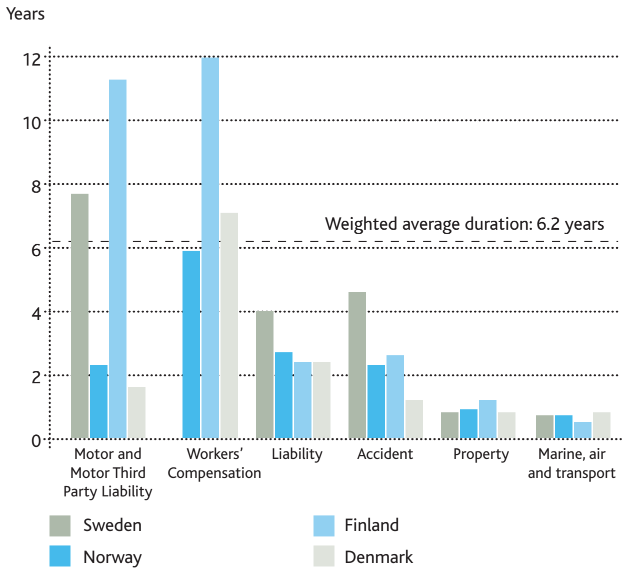
TABLE 3 **Technical provisions (net) per product and country, Dec 31**

	Sweden		Norway		Finland		Denmark	
MSEK	2012	2011	2012	2011	2012	2011	2012	2011
Motor and Motor Third Party Liability	23,121	22,693	7,509	7,535	7,325	7,512	1,119	1,166
Workers' compensation	-	-	3,536	3,653	8,958	9,216	2,153	2,337
Liability	2,598	2,851	1,414	1,463	1,095	1,169	677	739
Accident	1,940	1,858	3,116	2,829	1,060	916	647	586
Property	3,678	3,651	4,693	5,200	1,657	1,577	1,210	1,273
Marine, air and transport	260	310	279	271	89	220	100	109
Total	**31,597**	**31,363**	**20,547**	**20,951**	**20,184**	**20,610**	**5,906**	**6,210**

Excluding Baltic and other, total MSEK 1,384 (1,242).

The durations of technical provisions for various products are shown in Figure 5 and the amount of technical provisions broken down by product and country is shown in Table 3.

FIGURE 5 **Duration of technical provisions, Dec 31, 2012**



For several lines of business, technical provisions are sensitive to changes in inflation. The sensitivity of the inflation assumptions differs between countries due to different national rules. A sensitivity analysis of the reserve risk on December 31 is presented in Table 4.

TABLE 4 **Sensitivity analysis, reserve risk, Dec 31**

Portfolio	Risk	Change in risk parameter	Country	2012 Effect MSEK	2011 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden Denmark Norway Finland	1,614 101 576 195	1,665 110 581 247
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden Denmark Finland	646 75 1,703	624 77 1,921
Annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden Denmark Finland	120 3 288	114 4 313

FINANCIAL ASSETS AND LIABILITIES

The recognition of financial assets and liabilities depends on their classification. The classification of assets and liabilities categorized in accordance with IAS 39 is shown in Table 5.

TABLE 5 **Financial assets and financial liabilities, Dec 31**

From an asset management perspective, assets under active management are categorized in asset classes supporting the disclosures in Risk-Management and performance reporting (Note 15).

			Fixed income		Equity		Properties	
MSEK	2012	2011	2012	2011	2012	2011	2012	2011
Financial assets, mandatory at fair value through profit or loss (Trading)								
Derivatives [1)]	421	1,019	19	169	-	0		
Financial assets, designated by If as at fair value through profit or loss								
Shares and participations	0	0			0	0		
Bonds and other interest-bearing securities	167	1,381	167	1,381				
Financial assets, available for sale								
Shares and participations	11,773	11,485	766	866	10,903	10,514	105	105
Bonds and other interest-bearing securities	83,033	81,215	83,033	81,215				
Total financial assets at fair value	**95,394**	**95,100**	**83,985**	**83,631**	**10,903**	**10,514**	**105**	**105**
Loans and receivables								
Deposits with credit institutions	1,247	1,476	1,247	1,476				
Other loans	715	730	216	220			499	510
Other assets								
Deposits with ceding undertakings	12	11						
Debtors arising out of direct insurance	9,424	9,059						
Debtors arising out of reinsurance operations	680	569						
Other debtors	559	537						
Cash and bank	2,243	2,002	2,243	2,002				
Securities settlement claims	29	17	1	2	28	15		
Accrued income	1,341	1,428	1,074	1,164			11	-
Total financial assets	**111,644**	**110,929**	**88,766**	**88,495**	**10,931**	**10,529**	**615**	**615**
Financial liabilities, mandatory at fair value through profit and loss								
Derivatives [2)]	327	1,804	11	144	-	0		
Financial liabilities valued at accrued acquisition value								
Subordinated debt	2,776	2,881						
Financial liabilities valued at the amount expected to be settled								
Amounts owed to credit institutions								
Creditors arising out of direct insurance	1,283	1,457						
Creditors arising out of reinsurance operations	884	615						
Securities settlement liabilities	0	3	0	-	0	3		
Other creditors	1,544	1,609						
Accrued expenses	1,666	1,522						
Total financial liabillities	**8,480**	**9,891**	**11**	**144**	**0**	**3**		
Assets allocated to asset classes			**88,755**	**88,351**	**10,931**	**10,526**	**615**	**615**
Additional properties included in the balance sheet							257	266
							872	**881**

1) Only fixed income and equity derivatives are included in the asset classes. Excluded Currency derivatives amounted to MSEK 402 (850).

2) Only fixed income derivatives are included in the liability classes. Excluded Currency derivatives amounted to MSEK 316 (1,660).

The majority of financial assets and liabilities are recognized at fair value. The valuation is based on either published quoted prices or valuation methods based on observable market inputs, where available. For a limited portion of assets, the value is determined using other techniques. Financial instruments measured at fair value have been classified into three hierarchy levels. The valuation of financial assets and liabilities is shown in Table 6.

TABLE 6 Determination of fair value of financial assets and liabilities in fair value hierarchy, Dec 31

	2012				2011			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit and loss (Trading)								
Derivatives								
Interest-rate swaps	18	1	-	19	-	166	-	166
Other interest-rate derivatives	-	-	-	-	3	0	-	3
Foreign exchange derivatives	-	402	-	402	-	850	-	850
Equity derivatives	-	0	-	0	-	0	-	0
	18	**403**	**-**	**421**	**3**	**1,016**	**-**	**1,019**
Financial assets, designated by If as at fair value through profit or loss								
Shares and particpations	-	-	0	0	-	-	0	0
Bonds and other interest-bearing securities	-	167	0	167	257	1,124	0	1,381
	-	**167**	**0**	**167**	**257**	**1,124**	**0**	**1,381**
Financial assets, available for sale								
Shares and participations [1]	10,644	-	1,129	11,773	10,200	0	1,285	11,485
Bonds and other interest-bearing securities	2,069	80,854	110	83,033	2,663	78,193	359	81,215
	12,713	**80,854**	**1,239**	**94,806**	**12,863**	**78,193**	**1,644**	**92,700**
Total financial assets at fair value	**12,731**	**81,424**	**1,239**	**95,394**	**13,123**	**80,333**	**1,644**	**95,100**
Financial liabilities, mandatory at fair value through profit and loss (Trading)								
Derivatives								
Other interest-rate derivatives	-	11	-	11	-	144	-	144
Foreign exchange derivatives	-	316	-	316	-	1,660	-	1,660
	-	**327**	**-**	**326**	**-**	**1,804**	**-**	**1,804**
Total financial liabilities at fair value	**-**	**327**	**-**	**327**	**-**	**1,804**	**-**	**1,804**

1) Mutual funds recognized in the above balances totaled MSEK 4,284 (5,561), of which MSEK 3,295 (4,224) was allocated to level 1 and MSEK 989 (1,337) to level 3.

During 2012, no financial assets or liabilities at fair value were moved between level 1 and level 2.

Level 1 – Financial assets and liabilities valued using quoted (unadjusted) prices in active markets for identical assets and liabilities. An active market for asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets and liabilities in this category include most government guaranteed bonds, listed derivatives with daily price quotations and listed shares.

Level 2 – Financial assets and liabilities whose fair values are estimated using a valuation technique and where all significant inputs are observable either by using direct or indirect prices or rates prevailing at the balance sheet date. For model-valued instruments with observable input data, market interest-rates and underlying prices are updated every month or more frequently, depending on the situation in the particular market. This category includes the majority of interest-bearing assets, such as corporate bonds, municipal bonds, most OTC derivatives, standardized derivatives and FX derivatives.

Level 3 – Financial assets and liabilities traded in an illiquid market, with non-observable prices or indications of trading levels without any actual trades. Model valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 comprises private equity, real estate, certain high-yield assets and distressed assets encountering financial difficulties.

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

TABLE 7 **Reconciliation of movements during the accounting year in level 3 financial instruments at fair value, Dec 31**

MSEK 2012	Carrying amount Jan 1	Total gains/ losses in income statement	Total gains/losses in other compre-hensive income	Purchases	Sales	Transfers from/to level 1 and level 2	Exchange-rate differences	Carrying amount Dec 31	Of which unrealized gains or losses
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	0	-	-	-	-	-	-	0	-
Bonds and other interest-bearing securities	-	-	-	-	-	-	-	-	-
	0	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**
Financial assets, available for sale									
Shares and participations	1,285	-1	39	3	-143	0	-54	1,129	-1
Bonds and other interest-bearing securities	359	207	-112	1	-341	0	-4	110	158
	1,644	**206**	**-73**	**4**	**-484**	**0**	**-58**	**1,239**	**157**
Total financial assets at fair value	**1,644**	**206**	**-73**	**4**	**-484**	**0**	**-58**	**1,239**	**157**

MSEK 2011	Carrying amount Jan 1	Total gains/ losses in income statement	Total gains/losses in other compre-hensive income	Purchases	Sales	Transfers from/to level 1 and level 2	Exchange-rate differences	Carrying amount Dec 31	Of which unrealized gains or losses
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	0	-	-	-	-	-	-	0	-
Bonds and other interest-bearing securities	2	0	-	-	0	-	-2	0	0
	2	**0**	**-**	**-**	**0**	**-**	**-2**	**0**	**0**
Financial assets, available for sale									
Shares and participations	1,233	-56	104	45	-58	0	17	1,285	-56
Bonds and other interest-bearing securities	598	175	-67	4	-329	-28	6	359	171
	1,831	**119**	**37**	**49**	**-387**	**-28**	**23**	**1,644**	**115**
Total financial assets at fair value	**1,833**	**119**	**37**	**49**	**-387**	**-28**	**21**	**1,644**	**115**

Included in the fair value of financial instruments carried at fair value on the balance sheet are those finacial instruments in level 3 that are not supported by quoted prices or by using valuation techniques supported by observable market prices and rates. At December 31, 2012 financial assets presented in level 3 amounted to MSEK 1,239 (1,644). These financial assets are categorized as available for sale and therefore unrealized market value changes are recognized in other comprehensive income.

Table 8 shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by category and financial instrument. By a one percent increase in the yield-curve for bonds and other interest-bearing securities and a 20% decrease in prices for equity securities and real estate, the result of the sensitivity analysis shows an unfavorable change in the fair values of the financial instruments in level 3.

TABLE 8 **Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions, Dec 31**

	2012		2011	
MSEK	Carrying amount	Effect of reasonbaly possible alternative assumptions	Carrying amount	Effect of reasonbaly possible alternative assumptions
Financial assets, designated by If as at fair value through profit or loss				
Shares and participations	-	-	-	-
Bonds and other interest-bearing securities	0	0	0	0
Financial assets, available for sale				
Shares and participations [1)]	1,129	-93	1,285	-127
Bonds and other interest-bearing securities	110	0	359	-9
Total financial assets at fair value	**1,239**	**-93**	**1,644**	**-136**

1) Includes holding in equity and interest-bearing funds.

MARKET RISKS

Market risk is the risk of loss, or of an adverse change in financial position, resulting directly or indirectly from fluctuations in market prices of assets and liabilities. Losses in the investment portfolio might occur due to adverse changes in the level or volatility of interest-rates, equity prices, credit spreads, currencies and real estate.

Market Risk-Management and Control

If's investment strategy is to achieve the highest possible return at an acceptable level of risk. The compositions of If's investment assets must at all times comply with supervisory authorities' regulations and ensure an adequate solvency ratio.

The Board of Directors annually decides on the Investment Policies. The structure of the companies' technical provisions, risk-bearing capacities, regulatory requirements, rating targets and risk tolerance is taken into account when defining asset-allocation decisions, limits and setting return and liquidity targets. The Investment Policies also define mandates and authorizations and set guidelines on the use of derivatives.

Quantification of Market Risk

If's investment operations generated a return of 6.1% in 2012. Investment assets amounted to MSEK 100,558. The major market risks comprise interest-rate risk, equity risk and currency risk.

TABLE 9 **Allocation of investment assets, Dec 31**

	2012		2011	
MSEK	Carrying amount	%	Carrying amount	%
Fixed income	88,755	88.3	88,351	88.6
Equities	10,931	10.8	10,526	10.5
Properties	872	0.9	881	0.9
Total	**100,558**	**100**	**99,758**	**100**

During the year, the proportion of equity investments increased from 10.5% to 10.8%. The proportion of fixed income investments decreased accordingly from 88.6% to 88.3%. Other investment assets amounted to 0.9% at December 31, 2012.

The values of financial assets and liabilities are subject to changes in the underlying market variables. Table 10 shows the sensitivity analysis of the fair values of financial assets and liabilities in different market scenarios. The effects represent the immediate impact of a nonrecurring change in the underlying market variable on the fair values as of December 31 each year. The sensitivity analysis includes the effects of derivative positions and is calculated before taxes.

TABLE 10 **Sensitivity analysis of the fair values of financial assets and liabilities, Dec 31**

	2012				2011			
	Interest-rate		Equity	Properties	Interest-rate		Equity	Properties
MSEK	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	14	-14			24	-24		
Long-term fixed income	1,076	-1,043			1,237	-1,191		
Equity			-2,186				-2,105	
Other financial assets				-174				-176
Liabilities								
Subordinated loans	-97	91			-120	111		
Derivatives, Net	-75	69			-124	115		
Total change in fair value	**918**	**-897**	**-2,186**	**-174**	**1,017**	**-989**	**-2,105**	**-176**

INTEREST-RATE RISK

Interest-rate risk refers to the uncertainty in the values of assets and liabilities as well as interest income and expenses resulting from changes in the market interest-rate.

Interest-Rate Risk-Management and Control

According to If's Investment Policy, the composition of investment assets must take into account the nature of the insurance commitments with respect to interest-rate risk and inflation risk. The interest-rate is managed by sensitivity limits for instruments sensitive to interest-rate changes.

Since the technical provisions are predominantly stated in nominal terms in the balance sheet, If is mainly exposed to changes in future inflation. The economic value of these provisions, that is the present value of future claims payments, is however exposed to changes in interest-rates. Furthermore, the provisions for annuities in Finland, Sweden and Denmark are discounted and potential changes in the discount rates will affect the level of technical provisions in the company's balance sheet.

The discount rates vary between countries mainly due to legislative differences, but are impacted by the prevailing interest-rate environment. The duration of provisions and thus sensitivity to changes in interest-rates are analyzed in greater detail in Figure 5 and Table 4 in the section concerning reserve risk. The cash flows of financial assets and liabilities are presented by maturities in Table 18, in the section concerning liquidity risks.

Quantification of Interest-Rate Risk

The duration of fixed income investments was 1.1 years at year end 2012 (1.2 years in 2011). The interest-rate sensitivity (duration) of fixed income investments is shown in Table 11.

TABELL 11 **Duration and breakdown of fixed income investments per instrument type, Dec 31**

	2012			2011		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Scandinavian govt/credits	65,921	74.3	1.0	62,648	70.9	1.2
Euro govt/credits	11,297	12.7	1.5	11,161	12.6	1.3
Swedish index-linked bonds	2,232	2.5	3.0	2,718	3.1	3.6
Short-term fixed income	7,582	8.6	0.2	9,106	10.3	0.3
US govt/credits	1,691	1.9	0.4	2,658	3.0	1.9
Global govt/credits	32	0.0	0.4	60	0.1	0.6
Total	**88,755**	**100**	**1.1**	**88,351**	**100**	**1.2**

EQUITY RISK

Equity risk is the risk of loss due to changes in share prices. If is exposed to changes in the prices of equities through its investment operations.

Equity Risk-Management and Control

The equity risk is reduced by diversifying the investments across industry sectors and geographical regions. According to If's Investment Policy, equity investment may not exceed 15% of the total investment portfolio and the exposure towards an individual issuer is limited.

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. If's equity portfolio is actively managed with a long-term investment horizon and mandates for investments are stipulated in the Investment Policy.

Quantification of Equity Risk

At year-end, exposure amounted to MSEK 10,931 and the proportion of equities in the investment portfolio was 10.8%.

TABLE 12 Breakdown of equity investments by industry sectors, Dec 31

MSEK	2012 Carrying amount	%	2011 Carrying amount	%
Machinery	1,922	26.0	1,602	23.6
Households Durables	876	11.8	769	11.3
Specialty Retail	759	10.3	733	10.8
Telecommunication Services	668	9.0	617	9.1
Financials Services	645	8.7	487	7.2
Construction and Engineering	625	8.4	540	7.9
Electrical Equipment	424	5.7	355	5.2
Oil, Gas and Consumable Fuels	290	3.9	316	4.7
Commercial Services and Distributors	217	2.9	212	3.1
Others	984	13.3	1,158	17.1
Total	**7,410**	**100**	**6,789**	**100**

The sector allocation of equity excludes investments made through mutual equity funds of MSEK 3,521 (3,737).

TABLE 13 Breakdown of equity investments by geographical regions, Dec 31

MSEK	2012 Carrying amount	%	2011 Carrying amount	%
Scandinavia	7,410	69.2	6,773	66.1
North America	978	9.1	1,212	11.8
Western Europe	1,038	9.7	970	9.5
Far East	861	8.0	755	7.4
Latin America	274	2.6	272	2.7
Japan	146	1.4	254	2.5
Eastern Europe	0	0.0	0	0.0
Total	**10,707**	**100**	**10,236**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 224 (290).

CURRENCY RISK

Currency risk is the risk of loss due to changes in currency exchange rates. Currency risk in general can be divided into transaction risk and translation risk. Transaction risk refers to the currency risk arising from contractual cash flows related to the insurance or investment operations or from hedges related to these cash flows. Translation risk refers to the currency risk that arises when consolidating the financial statements of subsidiaries that have a different base currency than the parent company.

Currency Risk-management and Control

The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in insurance operations is hedged back to the base currency on a frequent basis. The translation risk is not hedged. The currency exposure in investment assets should be controlled weekly and hedged when the exposure has reached a certain level, which is set with respect to cost efficiency and minimum transaction size.

Quantification of Currency Risk

If's currency positions against the base currency and the currency risk are shown in Table 14.

TABLE 14 Currency risk, Dec 31

MSEK Currency	EUR	NOK	DKK	LVL	LTL	GBP	USD	JPY	Other
Open position (SEK), 2012	**38**	**42**	**-195**	**-5**	**-7**	**-9**	**-137**	**-40**	**8**
10% depreciation of foreign currency against SEK, 2012	-4	-4	20	0	1	1	14	4	-1
10% depreciation of foreign currency against SEK, 2011	50	-6	22	1	1	-2	-10	0	16

Currency positions in the Baltic business area are excluded.

CREDIT-RISK INCLUDING CREDIT SPREAD RISK

Credit-risk is the risk of loss, or of adverse changes in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any other debtors to which insurance undertakings are exposed in the form of counterparty default risk, issuer risk or market risk concentrations. Credit-risk relates to reinsurance, investment and derivatives.

Credit spread risk is defined as the risk of loss due to changes in the credit spreads of fixed income instruments issued by banks or corporate and fixed income instruments issued by governments.

Credit-Risk and Credit Spread Risk of Investment and Derivatives

Credit-risk in investment operations include the risk that a government or corporate issuer will not fulfill its obligations or otherwise obstruct the remittance of funds by debtors, particularly in the context of fixed income securities. Credit-risk in the investment operations can be divided into issuer risk, counterparty risk and spread risk. Issuer risk is often associated with a direct security holding, while counterparty risk is related to derivatives. The essential difference in terms of risk is that in the case of issuer risk, the entire value of the bond is at risk, while in the case of counterparty risk; only the current market value of the derivative contract is at risk.

Risk-Management and Control of Credit-Risk and Credit Spread Risk of Investments and Derivatives

Credit-risk in investment operations is controlled by specific limits stipulated in If's Investment Policy. In the policy, limits are set for maximum exposures towards single issuers and per rating class. The credit spread risk is limited by sensitivity restrictions for instruments sensitive to credit spread changes. Before investing in a new instrument, the credit standing of the issuer is assessed thoroughly as is the valuation and liquidity of the instrument. Credit ratings mainly from Standard & Poor's, Moody's and Fitch, are used to judge the creditworthiness of issuers and counterparties. In addition, portfolio performance and the counterparties' credit standings are monitored continuously.

The development of the portfolios with respect to credit-risk shall be monitored on company level as well as group level and reported to the ICC on a regular basis. Credit exposures are reported by ratings, instruments and the industry sectors of issuers and counterparties. Since credit-risk is taken mainly as part of investment operations where most of the investments are in tradable instruments, credit-risk is by nature primarily a spread risk and it is managed and monitored as part of market risk.

Quantification of Credit-risk and Credit Spread Risk of Investments and Derivatives

If's most significant credit-risk exposures arise from investments in fixed income investments. The exposure by sectors, asset classes and rating category is shown in Table 15.

TABLE 15 **Exposures by sectors, asset classes and rating, Dec 31, 2012**

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total [1]	Equities	Properties	Derivatives (Counter-party risk)	Total [2]	Change compared to Dec 31, 2011
Asset-backed Securities								-				-	-
Basic Industry				994	896		1,036	2,926	357			3,283	-67
Capital Goods			149	230			608	987	2,821			3,808	797
Consumer Products			111	2,388			1,197	3,696	2,269			5,965	578
Covered Bonds	31,247	1,365						32,612				32,612	558
Energy		58	409	38	814		3,469	4,788	309			5,097	1,123
Financial Institutions	248	7,934	13,946	3,996	2,161		51	28,336	645		76	29,057	-287
Governments	284			26				310				310	-1,422
Government Guaranteed	1,481						482	1,963				1,963	-456
Insurance								-				-	-
Media							328	328				328	125
Municipalities	3,855		10		1			3,866				3,866	-543
Real Estate		85					641	726		872		1,598	-9
Services				100			79	179	33			212	75
Technology and Electronics								-	25			25	-20
Telecommunications			1,437	361	2		190	1,990	668			2,658	112
Transportation		251			2		2,252	2,505	71			2,576	629
Utilities			1,877	844			346	3,067	7			3,074	223
Others								-	204			204	-565
Funds							768	768	3,522			4,290	31
Total	**37,115**	**9,693**	**17,939**	**8,977**	**3,876**	**-**	**11,447**	**89,047**	**10,931**	**872**	**76**	**100,926**	**882**
Change compared to Dec 31, 2011	**-1,687**	**-1,442**	**-2,542**	**2,609**	**1,263**	**-**	**2,210**	**411**	**406**	**-9**	**74**	**882**	

1) Total fixed income exposure differs by MSEK 292 compared to corresponding financial assets and liabilities in table 5 due to different managing of credit default swaps and that other derivatives are excluded.

2) Total exposure differs by MSEK 368 compared to corresponding financial assets and liabilities in table 5 due to different managing of credit default swaps and that other derivatives are excluded except for OTC derivatives where only the counterparty risk is taken into account.

Credit-Risk of Reinsurance

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

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

Quantification of Credit-Risk of Reinsurance

The distribution of reinsurance recoverable is presented in Table 16. In the table, MSEK 1,232 (1,457) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 16 **Reinsurance recoverable, Dec 31**

MSEK Rating (S&P)	2012	%	2011	%
AAA	-	-	2	0.1
AA	2,275	57.9	3,446	98.4
A	1,554	39.5	4	0.1
BBB	42	1.1	0	0.0
BB - CCC	-	-	-	-
Not rated	60	1.5	48	1.4
Total	**3,931**	**100**	**3,500**	**100**

The distribution of ceded treaty and facultative premiums per rating category is presented in Table 17.

TABLE 17 **Ceded treaty and facultative premiums per rating category, Dec 31**

MSEK Rating (S&P)	2012	%	2012	%
AAA	-	-	1	0.2
AA	300	50.0	297	54.9
A	298	49.8	243	44.9
BBB	1	0.2	-	-
BB - CCC	-	-	-	-
Not rated	0	0.0	-	-
Total	**599**	**100**	**541**	**100**

ASSET AND LIABILITY MANAGEMENT (ALM) RISK

Asset and liability management (ALM) is the practice of managing risks that could arise due to duration differences between assets and liabilities.

The ALM risk in If is managed in accordance with Sampo's group-wide principles. ALM is taken into account through the risk appetite framework and is governed by the If Investment Policy.

The value of the technical provisions is sensitive to, from an ALM perspective, future inflation and interest-rates as well as exchange-rates for provisions in non-base currencies.

A major part of the technical provisions is nominal, while a still significant part, being the annuity and so called annuity IBNR reserves, is discounted with interest-rates in accordance with regulatory rules. Thereby If is mainly exposed to changes in inflation and the regulatory discount rates from an accounting perspective.

From an economic perspective in which the technical provisions are discounted with prevailing interest-rates If is exposed to changes in both inflation and nominal interest-rates.

For the ALM risk, due to changes in currency rates (currency risk), the objectives of If's risk-management are:

- To keep the foreign currency exposure arising from If's normal business activities and investment decisions close to zero; and
- To achieve the highest possible return from active currency management, with a balanced and controlled level of risk and with adequate liquidity.

To maintain the ALM risk within the overall risk appetite the technical provisions may be matched through investments in fixed income instruments denominated in the same currency as the corresponding liability or by using currency derivatives. The Foreign Currency Risk Policy sets limits for the allowed FX-positions.

LIQUIDITY RISK

Liquidity risk is the risk that insurance undertakings are unable to realize investments and other assets in order to settle their financial obligations when they fall due. Liquidity risk can be divided into refinancing risk of debt and market liquidity risk of investment.

Liquidity Risk-Management and Control

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

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

Quantification of Liquidity Risk

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 18. In the table, financial assets and liabilities are divided into contracts with an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

TABLE 18 **Maturities of cash flows for financial assets and liabilities and net technical provisions, Dec 31, 2012**

	Carrying amount			Cash flows						
MSEK	Carrying amount	Without maturity	With contractual maturity	2013	2014	2015	2016	2017	2018-2027	2028-
Financial assets	111,644	15,398	96,246	35,091	21,429	17,781	15,817	9,650	4,190	4
Financial liabilities	8,480	0	8,480	6,444	123	1,408	58	58	1,169	0
Net technical provisions	79,618		79,618	28,884	7,997	5,563	4,460	3,747	21,039	17,164

CONCENTRATION RISK

Concentration risk is the risk arising from concentrations in the investment and insurance portfolios as well as in reinsurance contracts, to a single client, industry sector or geographic region.

Concentration Risk-Management and Control

In If's Investment Policy and Reinsurance Security Policy, limits are set for maximum exposures towards single issuers and per rating class. Risk concentrations are actively monitored and controlled by the respective committee and reported to the IRCC quarterly.

Quantification of Concentration Risk

Investments are mainly concentrated to the financial sector in Scandinavian countries. There is an emphasis on covered bonds and short-term money market investments.

The ten largest individual reinsurance recoverable amounted to MSEK 3,414, representing 65% of the total reinsurance recoverable. If's largest reinsurer is Munich Re (AA-). They account for 22% of total reinsurance recoverable.

The largest market and credit-risk concentrations related to individual counterparties are shown in table 19.

TABLE 19 Concentration of market and credit-risks in individual counterparties and asset classes, Dec 31, 2012

MSEK Fair value	Equity	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank AB		6,039	2,241	1,356	1	9,637
Swedbank AB		6,700	2,146	45		8,891
Svenska Handelsbanken AB		4,932	2,037			6,969
Skandinaviska Enskilda Banken AB		3,462	2,244	56		5,762
Danske Bank A/S		939	3,194	1,316		5,449
Swedish National Housing Finance Corporation		2,582	1,816			4,398
DnB ASA		1,597	2,583			4,180
Landshypotek AB		2,787	345			3,132
TeliaSonera AB	668		1,220			1,888
Kommuninvest AB			1,887			1,887
Total top ten exposures	**668**	**29,038**	**19,713**	**2,773**	**1**	**52,193**

OTHER RISKS

Operational Risk

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

OPERATIONAL RISK-MANAGEMENT AND CONTROL

The responsibility to identify, evaluate, control and mitigate operational risks lies within the line organization. Operational risks are identified through different processes:

- Self-assessments identifying operational risks are performed at least semi-annually. Identified risks are assessed from a severity perspective, encompassing probability and impact. The control status for each risk is assessed using a traffic light system: Green – good control of risk, Yellow – attention required, Red – attention required immediately. The most severe risks with control status yellow or red are reported to the ORC.
- Trend analysis is being performed on a yearly basis, whereby the most important trends affecting the insurance industry are identified and the effects on If are assessed. In this process, the most severe external operational risks are identified.
- Incidents are reported via a web-based system. The reported incidents are received by the line organization in order to perform analyses.

The ORC coordinates the operational risk process and ensures its continuity. The committee's task is to provide opinions, advice and recommendations to the IRCC and report the current operational risk status. The committee shall also propose changes or extensions to policies and instructions. The status assessment is based on assessments in the line organization, reported incidents and other additional risk information.

In order to manage operational risks If has issued a number of different steering documents; Operational Risk Policy, Contingency Plans, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy, and other steering documents related to different parts of the organization. These documents are reviewed and updated at least yearly.

In addition to this If has detailed processes and guidelines in order to manage possible external and internal frauds. Internal training on ethical rules and guidelines is a focus area.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation that an undertaking may suffer as a result of not complying with the laws, regulations and administrative provisions applicable to its activities.

COMPLIANCE RISK-MANAGEMENT AND CONTROL

The line organization and corporate functions own and manage their compliance risks in the daily activities and report to the Compliance unit. The Compliance unit gives support and advice regarding compliance issues and monitors the compliance activities undertaken.

A compliance risk is often the consequence of a legal or operational risk. A compliance risk could therefore be the risk of not abiding by new or amended external rules, so called practical risk. It could also be the risk of not organizing the Groups' business in accordance with good practice in the insurance industry, so called structural risk.

Practical compliance risks in the business are identified within the ORA process, which is the same process as used for operational risks. The structural compliance risks, and overarching practical compliance risks, are identified by the Compliance unit by way of self-assessment and dialogue within the unit.

Identified risks are assessed from a severity perspective, encompassing probability and impact. The control status for each risk is assessed using a traffic light system: Green – good control of risk, Yellow – attention required, Red – attention required immediately.

In the Compliance unit, compliance risks are analyzed and aggregated on a total If Group level. The control status assessment is based on the assessments made by the business, reported incidents and other additional risk information.

The outcome of the processes, after analysis in the Compliance unit, is then reported to the CC, which is a coordination forum and advisory body for the CCO regarding risk issues. The most severe compliance risks with control status yellow or red are reported at least semi-annually by the CCO to the IRCC.

A number of internal governing documents form the basis for the steering of the compliance activities, including compliance risk. Sampo Group Compliance Principles, Compliance Policy, Policy on Conflicts of Interest, Internal Control Policy, Risk-Management Policy, Compliance Plan, Working Routines for the Compliance function and the Instruction for compliance coordinators. The documents are reviewed and updated yearly or when necessary.

Business Risk

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

The Corporate Control and Strategy unit is responsible for coordinating and facilitating business risk assessment within If Group. Understanding of the competitive environment and effects of the macro economic climate is central for all parts of the organization. The responsibility to identify business risks lies within each business area. Business risks are reported to Corporate Control and Strategy semi-annually and are integrated in the financial plan reporting, the risks are also reported to the IRCC on a yearly basis.

Reputational Risk

A reputational risk is defined as potential damage to the company through deterioration of its reputation among customer and other stakeholders.

A good reputation is vital for an insurance company whereby trust is an important factor in relation to customers, investors, employees and other stakeholders. If's reputation is determined by how stakeholders perceive the companies' performance in each and every aspect.

As operational and other risks may evolve into reputational risks if not handled correctly, the Communication Department continuously work with making all employees aware of the importance of maintaining a good reputation and how potential reputational risks should be dealt with. One important aspect is to ensure a free flow of information to the Communication Department when mistakes have occurred in the operation that might lead to reputational problems – a so called early warning system.

Emerging Risk

Emerging risks are new risks or changes in old risks affecting the insurance portfolio.

The main principle is that each business area is responsible for managing and taking action on potential emerging risks exposes its portfolios. However, due to the large accumulation potential of emerging risks and thus the risk to the long-term solvency of the company, Risk-Management has established a forum with representatives from each business area with the aim of taking a group level perspective on emerging risk exposures. The emerging risk forum acts as an information exchange channel between business areas and enables a common group-wide view of potential actions to manage and mitigate emerging risks. The forum is headed by the CRO and meetings are held twice a year. In addition to the emerging risk forum, business area representatives also meet on a quarterly basis to discuss emerging risk issues in more detail, for example related to implementation of restrictions in conditions.

Legal Risk

A legal risk is defined as changes in laws or regulations, an unpredictable legal development, and defective documentation.

Corporate Legal is responsible for identifying legal risks within If Group. In addition, Insurance Legal is responsible for being updated on legislation, case law and products in relation to the insurance business. The organization has appointed legal coordinators who report to the Chief Legal Counsel who then reports semi-annually to the ORC.

PREPARATIONS FOR SOLVENCY II

The Solvency II Framework Directive, which introduces a new risk-based solvency regime, was adopted in 2009.

The economic risk-based solvency regime aims to deepen the integration of the insurance and reinsurance market, enhance the protection of policyholders and beneficiaries, improve international competitiveness of EU insurers and reinsurers and promote better regulation. Compared with the existing Solvency I regulation, the regulatory capital requirements in Solvency II will more closely reflect the specific risk profile of each company. There are uncertainties regarding the timeline for implementation.

A separate program was introduced within If in 2007 to have If well prepared when the Solvency II regulations enter into force.

The program has encompassed a thorough review of If's corporate governance and internal control structure, the risk-management framework, data capturing as well as development of the internal capital model. The program was finalized in 2012 and responsibilities transferred to the line organization.

The If Group entered a so called pre-application process with the Swedish and Finnish Financial Supervisory Authorities in 2011. The process continued during 2012 and is expected to be finalized during 2013. The aim is to have a partial internal model approved when the Solvency II regulations enter into force. The development of a tool for external Solvency II reporting is ongoing.

Notes to the income statement

NOTE 6 Result per business area

Group operations are controlled and reported primarily in accordance with If's customer groups and other operations, which consist of private individuals, small companies and large-scale companies and assets management.

The Private, Commercial and Industrial business areas conduct operations in Sweden, Norway, Denmark and Finland. These countries have well-developed insurance markets with a long-standing tradition of property and casualty insurance and well-developed products. The local markets are characterized by being dominated by a few major insurers and a large number of small-scale players.

The operations in the Baltic countries constitute a separate business area. The business area consists of insurance operations conducted in a subsidiary in Estonia with branches in Latvia and Lithuania.

The asset management unit provides centralized management of the Group's investment assets and bank balances. The asset management unit has earnings responsibility for its operations within the investment restrictions regulated by means of the Group's investment policy. An estimated return on the assets that correspond to technical provisions is transferred from the non-technical account to the technical result for each business area.

Within segment reporting, a separate account is provided in terms of the Group-wide operations that If has chosen not to allocate to the Group's established business areas. Within Other, If reports its run-off operations and other Group-wide operations. In late 2012 the Russian company IPSC Region was sold.

Business area consolidation is implemented, with the exception of asset management, in accordance with the same policies as those for the Group. The income statement items, assets and liabilities that are attributed to the various business areas are of a technical nature and constitute the principal operating items. Internal sales among the business areas had only a marginal impact on income and expenses for the various business segments.

INCOME STATEMENT AND BALANCE SHEET PER BUSINESS AREA

MSEK	Private	Commercial	Industrial	Baltic	Asset management	Other [1]	Adjustment to consolidated principles [2]	2012 Group	2011 Group
Premiums earned, net of reinsurance	21,444	11,567	3,834	976	-	152	-	37,973	36,966
Allocated investment income transferred from the non-technical account	479	192	77	18	-	6	-	772	1,124
Other technical income	141	108	26	1	-	10	-	286	277
Claims incurred, net of reinsurance	-15,469	-8,175	-3,012	-564	-	-166	-	-27,386	-27,614
Operating expenses in insurance operations, net of reinsurance	-3,433	-2,124	-663	-286	-	-2	-	-6,508	-6,380
Other operating expenses	-125	-107	-22	-	-	-6	-	-260	-244
Technical result from property casualty insurance	**3,037**	**1,461**	**240**	**145**	**-**	**-6**	**-**	**4,877**	**4,129**
Investment result, net					5,975	-	-2,358	3,617	3,175
Allocated investment income transferred to the technical account						-1,267		-1,267	-1,632
Interest expense, subordinated debt						-174		-174	-158
Share of associates' result						403		403	58
Result before income taxes								**7,456**	**5,572**
Assets on December 31									
Intangible assets	-	140	-	41	-	1,108	-	1,289	1,257
Investment assets	-	-	-	-	100,586	-	-	100,586	100,449
Reinsurers' share of technical provisions	314	767	3,856	14	-	0	-	4,951	4,709
Deferred tax assets	-	-	0	1	-	262	-	263	453
Debtors arising out of insurance operations	7,098	1,895	1,185	91	-	-164	-	10,105	9,628
Deferred acquisitions costs	839	549	27	27	-	31	-	1,473	1,395
Other assets [3]	-	-	-	-	1,683	2,782	-	4,465	4,298
Total assets	8,251	3,351	5,068	174	102,269	4,019	-	123,132	122,189
Shareholders' equity, provisions and liabilities on December 31									
Shareholders' equity	-	-	-	-	-	24,062	-	24,062	21,563
Subordinated debt	-	-	-	-	-	2,776	-	2,776	2,881
Technical provisions, gross	43,046	24,544	15,735	993	-	251	-	84,569	85,086
Provisions for other risks and charges	138	58	11	131	7	4,125	-	4,470	4,661
Deposits received from reinsurers	-	-	-	-	-	-	-	-	-
Creditors arising out of insurance operations	550	339	855	38	-	386	-	2,168	2,072
Other creditors [3]	-	-	-	-	380	4,707	-	5,087	5,926
Total shareholders' equity, provisions and liability	**43,734**	**24,941**	**16,601**	**1,162**	**387**	**36,307**	**-**	**123,132**	**122,189**

1) Including Run Off and other operations not allocated to the business areas.

2) Business area reporting includesall value changes on investment assets in the Investment result. As explained in Note 1 Accounting policies, the main principle is not to include value changes in the consolidated income statement but to include them in other comprehensive income until being realized.

3) Other debtors and creditors are not divided on the basis of business areas except for those related to asset management.

OPERATIONS PER GEOGRAPHICAL AREA

Revenues per geographical area, below, are distributed among the countries in which If has companies or branches and, in all significant respects, matches the customers' geographical domicile. Long-term investments have been allocated directly to the countries where they belong in terms of physical or business domicile.

	Sweden		Norway		Denmark		Finland		Baltic and Russia		Total	
Geographical area segment information	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Premiums earned, net of reinsurance	11,498	11,244	14,249	13,522	3,383	3,348	7,857	7,780	986	1,072	37,973	36,966
Non-current assets [1)]	464	443	194	194	2,901	2,801	972	991	95	101	4,626	4,530

[1)] Non-current assets refer to goodwill, other intangible assets, investments in associated companies and tangible assets.

BUSINESS AREA PRIVATE

Business trend during the year

The technical result increased compared to last year and amounted to MSEK 3,037 (2,308). The combined ratio improved to 88.1% (91.9) mainly due to better claims outcome and increased cost efficiency.

Premium income increased during the year and gross premiums (excluding currency effects) increased by 3.3%. Norway, Finland and Denmark had good growth in the year, while the premium development in Sweden was negatively affected by declining new car sales.

The risk ratio improved during the year and was 64.9% (68.5). Mild winter conditions and less significant weather-events compared to earlier years were the main causes for the improvement.

Total operating expenses in insurance operations, excluding currency effects, increased by 3.7%. The cost ratio improved to 23.2% (23.5) as a result of increased efficiency.

Markets and the future

The historically low interest-rates and the resulting weaker return on capital have increased the sector's focus on profitability, with price, risk selection and cost efficiency as the key factors. At the same time, some consolidation is also taking place in the sector, such as the merger between Lähivakuutus and Tapiola in Finland.

During 2012, If acquired the Danish insurance group Tryg's operation in Finland, a transaction that is pending regulatory approval. If signed a distribution-partnership agreement with Nordea in Finland and Sweden, entailing that Nordea will sell If's products at Nordea's bank branches and through its online bank. A collaboration with Coop was initiated in Norway. A number of partnerships with the automotive industry were extended, including that with Volkswagen in Sweden. Efforts to develop If's online offering were intensified. The internal program for increasing If's capacity to honor its customer satisfaction continued and clearly positive results were noted; for example, among customers who had submitted insurance claims. Customer use of insurance companies' online services continued to grow during 2012.

If continues its systematic and long-term efforts to achieve Nordic synergies and gradually strengthen its competitiveness through initiatives in key areas, including competency development, business initiatives, risk selection and underwriting. E-business remains a specific area of focus, while the program designed to honor the customer pledge (Relax, we'll help you) is continuing.

MSEK **Income statement** **and insurance-related balance sheet items**	**2012**	**2011**
Premiums earned, net of reinsurance	21,444	20,663
Allocated investment return transferred from the non-technical account	479	623
Other technical income	141	133
Claims incurred, net of reinsurance	-15,469	-15,627
Operating expenses in insurance operations, net of reinsurance	-3,433	-3,369
Other operating expenses	-125	-115
Technical result of property and casualty insurance	**3,037**	**2,308**
Intangible assets	-	-
Debtors arising out of direct insurance operations	7,073	6,749
Debtors arising out of reinsurance operations	25	7
Debtors arising out of insurance operations	**7,098**	**6,756**
Deferred acquisition costs	839	848
Reinsurers' share of deferred acquisition costs	2	-
Deferred acquisition costs, net	**837**	**848**
Technical provisions, gross	43,046	42,470
Reinsurers' share of technical provisions	314	337
Technical provisions, net	**42,732**	**42,133**
Creditors arising out of direct insurance operations	511	579
Creditors arising out of reinsurance operations	39	31
Creditors arising out of insurance operations	**550**	**610**

BUSINESS AREA COMMERCIAL

Business trend during the year

The technical result increased compared to last year and amounted to MSEK 1,461 (1,123). The result was affected positively by lower claims frequency, particularly within the Norwegian market. The effect from winter related claims was also lower than last year contributing positively to the claims development. Costs for large claims were slightly lower than normal levels in the Nordic countries, with the exception for Denmark who alone had higher large claims costs than normal. The run-off of prior year claims reserves was positive, primarily within the insurance class Accident and health in Norway. The combined ratio improved to 89.0% (92.8).

Premiums developed positively during the year and gross premiums (excluding currency effects) increased by 2.6%. Price increases were implemented successfully in all markets and in Norway volumes are showing a positive trend-shift compared to previous years. Finland and Sweden continued the positive volume development from last year. In Denmark the volume decreased due to loss of contracts/agreements.

The risk ratio improved during the year and was 65.5% (69.1).

Total operating expenses in insurance operations, excluding currency effects, increased by 2.8% while the cost ratio improved to 23.5% (23.6). The cost development is monitored strictly with focus on efficiency.

Markets and the future

Profitability in the P&C insurance market improved in 2012, mainly as a consequence of the insurance market adjustined to a low interest-rate environment, with an increase in market prices and a strong focus on cost efficiency.

If´s competitiveness in the commercial market improved further during the year. Growth was favourable and profitability strong. The strategy for the Commercial business area, based on customer satisfaction, cost efficiency and professionalism in risk selection and pricing, was pursued out forcefully.

The P&C insurance market is expected to develop moderately positively in coming years, and If aims to achieve steady and profitable growth during that period. The focus on cost efficiency will continue, as will investments in strategic IT projects. The latter is a cornerstone in If´s ambition to offer customers marketleading, modern and flexible products and also for the work to further streamline work processes.

MSEK Income statement and insurance-related balance sheet items	2012	2011
Premiums earned, net of reinsurance	11,567	11,311
Allocated investment return transferred from the non-technical account	192	302
Other technical income	108	104
Claims incurred, net of reinsurance	-8,175	-8,436
Operating expenses in insurance operations, net of reinsurance	-2,124	-2,057
Other operating expenses	-107	-101
Technical result of property and casualty insurance	**1,461**	**1,123**
Intangible assets	**140**	**104**
Debtors arising out of direct insurance operations	1,859	1,767
Debtors arising out of reinsurance operations	36	17
Debtors arising out of insurance operations	**1,895**	**1,784**
Deferred acquisition costs	1,895	478
Reinsurers' share of deferred acquisition costs	1	2
Deferred acquisition costs, net	**1894**	**476**
Technical provisions, gross	24,544	24,904
Reinsurers' share of technical provisions	767	968
Technical provisions, net	**23,777**	**23,936**
Creditors arising out of direct insurance operations	263	279
Creditors arising out of reinsurance operations	76	66
Creditors arising out of insurance operations	**339**	**345**

BUSINESS AREA INDUSTRIAL

Business trend during the year

The technical result decreased during the year and amounted to MSEK 240 (482) and the combined ratio was 95.8% (91.8).

Compared with the previous year premiums increased by 3.7%, excluding currency effects. Premium income was positively impacted by a net inflow of new customers. More large claims than normal had a negative impact during the year. The risk ratio was 73.9% (71.5). The run-off of prior year claims reserves was positive.

Total operating expenses in insurance operations, excluding currency effects, increased by 7.5. The cost ratio deteriorated to 22.0% (20.3).

Market and the future

The P&C insurance market was relatively stable in 2012, with few new entrants and a largely unchanged focus among competitors. With the exception of the employee benefits field, the activity level in the market was moderate with slightly fewer tenders than usual. International weather related natural catastrophes remained at a high level. Hurricane Sandy, which hit the US in late 2012, is one of the most expensive claims ever for the industry.

If´s success in the market continued in 2012. More new clients chose If than those who left. Large claims were much higher than in a normal year, not least in property products. Frequency claims remained at a high level in areas such as health and travel insurance.

For 2013, If expects the relatively stable competitive environment to continue. The focus on operational excellence and cost cuts continues, in an effort to achieve a competitive cost ratio. Growth in brokered business is expected to be limited. Selective premium hikes and changes in terms and conditions will be realized where needed, to ensure sound profitability throughout the portfolio.

MSEK **Income statement** **and insurance-related balance sheet items**	**2012**	**2011**
Premiums earned, net of reinsurance	3,834	3,889
Allocated investment return transferred from the non-technical account	77	158
Other technical income	26	25
Claims incurred, net of reinsurance	-3,012	-2,975
Operating expenses in insurance operations, net of reinsurance	-663	-595
Other operating expenses	-22	-20
Technical result of property and casualty insurance	**240**	**482**
Intangible assets	**-**	**-**
Creditors arising out of direct insurance operations	543	530
Debtors arising out of reinsurance operations	642	535
Debtors arising out of insurance operations	**1,185**	**1065**
Deferred acquisition costs	27	30
Reinsurers' share of deferred acquisition costs	26	31
Deferred acquisition costs, net	**1**	**-1**
Technical provisions, gross	15,735	16,596
Reinsurer' share of technical provisions	3,856	3,386
Technical provisions, net	**11,879**	**13,210**
Creditors arising out of direct insurance operations	70	198
Creditors arising out of reinsurance operations	785	526
Creditors arising out of insurance operations	**855**	**724**

BUSINESS AREA BALTIC

Business trend during the year

The technical result decreased during the year to MSEK 145 (203) and the combined ratio was 87.1% (84.5). Current year risk ratio worsened slightly in 2012. Run-off of previous years' claims reserves continued to be positive.

In 2012 no new private insurance have been written in Russia and at the end of this year the Russian company IPSC Region was sold, which affected the combined ratio positively. Services for If's Nordic corporate customers Russian operations through the company CJSC If Insurance were transferred to the business area Industrial from 2012.

Premiums written in the Baltic countries increased by 0.8%, excluding currency effects.

Low claims frequencies due to mild winter weather conditions compensated for the increased cost for large and middle sized claims. Risk ratio was 54.7 % (48.9).

The total operating expenses in insurance operations, excluding currency effects, decreased by 16.3% and the cost ratio improved to 32.4% (36.5).

Market and the future

The economic trend in the Baltic countries was strong during 2012 with stable GDP growth. This affected the insurance industry positively; premium income increased as did profitability.

If continues to experience sound profitability in all Baltic countries. The strongest growth was achieved in Latvia, following strong sales of motor products.

If expects market growth during the coming year to remain roughly the same and that profitability in the industry will improve slightly. The new cooperation with Nordea, whereby Nordea is to sell If's products in the bank´s branch offices and online, as well as with other partners, will increase If's distribution power in the Baltic countries. Internet sales are expected to continue to grow.

MSEK Income statement and insurance-related balance sheet items	2012	2011
Premiums earned, net of reinsurance	976	1,072
Allocated investment return transferred from the non-technical account	18	33
Other technical income	1	4
Claims incurred, net of reinsurance	-564	-551
Operating expenses in insurance operations, net of reinsurance	-286	-355
Other operating expenses	-	0
Technical result of property and casualty insurance	**145**	**203**
Intangible assets	**41**	**44**
Debtors arising out of direct insurance operations	89	105
Debtors arising out of reinsurance operations	2	37
Debtors arising out of insurance operations	91	142
Deferred acquisition costs	27	27
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**26**	**26**
Technical provisions, gross	993	1,023
Reinsurers' share of technical provisions	14	30
Technical provisions, net	**979**	**993**
Creditors arising out of direct insurance operations	28	35
Creditors arising out of reinsurance operations	10	33
Creditors arising out of insurance operations	**38**	**68**

ASSET MANAGEMENT

The marked-to-market result from asset management operations increased to MSEK 5,975 (1,822). The investment return was 6.1% (1.8).

At the beginning of the year, financial markets were uncertain if a global economic recovery really was in sight. However, during the second half of the year, the markets turned more optimistic regarding the debt crises in several euro-countries which led to stronger stock markets and at the same time the historically low interest-rates continued. Taking the financial turbulence into account this year's investment return is very satisfactory and significantly better than last year's result. The improvement compared to last year is mainly due to considerable better result for the equity portfolio, while the fixed income portfolio again showed a strong performance.

All equity portfolios results were positive during the year and the total return for the aggregated equity portfolio was just under 15%. Interest-rates on risk-free investments have been relatively stable during the year, while credit spreads (the difference between risk-free interest-rates and non risk-free interest-rates) declined. This led to a healthy return on fixed income investments. The return of fixed income assets was 5.3%.

The return on properties was 6.0%.

The total portfolio return, 6.1%, was below the corresponding return for the benchmark. Both the equity and fixed income portfolios return was below their benchmark indices return.

The equity weight in the portfolio (including derivative instruments) varied during the year and was at its lowest, at 10.2%, during the third quarter and at its highest, at 11%, at the beginning of the year. The return was strong in the first quarter, weak in the second quarter and then remained fairly stable for the rest of the year.

The duration of the fixed-income assets was 1.1 years (1.2) at year-end.

At the end of the year, the value of investment assets was MSEK 100,586 (100,449), which is almost unchanged compared to previous year. If's assets are mainly managed by the asset management entity in the Group parent, Sampo.

The risk level in the Baltic company and life portfolios remained low throughout the year.

Other operations

Other operations primarily comprises effects of certain Groupwide measures and items not allocated to the other business areas, such as Group adjustments attributable to the reporting of defined-benefit pension plans, interest expenses for the Group's subordinated debt. Other operations also comprises run-off operations and operations under construction that have not yet become a part of a business area.

The technical result for the year amounted to profit of MSEK -6 (13). Gross and net technical provisions for run-off operations amounted to MSEK 119 (46). The Russian company IPSC Region has been sold in the end of the year and is no longer a part of If.

NOTE 7 Premiums written

MSEK	2012 Gross[1)]	2012 Ceded	2012 Net	2011 Gross[1)]	2011 Ceded	2011 Net
Premiums written	**40,895**	**-2,243**	**38,652**	**39,855**	**-1,921**	**37,934**

1) Of which insurance agreements for direct property and casualty insurance written in:	2012	2011
Sweden	12,387	11,850
Rest of EEA	27,544	27,153
	39,931	**39,003**

NOTE 8 Allocated investment income transferred from the non-technical account

The estimated return on the assets that correspond to the technical provisions is transferred from the finance operations (non-technical account) to the technical result. The return is calculated on the basis of the net of average technical provisions, less deferred acquisition costs, the technical result before the investment return has been added and average balances outstanding. The interest-rates used in the calculation for each currency match the interest-rate for government bonds with a maturity that approximates with the technical provisions. The transferred investment return is divided into two parts, one part that adds the annuity result by means of a reduction of costs for the upward adjustement of the annuity provision and one part that is reported separately as the allocated investment return.

The following calculated interest-rates have been used for the principal currencies:

	2012	2011
Swedish kronor	1.9%	2.4%
Norwegian kroner	2.0%	2.3%
Danish kroner	1.1%	1.9%
Euro	1.4%	2.0%
Lithuanias litas	2.5%	4.9%
Latvian lats	2.8%	7.2%

NOTE 9 Claims incured

MSEK	2012 Gross	2012 Ceded	2012 Net	2011 Gross	2011 Ceded	2011 Net
Claims costs attributable to current-year operations						
Claims paid	-14,748	259	-14,489	-15,169	247	-14,922
Operating expenses for claims adjustment	-2,358	-	-2,358	-2,324	-	-2,324
Change in claims reserve for incurred and reported losses	-7,781	1,449	-6,332	-7,527	1,138	-6,389
Change in claims reserve for incurred but not reported losses (IBNR)	-5,414	110	-5,304	-5,319	158	-5,161
Change in provision for annuities	-78	-	-78	-64	-	-64
Claims-adjustment costs	15	-	15	26	-	26
Claims costs attributable to prior-year operations						
Claims paid	-11,674	1,206	-10,468	-11,077	870	-10,207
Annuities	-912	0	-912	-1,042	-1	-1,043
Claims portfolios	-2	3	1	-	-	0
Change in claims reserve for incurred and reported losses	8,161	-874	7,287	7,525	-942	6,583
Change in claims reserve for incurred but not reported losses (IBNR)	5,634	-382	5,252	6,116	-229	5,887
Total insurance claims	**-29,157**	**1,771**	**-27,386**	**-28,855**	**1,241**	**-27,614**

MSEK	2012 Gross	2012 Ceded	2012 Net	2011 Gross	2011 Ceded	2011 Net
Paid insurance claims						
Claims paid	-26,422	1,465	-24,957	-26,246	1,115	-25,131
Annuities paid	-1,107	-	-1,107	-363	-	-363
Claims portfolio	-2	3	1	-	-	-
Operating expenses for claims adjustment	-2,358	-	-2,358	-2,324	-	-2,324
	-29,889	**1,468**	**-28,421**	**-28,933**	**1,115**	**-27,818**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	380	575	955	-2	197	195
Change in claims reserve for incurred but not reported losses (IBNR)	220	-272	-52	797	-71	726
Change in claims provision for annuities	117	0	117	-743	-	-743
Claims-adjustment costs	15	-	15	26	-	26
	732	**303**	**1,035**	**78**	**126**	**204**
Total claims incurred	**-29,157**	**1,771**	**-27,386**	**-28,855**	**1,241**	**-27,614**

The general valuation principles for technical provisions are unchanged.

The provision for annuities is valued in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to annuity results (see Note 8). Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions amounted to approximately MSEK 2,476 (2,446). The non-discounted value was MSEK 4,401 (4,382). The currency effect on the discounted reserves was a decrease of MSEK 97 and the real increase amounted to MSEK 127. The increase is partly explained by the decrease in discount rate in Finland from 3.15% to 3.0%.

NOTE 10 Operating expenses

MSEK	2012	2011
Specification of income statement item operating expenses		
External acquisition costs [1]	-1,601	-1,576
Internal acquisition costs	-3,044	-2,859
Change in deferred acquisition costs, gross	88	153
Administrative expenses, insurance	-2,120	-2,238
Total operating expenses in property and casualty insurance	**-6,677**	**-6,520**
Reinsurance commission and profit participation in ceded reinsurance	167	142
Change in deferred acquisition costs, ceded	2	-2
Total reinsurance commission and profit participation in ceded reinsurance	**169**	**140**
Other operating expenses	-260	-244
Total	**-6,768**	**-6,624**
[1] Of which, provisions in direct insurance	-1,545	-1,531
Summary of total operating expenses		
Salaries and remuneration	-3,449	-3,257
Social costs	-652	-615
Pension costs	-486	-586
Other personnel costs	-206	-212
Total personnel costs	**-4,793**	**-4,670**
Premises costs	-452	-444
Depreciation/amorization	-82	-94
External acquisition costs	-1,601	-1,576
Other administrative costs	-2,553	-2,538
Total	**-9,481**	**-9,322**

MSEK	2012	2011
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in Claims paid	-2,358	-2,324
External and internal acquisition costs included in Operating expenses in insurance operations	-4,645	-4,435
Joint administrative costs for insurance operations included in Operating expenses in insurance operations	-2,120	-2,238
Administrative costs pertaining to other technical operations included in Other operating expenses	-260	-244
Asset-management costs included in Investment costs	-98	-81
Total	**-9,481**	**-9,322**

NOTE 11 Average number of employees

	2012 Average number of employees	2012 Of whom women %	2011 Average number of employees	2011 Of whom women %
Parent Company				
Sweden	1	0	1	0
Total in Parent Company	**1**	**0**	**1**	**0**
Subsidiaries				
Sweden [1]	1,815	49	1,833	49
Denmark	555	49	553	49
Estonia	291	74	292	74
Finland	1,724	63	1,713	64
France	6	33	5	40
Latvia	137	66	112	71
Lithuania	140	61	145	58
Netherlands	4	75	5	60
Norway	1,492	48	1,520	48
Russia	45	58	105	64
United Kingdom	8	50	8	50
Germany	7	57	7	57
Total in subsidiaries	**6,224**	**55**	**6,298**	**55**
Group total	**6,225**	**55**	**6,299**	**55**

1) Agents are not included. If has 76 (82) spare-time agents in Sweden.

Percentage of women in executive management	Parent Company 2012	Parent Company 2011	Group total 2012	Group total 2011
Board of Directors	0%	0%	13%	13%
Other senior executives	0%	0%	10%	18%

NOTE 12 Salaries and remuneration for senior executives and other employees

MSEK Provision expensed salaries, remuneration, pension and social security fees	2012 Salaries and remuneration	2012 Pension costs	2012 Social fees	2011 Salaries and remuneration	2011 Pension costs	2011 Social fees
Parent Company	21	2	4	12	2	3
Subsidiaries	3,428	484	648	3,245	584	612
Group total	**3,449**	**486**	**652**	**3,257**	**586**	**615**

MSEK Provision expensed salaries and remuneration	2012 Senior executives [1]	2012 Of which incentive programs and other variable compensations [2]	2012 Other employees	2011 Senior executives [1]	2011 Of which incentive programs and other variable compensations [2]	2011 Other employees
Parent Company	21	15	-	12	7	-
Subsidiaries and branches in Sweden	56	42	942	28	15	862
Subsidiaries and branches outside Sweden	56	36	2,374	37	17	2,318
Group total	**133**	**93**	**3,316**	**77**	**39**	**3,180**

1) Senior executives in the Parent Company and subsidiaries are defined as Board members, presidents, vice precident and members of the Parent Company and subsidiaries' executive management groups. The amounts for salary and remuneration also include severance pay of MSEK 1 (2).

2) Information regarding incentive programs and other variable compensation pertains to amounts expensed each year, regardless of the earnings year.

PRINCIPLES FOR DETERMINING REMUNERATION OF SENIOR EXECUTIVES

Director fees are not paid to board members employed in If and other companies within the Sampo Group. Remuneration of the CEO and other members of Group Management consists of a basic salary, a potential yearly variable compensation, shares in multiyear incentive programs, pensions and other benefits. The maximum yearly variable compensation payable to the CEO is 75 % of his basic salary. The maximum yearly variable compensation payable to other members of Group Management is 30-75 % of basic salary. The yearly variable compensation is based on the If Group results, unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the yearly variable compensation is also based on Sampo Group results. The majority of payments from variable compensation programs granted from 2010 and onwards are deferred for at least three years. Thereafter, the Board shall evaluate and risk adjust the deferred compensation before any payment is made.

KSEK Remuneration paid and other benefits during the year	Basic salary	Variable payments	Payment pertaining to incentive programs [1]	Other benefits	Pension costs	Total
Chairman of the Board	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO	5,492	1,108	6,232	366	2,410	15,608
Deputy CEO	3,373	519	4,897	193	1,212	10,194
Other members of Group Management (8 individuals)	19,945	3,465	32,964	1,383	4,920	62,677
Total	28,810	5,092	44,093	1,942	8,542	88,479

[1] For more information, refer to Incentive programs below.

KSEK Provisions expensed during the year for disbursement during future years	Variable compensation	Incentive programs	Total
Chairman of the Board	-	-	-
Other Members of the Board	-	-	-
President/CEO	3,404	7,859	11,263
Deputy CEO	2,103	5,676	7,779
Other members of Group Management (8 individuals)	9,371	32,928	42,299
Total	**14,878**	**46,463**	**61,341**

PENSIONS AND SEVERANCE PAY

Alongside statutory retirement pension benefits, the Swedish and Norwegian members of Group Management are covered by local occupational retirement pension plans. Swedish members are entitled to temporary or lifetime defined contribution pension. The premium corresponds to 38 % of the fixed annual salary and the age of retirement is 60.Norwegian members are covered by both a defined benefit pension and a pension according to the company's allocation pension scheme. Between 65 and 67 years the pension benefit corresponds to 70 % of the pensionable salary on full vesting. From 67 years the pension benefit corresponds on full vesting to 70 % of the pensionable salary up to 12 G (G = National Insurance basic amount) together with estimated statutory retirement pension benefits. The Norwegian pension legislation allows for a flexible retirement age between 62 and 75 years. For pensionable salary exceeding 12 G the Norwegian members are covered by a temporary pension between 67 and 82 years according to the company's allocation pension scheme where the annual allocation is 24 %. No retirement pension is paid to the Finnish member besides statutory earnings-based retirement pension. The Finnish pension legislation allows a flexible age of retirement between 63 and 68.

In the event of early termination of the employment by the company, the CEO will be entitled to salary during a 12-month period of notice and severance pay amounting to two years' salary.

In the event of early termination of employment by the company, other members of Group Management are entitled to salary during a period of notice of 6 to 12 months, and severance pay amounting to a minimum of 12 months and a maximum of 24 months.

LONG-TERM INCENTIVE PROGRAMS

A number of senior executives at If are covered by incentive programs issued by the Sampo Group. In August 2009 and September 2011 programs covering nearly 80 employees each were issued. In September 2012 an allocation of remaining units from the 2011 program was made. These incentive programs are multiyear variable compensation programs. The outcome of the programs is determined by Sampo's share-price trend over a period of approximately three years starting from the issue of the respective program. Each participant in the respective programs is issued a number of incentive units, each of which carries entitlement to a payment that is equal to the value appreciation of the Sampo share from one of three specified payment dates. The programs are subject to both thresholds, which mean that no variable compensation is paid unless the company achieves a significant degree of profitability, and ceilings that maximize the size of the payment. During the fiscal year one payment was made from the program that was issued in 2009.

KSEK

Outstanding units and values, KSEK	Number of units	Maximum amount	Reserved amount
President/CEO	283,500	38,878	9,990
Deputy CEO	222,750	30,547	7,296
Other members of Group Management (8 individuals)	1,269,500	174,275	43,332
Others covered by the incentive programs	1,607,300	219,172	54,114
Total	**3,383,050**	**462,872**	**114,732**

NOTE 13 Auditors' fees

MSEK	2012	2011
Audit fees		
Ernst & Young	16	15
Other	1	0
Total auditors' fees	**17**	**15**
Audit fees outside assignment		
Ernst & Young	1	-
Total auditors' fees outside assignment	**1**	**-**
Tax consultancy fees		
Ernst & Young	1	1
Total tax consultancy fees	**1**	**1**
Other consultancy fees		
Ernst & Young	1	0
Total other consultancy fees	**1**	**0**

NOTE 14 Performance analysis per class of insurance

2012 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	6,421	6,031	11,235	1,308	11,893	1,770	26
Premiums earned, gross	6,270	6,044	10,870	1,291	11,764	1,770	20
Claims incurred, gross	-4,150	-4,345	-7,931	-578	-8,752	-834	-6
Operating expenses, gross [1]	-1,090	-1,249	-1,660	-228	-1,811	-274	-3
Profit/loss from ceded reinsurance	-157	41	-16	-217	-609	-299	0
Technical result before investment income transferred from the non-technical account	**873**	**491**	**1,263**	**268**	**592**	**363**	**11**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	300	-	1,019	40,003	947	-55	40,895
Premiums earned, gross	294	-	1,008	39,331	927	-53	40,205
Claims incurred, gross	-213	-	-1,477	-28,286	-871	0	-29,157
Operating expenses, gross [1]	-53	-	-89	-6,457	-224	30	-6,651
Profit/loss from ceded reinsurance	0	-	858	-399	56	51	-292
Technical result before investment income transferred from the non-technical account	**28**	**-**	**300**	**4,189**	**-112**	**28**	**4,105**

Investment income transferred from the non-technical account	**772**
Technical result of insurance operations	**4,877**

2011 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	6,043	6,147	10,896	1,256	11,617	1,785	24
Premiums earned, gross	5,910	6,130	10,312	1,244	11,443	1,700	31
Claims incurred, gross	-4,054	-4,700	-7,691	-587	-9,009	-905	-6
Operating expenses, gross [1]	-1,088	-1,221	-1,650	-228	-1,716	-274	-3
Profit/loss from ceded reinsurance	-95	-9	-9	-136	-357	-174	0
Technical result before investment income transferred from the non-technical account	**673**	**200**	**962**	**293**	**361**	**347**	**22**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	285	-	1,036	39,089	810	-44	39,855
Premiums earned, gross	278	-	1,044	38,092	848	-44	38,896
Claims incurred, gross	-170	-	-1,492	-28,614	-231	-10	-28,855
Operating expenses, gross [1]	-53	-	-106	-6,339	-202	54	-6,487
Profit/loss from ceded reinsurance	0	-	240	-540	-63	54	-549
Technical result before investment income transferred from the non-technical account	**55**	**-**	**-314**	**2,599**	**352**	**54**	**3,005**

Investment income transferred from the non-technical account	**1,124**
Technical result of insurance operations	**4,129**

1) The item Operating expenses, gross includes other technical income of MSEK 286 (277) and other technical expense of MSEK -260 (-244).

NOTE 15 Investment result

MSEK	Direct income 2012	Direct income 2011	Value changes 2012	Value changes 2011	Total 2012	Total 2011
Financial assets mandatory at fair value through profit or loss (trading)						
Derivatives	-128	20	32	-198	-96	-178
Financial assets designated by If as at fair value through profit or loss						
Properties	5	5	3	3	8	8
Interest-bearing securities	51	50	32	8	83	58
Shares	0	0	0	0	0	0
Financial assets, available for sale						
Interest bearing securities						
Interest income	3,298	3,436	-	-	3,298	3,436
Realized gains and losses	-	-	91	290	91	290
Impairment losses	-	-	29	30	29	30
Shares						
Dividends	349	281	-	-	349	281
Realized gains and losses	-	-	108	789	108	789
Impairment losses	-	-	-235	-1,530	-235	-1,530
Loans and receivables						
Interest income	81	97	-	-	81	97
Total from financial assets	**3,657**	**3,889**	**60**	**-608**	**3,717**	**3,281**
Other assets						
Interest income	47	63	-	-	47	63
Dividends	0	2	-	-	0	2
Impairment losses	-	-	-	-35	-	-35
Currency result	-	-	-11	6	-11	6
Investment income	**3,704**	**3,954**	**49**	**-637**	**3,753**	**3,317**
Investment costs						
Allocated operating expenses					-97	-80
Other financial expenses					-39	-62
Investment result					**3,617**	**3,175**

Impairment losses in the income statment refer to holdings where there is objective evidence that the asset is impaired, in respect of interest-bearing securities defined as issuer default and in respect of shares generally when there is a significant and/or prolonged decline in the value. The carrying amount is reduced to current market value. Impairment losses on Other assets 2011 refer to recognized losses on goodwill related to the subsidiary IPSC Region.

MSEK **Reconcilation of financial assets available for sale**	**2012**	**2011**
Opening balance, financial assets available for sale	1,680	3,830
Changes in value during the year	2,116	-1,771
Reversal of fair value changes related to reclassified holdings	-	-803
Recognized in income statement	242	418
Translation difference	-11	6
Closing balance, financial assets available for sale	**4,027**	**1,680**
Net change, financial assets available for sale	2,347	-2,150

Return on investment assets[1]	Fair value Dec 31, 2012 MSEK	%	Fair value Dec 31, 2011 MSEK	%	Return 2012 MSEK	%	Return 2011 MSEK	%
Interest-bearing securities	88,755	88	88,351	89	4,664	5.3	3,598	4.1
Shares	10,931	11	10,526	11	1,469	14.7	-1,775	-16.2
Currencies (active positions)	4	0	2	0	-9	-	39	-
Total active investments	**99,690**	**99**	**98,879**	**100**	**6,124**	**6.1**	**1,862**	**1.8**
Currency [2]	82	0	-812	-1	-121	-	-34	-
Properties	872	1	881	1	51	6	128	16.9
Other	12	0	11	0	-79	-	-134	-
Total investment assets excl. associated companies	**100,656**	**100**	**98,959**	**100**	**5,975**	**6.1**	**1,822**	**1.8**

1) The table above has the same format and is based on the same calculation methods as those used internally by If for the valuation of investment operations. The valuation does not include associated companies. The return on active investments has been calculated using a daily time-weighted calculation method. Properties and Other have been calculated using a monthly time-weighted calculation method. The investment operations' bank balances are reported above as part of interest-bearing securities. Derivatives and securities settlement claims/liabilitieshave been reported under the relevant asset category above. The return on investment assets according to the comprehensive income statement amounts to MSEK 5,975 in 2012.

2) In the asset category Currency, the current value of held currency derivatives is presented. The reported return on the same line also includes, in addition to the return from currency derivatives, currency exchange effects recognized in the income statement from the revaluation of items in the income statement and balance sheet.

NOTE 16 Interest expense subordinated debt

MSEK

Interest expense, MSEK	Interest-rate	2012	2011
Subordinated loan, issued in 2001 [1]	7.50%	-	-33
Subordinated loan, issued in 2002	8.98%	-50	-53
Subordinated loan, issued in 2005	4.94%	-66	-68
Subordinated loan, issued in 2011	6.00%	-58	-4
Total		**-174**	**-158**

1) The loan issued in 2001 (MEUR 200) was redemmed in March 2011 after approval by supervisory authority.

NOTE 17 Share of associates' result

MSEK	2012	2011
Topdanmark A/S		
Share of associates' result	507	104
Amortization of customer relations	-95	-62
Change in deferred tax	24	16
Net	**436**	**58**
Other associates	-33	0
Total	**403**	**58**

NOTE 18 Taxes

MSEK	2012	2011
Current tax	-1,777	-1,582
Deferred tax	168	196
Total tax in the income statement	**-1,609**	**-1,386**
Specification of current taxes		
Swedish units	-417	-260
Non-Swedish units	-1,378	-1,339
Current taxes pertaining to prior years	18	17
Total current tax	**-1,777**	**-1,582**

For specification of deferred tax, see Note 33.

Specification of taxes related to other comprehensive income		
Related to financial assets, avaliable-for-sale	-585	569
Other	31	-1
Total current and deferred tax	**-554**	**568**

MSEK	2012	2011
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	7,456	5,572
Tax according to current tax rate, 26.3%	-1,961	-1,465
Currency related tax effects	0	0
Permanent differences, net	-15	-10
Share of associates' result after tax	106	15
Prior-year adjustments	2	-1
Reassessments of deferred tax assets/liabilities	85	0
Tax losses for which no deferred income tax asset has been recognized	-	-4
Different tax rates in foreign units	37	18
Changes in tax rates	137	61
Reported tax in the income statement	**-1,609**	**-1,386**

Notes to the balance sheet

NOTE 19 Intangible assets

MSEK	Consolidated goodwill 2012	Consolidated goodwill 2011	Other goodwill 2012	Other goodwill 2011	Other intangible assets 2012	Other intangible assets 2011
Accumulated acquisition value, opening balance	866	870	394	394	195	167
Investments	-	-	-	-	54	49
Sales and scrappage	-	-	-	-	-45	-20
Disposed companies	-151	-	-	-	-12	-
Translation differences	0	-4	-	-	-2	-1
Closing accumulated acquisition value	**715**	**866**	**394**	**394**	**190**	**195**
Opening accumulated amortization and impairments	-151	-120	-	-	-47	-52
Sales and scrappage	-	-	-	-	45	20
Disposed companies	151	-	-	-	4	-
Amortization and impairments during the year	-	-35	-	-	-14	-15
Translation differences	0	4	-	-	2	0
Closing accumulated amortization and impairments	**-**	**-151**	**-**	**-**	**-10**	**-47**
Closing planned residual value	**715**	**715**	**394**	**394**	**180**	**148**

Consolidated goodwill pertains to the goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations. To ensure that this item is not booked at an excessive carrying amount, an impairment test was conducted to determine the item's recoverable amount in December 2012. In this calculation, a cash flow model was used whereby the recoverable amount was set at the present value of future forecast profits/cash flow from this operation. The main basis for the calculation consisted of financial plans for the years 2013-2015. For subsequent years, the calculation is based on normalized earnings, with a combined ratio established at 95%.

In the calculation, the following parameters were used:

Long-term premium growth	2.0%
Return on investment assets	3.1%
Discount interest-rate (CAPM)	7.7%

Other goodwill, MSEK 394, pertains to the portfolio goodwill attributable to the acquisition of Volvia's motor insurance operations in 2001. To ascertain the carrying amount of this item, an impairment test was conducted to determine the item's recoverable amount in December 2012. The calculation was based on financial plans for the years 2013-2015 and the earnings from the portfolio did not reveal any need for impairment of the carrying amount of this goodwill item. Other intangible assets include capitalized costs for the development of various insurance systems. During 2012, MSEK 54 (49) was capitalized. Amortization according to plan amounted to MSEK 14 (15).

NOTE 20 Land and buildings

	Carrying amount MSEK	Carrying amount per leasable sq. m., SEK	Total area sq.m.	Vacancy rate	Direct yield
Office and commercial properties	234	5,930	39,430	32.4%	3.4%
Industrial properties and warehouses	4	1,403	2,890	0.0%	0.0%
Other properties	19	14,401	1,351	5.7%	-3.7%
Total	**257**	**5,892**	**43,671**	**29.4%**	**2.8%**
Preceding year	266	6,072	43,844	29.2%	2.4%

MSEK Geographical distribution, carrying amount	2012	2011
Finland	198	208
Estonia	49	44
Russia	-	2
Norway	4	5
Sweden	6	7
Total	**257**	**266**

MSEK	2012	2011
Carrying amount, opening balance	**266**	**268**
Sales and scrappage	-2	-2
Net changes in current value	2	2
Translation differences	-9	-2
Carrying amount, closing balance	**257**	**266**

MSEK	2012	2011
Rental income during the fiscal year	**27**	**27**
Costs pertaining to land and buildings		
operating expenses pertaining to premises that generated income during the fiscal year	17	19
operating expenses pertaining to premises that did not generate income during the fiscal year	7	7

Future rental income from land and buildings

Total future minimum rents		
<1 year	14	13
1–5 years	10	13
> 5 years	0	0

NOTE 21 Investments in associated companies

MSEK	Country	Number of shares	Holding %	Assets	Liabilities	Net Sales	Profit/ loss	Carrying amount 2012	2011
Consulting AB Lennermark & Andersson	Sweden	1,209	22,0	86	41	142	8	9	7
Topdanmark A/S	Denmark	3,147,692	25,4	71,152	65,325	9,627	1,553	2,854	2,758
Autovahinkokeskus Oy	Finland	2,559	35,5	77	12	70	6	23	23
Urzus Group AS	Norway	142,648	28,6	80	45	36	-55	27	50
Watercircles Skandinavia AS [1]	Norway	47,850	27,7	56	61	26	-36	18	21
Svithun Assuranse AS	Norway	33	33,0	9	8	17	4	11	-
Total								**2,942**	**2859**

1) Former Besure Forsikring Skandinavia AS.

As of December 31, 2012, the carrying amount of investments in associates included goodwill MSEK 1,040 (1,049), including goodwill from Topdanmark A/S aquisition MSEK 973 (1,014).

As of December 31, 2012, the market value for the Topdanmark holding amounts to MSEK 4,392. Presented value of the company's assets and liabilities refers to September 30, 2012 (latest available public information). Net sales and profit refers to the period January 1, 2012, to September 30, 2012.

The other holdings are not publically quoted and stated amounts of the companies' assets and liabilities as well as net sales and profit/loss refer to latest available public information (december 2011).

Changes during the year

MSEK	Topdanmark A/S	Other associates'	Total
Opening balance	**2,758**	**101**	**2,859**
Investments	-	24	24
Share of associates' result [1]	436	-33	403
Dividends from associated companies	-	-3	-3
Effects of exchange rates, foreign associates	-119	-1	-120
Share of associates' other changes in equity	-221	-	-221
Closing balance	**2,854**	**88**	**2,942**

1) Specification of the result is shown in note 17.

NOTE 22 Other financial investment assets

MSEK	Acquisition value 2012	Acquisition value 2011	Fair value 2012	Fair value 2011	Carrying amount 2012	Carrying amount 2011
Financial assets mandatory at fair value through profit or loss (trading)						
Derivatives (note 23)	0	0	421	1,019	421	1,019
Financial assets designated by If as at fair value through profit or loss						
Shares and participations	0	0	0	0	0	0
Bonds and other interest-bearing securities	172	1,387	167	1,381	167	1,381
Financial assets available for sale						
Shares and participations	12,083	13,075	11,773	11,485	11,773	11,485
Bonds and other interest-bearing securities	81,471	80,889	83,033	81,215	83,033	81,215
Total financial assets, at fair value	**93,726**	**95,351**	**95,395**	**95,100**	**95,395**	**95,100**
Loans and receivables						
Deposits with credit institutions	1,247	1,476			1,247	1,476
Other loans	715	730			715	730
Total	**95,687**	**97,557**			**97,356**	**97,306**

MSEK Bonds and other interest-bearing securities	Nominal value		Fair value		Carrying amount	
Swedish government	438	1%	453	1%	453	1%
Swedish mortgage companies	16,432	28%	18,121	22%	18,121	22%
Swedish finance companies	14,877	25%	19,016	23%	19,016	23%
Other Swedish companies	6,123	10%	7,087	9%	7,087	9%
Foreign governments	1,290	2%	1,484	2%	1,484	2%
Foreign finance companies	9,436	16%	22,157	27%	22,157	27%
Other foreign companies	10,050	17%	14,882	18%	14,882	18%
Total	**58,645**	**100%**	**83,200**	**100%**	**83,200**	**100%**

Years to maturity [1]	<1	1–2	2–3	3–4	4–5	5–6	6–7	7–8	8–9	9–10	10–15	15–30	Total
Fair value %	22	15	22	15	13	3	4	2	1	2	1	0	100

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

MSEK Investments by currency, carrying amount	SEK	NOK	DKK	EUR	GBP	USD	JPY	RUB	Total
Land and buildings	5	4	-	248	-	-	-	-	257
Associated companies	2,919	19	-	23	0	-	-	-	2,961
Shares and participations	6,259	1,143	60	2,007	-	2,158	146	-	11,773
Bonds and other interest-bearing securities	40,456	19,838	0	19,474	-	3,401	-	31	83,200
Other loans	715	-	-	-	0	-	-	-	715
Deposits with credit institutions	1,000	-	-	198	-	-	-	49	1,247
Derivatives	341	0	0	80	-	0	-	-	421
Deposits with ceding undertakings	-	12	-	-	-	-	-	-	12
Total	**51,695**	**21,016**	**60**	**22,030**	**0**	**5,559**	**146**	**80**	**100,586**
Share	**51%**	**21%**	**0%**	**22%**	**0%**	**6%**	**0%**	**0%**	**100%**

NOTE 23 Derivatives

EQUITY DERIVATIVES	2012 Fair value	2012 Carrying amount	2012 Nominal amount	2011 Fair value	2011 Carrying amount	2011 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	-	-	-
Total	-	-	-	-	-	-
Of which, cleared	-	-	-	-	-	-

MSEK FIXED-INCOME DERIVATIVES	2012 Fair value	2012 Carrying amount	2012 Nominal amount	2011 Fair value	2011 Carrying amount	2011 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	-	-	-	-	-	-
Futures	18	18	600	3	3	3,500
Swaps	1	1	300	166	166	1,446
Total	**19**	**19**	**900**	**169**	**169**	**4,946**
Of which, cleared	*18*	*18*	*600*	*3*	*3*	*3,500*
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	-	-	-
Futures	-	-	-	-	-	-
Swaps	11	11	129	144	144	134
Total	**11**	**11**	**129**	**144**	**144**	**134**
Of which, cleared	-	-	-	-	-	-

MSEK CURRENCY DERIVATIVES	2012 Fair value	2012 Carrying amount	2012 Nominal amount	2011 Fair value	2011 Carrying amount	2011 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	4	4	453	13	13	934
Futures	398	398	42,644	837	837	5,029
Total	**402**	**402**	**43,097**	**850**	**850**	**5,963**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	16	16	948
Futures	316	316	45,109	1,644	1,644	28,675
Total	**316**	**316**	**45,109**	**1,660**	**1,660**	**29,623**
Of which, cleared	-	-	-	-	-	-
Total positive values	**421**	**421**		**1,019**	**1,019**	
Total negative values	**327**	**327**		**1,804**	**1,804**	

NOTE 24 Reinsurers' share of technical provisions

MSEK CHANGE DURING THE YEAR	2012 Provision for unearned premiums and unexpired risks	2012 Provision for claims outstanding	2011 Provision for unearned premiums and unexpired risks	2011 Provision for claims outstanding
Opening balance	469	4,240	475	4,100
Decreased provisions related to disposed companies	-	0	-	-
Translation differences	-12	-60	3	14
Change in provision	11	303	-9	126
Closing balance	468	4,483	469	4,240

Supplementary information regarding the reinsurers' portion of technical provisions is presented in Note 32.

NOTE 25 Debtors arising out of direct insurance

MSEK	2012	2011
Receivables from policyholders	9,697	9,322
Receivables from insurance brokers	20	26
Receivables from insurance companies	26	30
Bad-debt provision	-318	-319
Total [1]	9,425	9,059

1) Of which, MSEK - (7) is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	9321	422	9,743
Of which, provision	-45	-273	-318
Total	9,276	149	9,425

MSEK Specification of change in bad-debt provisions	2012	2011
Opening balance [1]	-319	-295
Individual provisions utilized during the fiscal year	16	21
Individual unutilized provisions reversed during the fiscal year	8	5
Individual provisions posted during the fiscal year	-19	-19
Change in standard computation based provision during the fiscal year	-7	-31
Translation difference	3	0
Closing balance [2]	-318	-319

1) Of which, MSEK -16 (-22) is individual provisions.
2) Of which, MSEK -11 (-16) is individual provisions.

NOTE 26 Debtors arising out of reinsurance

MSEK	2012	2011
Receivables from reinsurers	746	622
Bad-debt provisions	-66	-53
Total [1]	680	569

1) Of which, MSEK - (75) is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	601	145	746
Of which, provision	-20	-46	-66
Total	581	99	680

MSEK Specification of change in bad-debt provisions	2012	2011
Opening balance [1]	-53	-71
Individual provisions utilized during the fiscal year	0	2
Individual unutilized provisions reversed during the fiscal year	2	17
Individual provisions recognized during the fiscal year	-18	-1
Change in standard computation based provision during the fiscal year	2	-
Translation difference	1	0
Closing balance [2]	-66	-53

1) Of which, MSEK -52 (-71) is individual provisions.
2) Of which, MSEK -67 (-52) is individual provisions

NOTE 27 Other debtors

MSEK	2012	2011
Debtor, patient-insurance pool for the public sector	478	489
Bad-debt provisions	0	-4
Other debtors	81	53
Total [1]	559	538

1) Of which, MSEK 470 (504) is expected to be received later than 12 months after the balance-sheet date

NOTE 28 Tangible assets

MSEK	Office equipment 2012	2011	Computer equipment 2012	2011	Motor vehicles 2012	2011	Other fixed assets 2012	2011
Opening accumulated acquisition value	**519**	**523**	**202**	**218**	**73**	**72**	**14**	**14**
Investments	15	11	40	30	25	17	0	0
Sales and scrappage	-23	-15	-51	-45	-25	-15	-1	-
Disposed companies	-2	-	-4	-	0	-	-	-
Reclassifications	-	0	-	0	-	-	-	-
Translation differences	-5	0	-2	-1	-1	-1	0	0
Closing accumulated acquisition value	**504**	**519**	**185**	**202**	**72**	**73**	**13**	**14**
Opening accumulated depreciation	**-469**	**-448**	**-164**	**-182**	**-28**	**-24**	**-7**	**-7**
Sales and scrappage	23	15	52	45	15	9	1	-
Reclassifications	-	0	-	0	-	-	-	-
Disposed companies	1	-	2	-	0	-	-	-
Depreciation during the year	-27	-38	-26	-28	-14	-13	-1	0
Translation differences	5	2	1	1	0	0	0	0
Closing accumulated depreciation	**-467**	**-469**	**-135**	**-164**	**-27**	**-28**	**-7**	**-7**
Closing planned residual value	**37**	**50**	**50**	**38**	**45**	**45**	**6**	**7**

MSEK Operational leasing agreements (lessee) Due dates	Total future minimum lease payments 2012	2011
< 1 year	308	366
1–5 years	941	936
> 5 years	865	1,068
Total	**2,114**	**2,370**
Total lease payments during the period	**385**	**328**
Of which, minimum lease payments	*383*	*326*
Of which, contingent rents	*2*	*2*

Operational leasing where the Group acts as lessee mainly pertains to costs for premises, vehicles and office equipment.

MSEK Operational leasing agreements (lessor) Due dates	Total future minimum lease payments 2012	2011
< 1 year	13	7
1-5 years	10	5
> 5 years	0	-
Total	**23**	**12**
Total lease payments during the period	**27**	**27**
Of which, minimum lease payments	*21*	*27*
Of which, contingent rents	*6*	*0*

Operational leasing where the Group acts as lessor pertains to income from the leasing out of premises. The carrying amount of leased-out land and buildings is MSEK 205 (135).

NOTE 29 Deferred acquisition costs

MSEK	2012	2011
Opening balance	**1,395**	**1,242**
Net change during the year	88	151
Exchange-rate difference	-10	2
Closing balance	**1,473**	**1,395**

Acquisition expenditure during the year amounted to MSEK 4,645 (4,434). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

NOTE 30 Other deferred costs and accrued income

MSEK	2012	2011
Accrued income	255	264
Deferred costs	155	173
Total	**410**	**437**

NOTE 31 Subordinated debt

MSEK	Original nominal value	Maturity	Räntesats	2012	2011
Subordinated loan, issued in 2002	MEUR 65	20 years	8.98%	558	579
Subordinated loan, issued in 2005	MEUR 150	Perpetual	4.94%	1,283	1,332
Subordinated loan, issued in 2011	MEUR 110	30 years	6.00%	935	970
Total				**2,776**	**2,881**

The loans are issued with fixed interest-rate terms for the first ten years. After ten years, they become subject to variable interest-rates but they also include terms stating the right of redemption at this point in time. All loans and loan terms are approved by supervisory authorithies to be utilized for solvency purposes.

The loan issued in 2002 was issued to If's previous owners in relation to their holding in If.

All of the notes in the loan issued 2011, were placed with Sampo Abp.

The loans issued in 2005 and 2011 are listed on the Luxembourg Exchange.

NOTE 32 Technical provisions, gross

MSEK CHANGES DURING THE YEAR	2012 Provision for unearned premiums and unexpired risks	2012 Provisions for claims outstanding	2011 Provision for unearned premiums and unexpired risks	2011 Provisions for claims outstanding
Opening balance	**17,570**	**67,515**	**16,542**	**67,191**
Decreased provisions related to disposed companies	0	-5	-	-
Unwinding of discounted annuities	-	495	-	508
Change in provision	690	-732	959	-78
Translation differences	-177	-787	69	-106
Closing balance	**18,083**	**66,486**	**17,570**	**67,515**

MSEK TECHNICAL PROVISIONS AND REINSURERS' SHARE	2012	2011
Technical provisions, gross		
Unearned premiums and unexpired risks	18,083	17,570
Provision for incurred and reported claims	17,591	18,156
Provision for incurred but not reported claims	30,666	31,055
Provision for annuities	15,869	15,906
Provision for claims-settlement costs	2,360	2,398
Total	**84,569**	**85,085**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	468	469
Provision for incurred and reported claims	3,442	2,922
Provision for incurred but not reported claims	1,040	1,317
Provision for annuities	1	1
Provision for claims-settlement costs	-	-
Total	**4,951**	**4,709**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	17,615	17,101
Provision for incurred and reported claims	14,149	15,234
Provision for incurred but not reported claims	29,626	29,738
Provision for annuities	15,868	15,905
Provision for claims-settlement costs	2,360	2,398
Total	**79,618**	**80,376**

Since If is exposed to several currencies, comparing the balance sheet data from year to year can be misleading. However, all currency effects have been excluded from the income statement.

The currency effect on technical provisions for own account between 2011 and 2012 amounted to a net decrease of MSEK 892.

VALUATION OF TECHNICAL LIABILITIES

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

PROVISIONS FOR UNEARNED PREMIUMS AND UNEXPIRED RISK

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

PROVISIONS FOR UNSETTLED CLAIMS

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

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

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

DESCRIPTION OF METHOD

If uses a number of statistical methods to determine the final claims cost that If must pay.

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

ASSUMPTIONS AND SENSITIVITY

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

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

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

- Inflation;
- Discount rate;
- Mortality and
- Effect of legislative amendments and court practices.

Inflation

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

A large share of the claims cost in obligatory insurance consists of compensation for loss of income, which in terms of legislation is usually associated with a pre-defined index for the value adjustments of compensation. In Finland, compensation is paid out in the form of vested annuities and value adjustments are dealt with off the balance sheet in a non-funded pool system. This limits the inflation risk. In Sweden, compensation is also paid out in the form of vested annuities over a long period and provisions must cover future value adjustments. The same also applies to Danish Workers' Compensation insurance. This entails substantial sensitivity to changes in inflation.

In Norway and in Danish Motor Third-Party Liability insurance, compensation is paid as a lump sum. Since in this case the duration is relatively short, the inflation risk is reduced. Refer to Note 5, Risks and risk-management, for a sensitivity analysis of inflation.

Discount rate

With the exception of the compensation to be paid in the form of vested annuities, provisions for claims and premium reserves are presented as nominal values (undiscounted). In Sweden, the maximum allowed discount rate is tied to market rates for index linked government bonds. The rate given below is the weighted average for If's annuities. The discount rate was lowered from 3.15% to 3.00% in Finland in 2012, which increased the reserve with MSEK 200.

The presentation below shows discounted provisions and discount rate by country for countries with significant claims-related annuity portfolios:

Denmark

Amount vested annuities	MSEK 727
Discount rate	2.00% (real interest-rate discounting)

Finland

Amount vested annuities	MSEK 10,235
Amount IBNR	MSEK 2,476
Discount rate	3,00%

Sweden

Amount vested annuities	MSEK 4,874
Discount rate	0,18% (real interest-rate discounting)

Refer to Note 5, Risks and risk-management, for a sensitivity analysis of the discount interest-rate.

Mortality

The provision risk for mortality is also related to claims-related annuities, since actual mortality may be lower than the mortality assumptions made in conjunction with the assessment of provision. The model used for mortality complies with the practices observed in the various countries. It is usually based on population death rates and/or specific joint-company analyses. The assumptions for mortality are generally differentiated in terms of age and gender. Refer to Note 5, Risks and risk-management, for a sensitivity analysis of mortality.

Effects of legislative amendments and court practices

When setting provisions, it is virtually impossible to take into account amendments to legislation and practices that affect future costs. However, there are methods for managing this uncertainty. As noted earlier, firstly the inflation assumptions are adjusted somewhat to take into account historical experience of the various insurance categories. In cases where individual claims issues are subject to legal examination and for which there is a risk of a prejudicial decision that will affect other claims, the provisions for similar claims are adjusted.

CHANGES IN 2012

No significant changes in methods were implemented during the year.

During the year, the reported decrease in the gross claims provision amounted to SEK 1.0 billion. Effects of exchange-rate changes amounted to a decrease of SEK 0.8 billion. The real change in gross claims reserves adjusted for currency effects was a decrease of SEK 0.2 billion. Changes in claims reserves can be broadly broken down by geographical area as follows:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, increased by SEK 0.8 billion, mainly through an increase in Property reserves with SEK 0.7 billion due to large claims. Reserves for Motor Third Party Liability increased by SEK 0.3 billion while reserves for Liability decreased by SEK 0.3 billion.
- Claims provisions in the Norwegian operation decreased by SEK 1.6 billion. Reserves in Property decreased by SEK 1.1 billion as a result of settlement of large claims as well as the Dagmar storm from 2011, while reserves for Workers' Compensation decreased by SEK 0.4 billion and reserves for Motor Third Party Liability decreased by SEK 0.3 billion. Reserves for Accident insurance increased by SEK 0.2 billion.
- Claims provisions in the Danish operation increased by SEK 0.2 billion mostly due to large claims in Property.
- Claims provisions in the Finnish operation increased by SEK 0.2 billion, mostly due to increases in the Motor Third Party Liability and Workers' Compensation as a consequence of the lowering of the discount rate.
- The claims reserves in the Baltic countries increased by less than SEK 0.1 billion, mostly related to Property and Motor in Estonia and Lithuania
- Claims provisions relating to remnants of old run off business increased due to adjustment of a single claim.

The reinsured share of the claims provision increased by SEK 0.2 billion. The currency effect was a decrease of SEK 0.1 billion while the real increase amounted to SEK 0.3 billion. The overall increase of SEK 0.3 billion is a result of an increase of SEK 0.6 billion in ceded property reserves, which is a sum of increases in Denmark and Sweden due to large claims and releases in Norway. Ceded reserves for Workers' Compensation mostly in Norway decreased by SEK 0.2 billion. There were also minor decreases for Liability and Transport. Ceded reserves in the Baltic operation changed only slightly.

SIGNIFICANT EVENTS

This year's outcome for large claims was higher than expected on a Nordic level. On a country level, the result was higher than expected in Denmark and Sweden and somewhat lower than expected in Norway and Finland. The two largest single claims in 2012 were an earthquake in Italy estimated at SEK 0.7 billion and a fire in a meat production plant in Denmark estimated at SEK 0.6 billion. The Hurricane Sandy Storm in the US also affected the result significantly and is estimated at SEK 0.6 billion on the gross level.

CLAIMS COSTS TREND

In addition to the sensitivity analysis, prior-year estimates of the claims costs for individual claims years also represent a measure of If's ability to foresee final claims costs. The tables below show the cost trend for the claims years 2003-2012, before and after reinsurance. For claims years 2002 and earlier, the information is aggregated to one column. The time periods have been selected against the background of If introducing a Group-wide reinsurance program and joint detailed accounting routines as of 2003. The column for claims years 2002 and earlier only includes payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002.

The upper part of the table shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. Since If has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate at December 31, 2012. Consequently, the table is not directly comparable to corresponding tables reported in previous years or with the income statement, since all claims years include translated information and closing rates are used throughout.

MSEK CLAIMS COSTS, GROSS Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimated claims cost												
at the close of the claims year	44,462	22,869	22,347	23,807	23,932	24,485	25,874	25,967	27,027	27,725	27,902	
one year later	46,463	22,505	22,028	23,296	23,803	24,466	25,461	25,512	27,386	28,825		
two years later	47,333	21,777	21,461	22,818	23,547	24,148	24,918	25,235	26,899			
three years later	48,050	21,689	21,409	22,569	23,510	23,845	24,664	24,835				
four years later	48,900	21,517	21,258	22,266	23,136	23,426	24,433					
five years later	49,248	21,356	21,015	21,950	22,688	23,193						
six years later	49,266	21,238	20,650	21,465	22,399							
seven years later	50,040	21,348	20,333	21,241								
eight years later	50,891	21,138	19,990									
nine years later	51,433	20,933										
ten years later	51,474											
Current estimate of total claims costs	51,474	20,933	19,990	21,241	22,399	23,193	24,433	24,835	26,899	28,825	27,902	
Total disbursed	31,151	18,897	17,837	18,951	19,857	20,189	20,761	20,928	22,327	22,457	14,762	
Provisions reported in the balance sheet	20,322	2,036	2,153	2,291	2,542	3,004	3,672	3,908	4,573	6,368	13,139	64,008
Of which annuities	*11,368*	*577*	*436*	*567*	*583*	*575*	*551*	*462*	*438*	*235*	*77*	*15,869*
Other provisions												119
Provisions for claims-settlement costs												2,360
Total provisions reported in the balance sheet												**66,486**

MSEK CLAIMS COSTS, NET OF REINSURANCE Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimated claims cost												
at the close of the claims year	39,040	21,791	21,707	22,505	22,959	23,601	24,780	24,893	25,666	26,194	26,098	
one year later	40,926	21,346	21,378	21,936	22,733	23,527	24,489	24,592	26,092	26,881		
two years later	41,840	20,664	20,823	21,451	22,466	23,290	23,974	24,301	25,716			
three years later	42,380	20,571	20,761	21,264	22,493	22,989	23,730	24,041				
four years later	43,087	20,391	20,638	20,981	22,144	22,593	23,532					
five years later	43,361	20,237	20,394	20,668	21,750	22,364						
six years later	43,357	20,132	20,023	20,303	21,474							
seven years later	43,680	20,244	19,726	20,089								
eight years later	44,688	20,073	19,395									
nine years later	45,206	19,919										
ten years later	45,331											
Current estimate of total claims costs	45,331	19,919	19,395	20,089	21,474	22,364	23,532	24,041	25,716	26,881	26,098	
Total disbursed	25,673	18,000	17,355	17,887	19,024	19,498	19,948	20,318	21,775	21,353	14,485	
Provisions reported in the balance sheet	19,658	1,919	2,040	2,202	2,450	2,866	3,584	3,723	3,941	5,528	11,613	59,524
Of which annuities	*11,367*	*577*	*436*	*567*	*583*	*575*	*551*	*462*	*438*	*235*	*77*	*15,868*
Other provisions												119
Provisions for claims-settlement costs												2,360
Total provisions reported in the balance sheet												**62,003**

Comments

In 2011 and 2012 If had equivalent reinsurance coverage and self-retention amounting to MSEK 200 for the dominating risk coverage within property insurance and catastrophe cover.

Provisions pertaining to fixed claims-related annuities and related payments are included in the triangle. The Finnish discounted preliminary claims-related annuities are reported as annuities in the balance sheet.

Of the total net provision for claims-related annuities of MSEK 15,868 MSEK 11,367 applies to 2002 and previous years.

Other provisions refer to run-off operations and comprise remnants from the old Marine & Energy portfolio as well as elimination of some internal fronting.

NOTE 33 Deferred tax

MSEK CHANGES IN DEFERRED TAX 2012	Opening balance 2012	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Decreased balance related to disposed companies	Closing balance 2012
Deferred tax assets						
Tax losses carried forward	5	-5	0	-	-	0
Provisions	327	-64	2	-	-	265
Goodwill [1]	194	-101	10	19	-	122
Accumulated depreciation	26	-11	0	-	-	15
Other temporary differences	7	0	0	-	-	7
Total deferred tax asset	**559**	**-181**	**12**	**19**	**-**	**409**
Netted deferred tax asset against deferred tax liability	**-106**					**-146**
Deferred tax asset according to balance sheet	**453**					**263**
Deferred tax liability						
Equalization reserve and other similar provisions	3,013	-238	-25	-	-1	2,749
Valuation of investment assets at fair value	103	-11	-8	307	-	391
Accumulated depreciation	104	-17	0	-	-	87
Other temporary differences	347	-83	-8	-	-	256
Total deferred tax liability	**3,567**	**-349**	**-41**	**307**	**-1**	**3,483**
Netted deferred tax liability against deferred tax asset	**-106**					**-146**
Deferred tax liability according to balance sheet	**3,461**					**3,337**
Deferred tax income according to income statement 2012		**168**				

1) Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

MSEK CHANGES IN DEFERRED TAX 2011	Opening balance 2011	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Group contribution recognized in Shareholders Equity	Closing balance 2011
Deferred tax assets						
Tax losses carried forward	6	13	0	-	-14	5
Provisions	344	-16	-1	-	-	327
Goodwill [1]	194	0	0	-	-	194
Accumulated depreciation	36	-10	0	-	-	26
Other temporary differences	6	1	0	-	-	7
Total deferred tax asset	**586**	**-12**	**-1**	**-**	**-14**	**559**
Netted deferred tax asset against deferred tax liability	**-194**					**-106**
Deferred tax asset according to balance sheet	**392**					**453**
Deferred tax liability						
Equalization reserve and other similar provisions	3,220	-202	-5	-	-	3,013
Investment assets at fair value	660	-42	0	-515	-	103
Accumulated depreciation	104	0	0	-	-	104
Other temporary differences	313	36	-2	-	-	347
Total deferred tax liability	**4,297**	**-208**	**-7**	**-515**	**-**	**3,567**
Netted deferred tax liability against deferred tax asset	**-194**					**-106**
Deferred tax liability according to balance sheet	**4,103**					**3,461**
Deferred tax income according to income statement 2011		**196**				

1) Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

NOTE 34 Provision for pensions and similar obligations

MSEK	2012	2011	2010	2009	2008
Estimated present value of obligation	4,853	5,138	4,103	4,346	4,243
Fair value of plan assets	3,361	3,090	2,923	2,790	2,392
Net obligation/liability	**1,492**	**2,048**	**1,180**	**1,556**	**1,851**
Unrecognized actuarial losses	-974	-1,347	-416	-682	-1,027
Net liability recognized in balance sheet	**518**	**701**	**764**	**874**	**824**
Provision for social security fees etc.	138	169	179	191	180
Provision for pensions and similar obligations	**656**	**870**	**943**	**1,065**	**1,004**

The reporting of defined-benefit pension plans complies with IAS 19 Employee Benefits (issued in 1998).

Pension obligations, and the pension cost accrued during the fiscal period, are calculated using actuarial methods. Vested pension rights are calculated on a straight-line basis during the employment period. The calculation of pension obligations is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated liability is discounted to present value using an interest-rate based on current market interest adjusted to take into account the duration of the company's pension obligations. Source for deciding the discount rate for the Swedish obligation are liquid covered mortgage bonds issued by mortgage institutions. As of 2012, covered mortgage bonds are also used as the basis for the Norwegian obligation. After deducting plan assets and unrecognized actuarial gains and losses, a net asset or liability is entered in the balance sheet. The net obligation reported in the closing balance for 2012 pertains to defined-benefit pension plans for employees in Sweden and Norway. The other pension benefits arising in the Group have been classified either as defined-contributions plans or as defined-benefit pension plans recognized as defined-contribution plans because If lacks the information necessary to recognize them as defined-benefit plans, or because they have been deemed as insignificant.

A comprehensive amendment of Norwegian pension rules and regulations is under way. As part of efforts to gradually adapt to these changes, a significant portion of if's early retirement plan has been phased out, which has resulted in considerable revenue pertaining to prior-year service.

THE FOLLOWING ACTUARIAL ASSUMPTIONS HAVE BEEN USED FOR THE CALCULATION OF DEFINED-BENEFIT PENSION PLANS IN SWEDEN AND NORWAY:	Sweden 2012	Sweden 2011	Norway 2012	Norway 2011
Discount rate	3.50%	3.75%	4.00%	2.75%
Expected return on plan assets	N/A	3.00%	N/A	3.75%
Future salary increases	3.00%	3.00%	3.75%	3.75%
Price inflation	2.00%	2.00%	2.25%	2.25%
EXPECTED RETURN ON PLAN ASSETS IS CALCULATED USING THE FOLLOWING DISTRIBUTION OF CLASSES OF ASSETS UNDER MANAGEMENT:				
Bonds	40%	43%	53%	64%
Equities	29%	34%	18%	15%
Properties	10%	11%	15%	17%
Other	21%	12%	14%	4%

MSEK	Funded plans		Unfunded plans	
DISTRIBUTION OF OBLIGATIONS ON FUNDED AND UNFUNDED PLANS	2012	2011	2012	2011
Estimated present value of obligation	4,425	4,507	428	631
Fair value of plan assets	3,361	3,090	-	-
Net obligation/liability	**1,064**	**1,417**	**428**	**631**
Unrecognized actuarial losses	-898	-1,233	-76	-114
Net pension obligation recognized in the balance sheet	**166**	**184**	**352**	**517**

MSEK AMOUNT ENTERED IN THE INCOME STATEMENT	2012	2011	2010	2009	2008
Current service cost	156	124	136	151	130
Interest cost	153	173	183	179	177
Expected return on plan assets	-112	-141	-136	-130	-140
Actuarial losses (plus) or gains (minus) reported for the year	66	13	20	52	12
Losses (plus) or gains (minus) on reductions and settlements	13	5	3	12	19
Costs/revenues pertaining to prior-year service	-177	-	-	-	-
Pension cost	**99**	**174**	**206**	**264**	**198**

SPECIFICATION OF CHANGE IN NET LIABILITY					
Pension obligations:					
On Jan 1	5,138	4,103	4,346	4,243	3,836
Current service cost	156	124	136	151	130
Interest cost	153	173	183	179	177
Actuarial gains/losses	-321	900	-186	-445	396
Losses or gains on reductions and settlements	13	5	3	11	14
Obligations settled through payment	-	-	-	-	-
Costs/revenues pertaining to prior-year service	-177	-	-	-	-
Exchange-rate differences on foreign plans	63	-7	-230	336	-197
Benefits paid	-172	-160	-149	-129	-113
Present value of obligations on Dec 31	**4,853**	**5,138**	**4,103**	**4,346**	**4,243**
Fair value of plan assets:					
On Jan 1	3,090	2,923	2,790	2,392	2,404
Expected return on plan assets	112	141	136	130	140
Actuarial gains/losses	5	-50	21	-71	-183
Fees	247	193	232	235	228
Exchange-rate differences on foreign plans	35	-1	-151	195	-114
Benefits paid	-128	-116	-105	-91	-83
Fair value of plan assets on Dec 31	**3,361**	**3,090**	**2,923**	**2,790**	**2,392**

NOTE 35 Other provisions

MSEK CHANGE IN OTHER PROVISIONS	2012	2011
Opening balance	330	319
Provisions utilized during the fiscal year	-58	-116
Unutilized provisions reversed during the fiscal year	-23	-11
Provisions added during the fiscal year	227	138
Translation difference	1	0
Closing balance [1)]	**477**	**330**

1) Of which MSEK 58 (68) to be settled later than 12 months after the balance-sheet date.

Other provisions consist of funds amounting to MSEK 168 (202) reserved for future expenses attributable to previously implemented or planned future organizational changes. The development of more efficient administrative and claims-adjustment processes and structural changes in distribution channels is resulting in organizational changes affecting all business areas. In addition to the provisions attributable to restructuring measures, the item includes among other things employer contributions of MSEK 18 (19) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 280 (80).

NOTE 36 Creditors arising out of direct insurance

MSEK	2012	2011
Payables to policyholders	1,178	1,339
Payables to insurance brokers	88	73
Payables to insurance companies	17	45
Total [1)]	**1,283**	**1,457**

1) Of which MSEK 15 (-) to be settled after the balance-sheet date.

NOTE 37 Other creditors

MSEK	2012	2011
Tax debt (current)	1,506	937
Accounts payable	194	222
Securities settlement liabilities	0	3
Creditor, patient-insurance pool for the public sector	469	480
Other creditors	881	907
Total [1)]	**3,050**	**2,549**

1) Of which MSEK 390 (492) matures later than 12 months after the balance-sheet date.

The "Other creditors" item includes liabilities pertaining to premium, with-holding and value added taxes.

NOTE 38 Other accruals and deferred income

MSEK	2012	2011
Accrued interest expenses, subordinated debt	88	91
Other accrued expenses [1)]	1,578	1,431
Deferred income	15	19
Total	**1,681**	**1,541**

1) Other accrued expenses consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commission and other variable compensations but also reserves for uninvoiced other operating expenses.

NOTE 39 Pledged assets

MSEK PLEDGED ASSETS AND EQUIVALENT SECURITIES	2012	2011
Other financial investment assets	2,788	1,616
Cash and bank	49	88
Total	**2,837**	**1,704**

MSEK PLEDGED ASSETS AND THE PLEDGING PURPOSES WERE DISTRIBUTED AS FOLLOWS:	2012	2011
Financial investment assets		
Collateral for insurance undertakings	2,442	1,270
Collateral for futures trading	346	346
Total	**2,788**	**1,616**
Cash and bank balances		
Collateral for insurance undertakings	47	87
Collateral for permission to conduct insurance operations	-	1
Security for rent	2	-
Total	**49**	**88**
Total	**2,837**	**1,704**

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

MSEK ASSETS COVERED BY POLICYHOLDERS' BENEFICIARY RIGHTS	2012	2011
Bonds, risk-free	9,875	11,589
Bonds, other	43,832	44,124
Equities in public companies	9,685	9,101
Property related assets	625	626
Total	**64,017**	**65,440**
Technical provisions, net	58,443	58,831
Surplus of registered securities	5,574	6,609
Total	**64,017**	**65,440**

NOTE 40 Contingent liabilities and other commitments

MSEK	2012	2011
Surety and guarantee undertakings	316	381
Other commitments	51	99
Total	**367**	**480**

The subsidiaries If P&C Insurance Ltd and If P&C Insurance Company Ltd provide insurance with mutual undertakings within the Nordic Nuclear Insurers pool and If P&C Insurance Ltd within the Norwegian Natural Perils Pool and the Dutch Terror Pool.

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

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

Normal seller's guarantees have been given in connection with the selling of the subsidiary IPSC Region.

With respect to certain IT systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur in relation to the owners of the systems.

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling MEUR 6, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments.

NOTE 41 Comments on the consolidated cash flow statement

DESCRIPTION OF METHOD

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

In the income statement of a property and casualty insurance company, all premiums written are accrued over the term of the contract. Claims provisions are made continually, based on statistical models for anticipated claims, and when the claims occur the actual claims provisions are drawn up. Finally, the claim is settled through payment to the insured. Thus, the cash flows to which an insurance contract and a claim give rise differ considerably from how income accounting is performed. The link between the income statement and cash flow statement is shown in the operation's balance sheet, where accruals and deferrals are shown in the technical reserves (premium and claims reserves) and in the receivables and liabilities that constitute unsettled items attributable to insurance contacts. In insurance companies with extensive operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

The cash flow statement shows how cash flow arises and how it affects the Group's investments in bank and investment assets. The cash flow is generated primarily in insurance operations (the technical operations) and in the form of investment result from investment assets. In technical operations, the flows encompass premiums written, claims payments and operating expenses, which are shown in gross flow form. Premiums and claims payments in reinsurance operations, which are primarily settled through periodic statements, are reported in the compilation in their net flow forms.

Cash flow can also arise in other management in the form of transactions vis-à-vis shareholders (capital contributions, issues and dividends), the issuance of subordinated loans and interest payments as well as the flow generated from currency hedging for the entire operation.

The analysis has its foundation in the income statement items that are directly connected with external payment flows. These items are adjusted in the statement with the changes in the balance sheet during the period (counterparty receivables/assets) that are directly linked to the income statement items in question. The balance sheet items reported in the Group mainly comprise receivables/liabilities in foreign currency and are thus subject of continual revaluation at the exchange rate prevailing at each closing date. In the cash flow statement, the effect of this recalculation is eliminated and the individual cash flows shown in the analysis are therefore not directly evident as differences in the balance sheets and notes presented in other parts of the annual report.

OUTCOME 2012

Cash flow from insurance operations during the year remained strong, amounting to MSEK 3,268 (3,303) and cash flow from investment operations, measured as the investment return received, increased to MSEK 3,851 (3,843). Cash flow for the year generated from operations totaled MSEK 7,119 (7,146). The cash surplus generated by operations that is not required to maintain short-term access to funds is transferred to asset management on a continuous basis.

Cash flow from insurance operations

Cash flow from premiums increased during the year and amounted to MSEK 40,146 (39,059). The strengthening of the SEK against primarily EUR and DKK and weakening against NOK resulted in a net outflow of cash from premiums, amounting to MSEK 281. Adjusted for the currency effect, the increase in premiums amounted to MSEK 1,368.

Claims payments

Claims payments during the year increased and amounted to MSEK 29,804 (28,591). The currency effect based on the strengthened SEK reduced the amount by MSEK 200. Adjusted for the currency effect, the increase in claims payments amounted to MSEK 1,413.

Reinsurance flow

The reinsurance flow for the year was an outflow of MSEK 683 (outflow: 758). In the income statement reinsurance is accounted for as a net outflow of MSEK -461 (that is, net outflow of premiums for ceded reinsurance of MSEK 2,232 and the reinsurer's share of paid claims payments inflow of MSEK 1,771). Changes in receivables/liabilities in reinsurance operations had a positive impact on the flow.

Cost of operations

Cash flow for cost of operations, which is netted with the cash flow from other technical income, decreased during the year and amounted to MSEK 6,391 (6,407). Operating expenses in the consolidated income statement totaled MSEK 6,768 and other technical income totaled MSEK 286. The primary adjustments to items in the income statement pertain to depreciation and changes in provisions for operating expenses.

Cash flow from investment operations

Cash flow representing direct return on investment assets totaled to an inflow of MSEK 3,851 (3,843) and comprised the return received during the year in the form of dividends on shares of MSEK 349, MSEK 3,497 in coupon interest income and a yield of MSEK 5 from property.

Net investments in investment assets

Net investments during the year in investment assets were a divestment of MSEK 754 (112). Investment assets may be reconfigured based on allocation changes in the Group's investment policy or changes in market assessments. The cash flows per asset class that arose during the year were as follows:

- Net divestments in the equities portfolio amounted to MSEK 758, primarily equities in SEK, USD, EUR and JPY and
- Net investments in interest-bearing securities amounted to MSEK 4.

Cash flow from other operations

Cash flow from other operations was an outflow of MSEK 7,618 (outflow: 7,029). The item's include dividend outflows of MSEK 4,700 (outflow: 3,700), investments in associated companies an outflow of MSEK 24 (outflow: 1,035), disposed group company of MSEK 67, realized losses of currency forwards in the amount of MSEK 1,049 (loss: 625), interest payment and repayment on subordinated loans of MSEK 175 (outflow: 1,057) and tax payments of MSEK 1,481 (outflow: 1,821).

Notes to the Parent Company

NOTE 1 Interest income and similar income items

MSEK	2012	2011
Currency result	0	2
Dividend	2	-
Interest income, group companies	28	91
Other interest income	7	13
Total	**37**	**106**

NOTE 2 Interest expense and similar expense items

MSEK	2012	2011
Impairment loss on shares in subsidiaries	-	-45
Capital loss	-24	-
Interest expense, group companies	-31	-101
Other interest expense	-	0
Total	**-55**	**-146**

NOTE 3 Taxes

MSEK	2012	2011
Current tax	-1	0
Deferred tax	-	-1
Total tax in the income statement	**-1**	**-1**
Specification of deferred tax assets		
Temporary differences	-	-
Total deferred tax assets	**-**	**-**

MSEK	2012	2011
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	3,223	6,364
Tax according to current tax rate, 26.3%	-848	-1,674
Non-taxable dividend from Group companies, associated companies and other holdings	853	1,685
Non-deductible capital loss and impairment loss on shares in subsidiaries	-6	-12
Reported tax in the income statement	**-1**	**-1**

NOTE 4 Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2012	2011
If Skadeförsäkring AB (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	12,080	12,080
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
If IT Services A/S	Denmark	501	100	1	1
If Vahinkovakuutusyhtiö Oy/If Skadeförsäkringsbolag Ab	Finland	960,000	100	4,435	4,435
If P&C Insurance AS	Estonia	6,391,165	100	442	442
IPSC Region [1)]	Russia	-	-	-	91
CJSC If Insurance	Russia	1,000	100	90	90
Total				**17,121**	**17,212**

1) The company was sold during the year.

NOTE 5 Shares in associated companies

	Country	Number of shares	Holding %	Carrying amount 2012	2011
Consulting AB Lennermark & Andersson, corp.reg.no. 556131-2223	Sweden	1,209	22.0	7	7
Topdanmark A/S [1]	Denmark	838,450	6.8	1,032	1,032
Urzus Group AS	Norway	142,648	28.6	50	50
Watercircles Skandinavia AS [2]	Norway	47,850	27.7	35	21
Svithun Assuranse AS	Norway	33	33.0	10	-
Summa				**1,134**	**1,110**

1) Besides the holding in If P&C Insurance Holding Ltd, the subsidiary If P&C Insurance Company Ltd owns 2,309,242 shares, corresponding to 18.6%.

2) Former Besure Forsikring Skandinavia AS. If has a direct holding of 27.7%, as well as an indirect holding via Urzus Group AS, owner of 57.9% of the company.

NOTE 6 Contingent liabilities

MSEK	2012	2011
Surety and guarantee undertakings	17	18
On behalf of Group companies	*17*	*18*

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

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

Normal seller's guarantees have been given in connection with the selling of the subsidiary IPSC Region.

With respect to certain IT systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur in relation to the owners of the systems.

Proposed appropriation of earnings

Funds available for appropriation by the Annual Meeting in accordance with the balance sheet amount to MSEK16,150, including the net profit for the year of MSEK 3,222.

The Board of Directors and President propose that the amount be appropriated as follows:

MSEK	
To be distributed as dividends to shareholders	0
To be carried forward	16,150
	16,150

Stockholm, March 5, 2013

Kari Stadigh
Chairman of the Board

Peter Johansson
Board member

Patrick Lapveteläinen
Board member

Torbjörn Magnusson
Board member, President and CEO

Our audit report was issued on March 5, 2013
Ernst & Young AB

Peter Strandh
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of If P&C Insurance Holding Ltd (publ), corporate identity number 556241-7559

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of If P&C Insurance Holding Ltd (publ) for the year 2012.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of If P&C Insurance Holding Ltd (publ) for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

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

Opinions

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

Stockholm, March 5, 2013
Ernst & Young AB

Peter Strandh
Authorized Public Accountant

Group Management

Torbjörn Magnusson
Born 1963
President and Chief Executive Officer
Employed 1999
Resident in Stockholm

Knut Arne Alsaker
Born 1973
Chief Financial Officer
Employed 2000
Resident in Täby

Johan Börjesson
Born 1967
Head of Human Resources
Employed 2005
Resident in Lidingö

Ivar Martinsen
Born 1961
Head of Commercial business area
Employed 1999
Resident in Oslo

Katarina Mohlin
Born 1961
Head of Corporate Communications
Employed 2004
Resident in Stockholm

Dag Rehme
Born 1970
Chief Legal Counsel
Employed 2006
Resident in Stockholm

Morten Thorsrud [2)]
Born 1971
Head of Private business area
Employed 2002
Resident in Nesbru

Kjell Rune Tveita
Born 1963
Head of IT and Group Services
Employed 1999
Resident in Lövenskog

Timo Vuorinen
Born 1964
Head of Baltic business area
Employed 2003
Resident in Espoo

Niclas Ward [1)]
Born 1971
Head of Industrial business area
Employed 2001
Resident in Stockholm

Ricard Wennerklint
Born 1969
Deputy Chief Executive Officer
Employed 1999
Resident in Stockholm

1) Entered at January 1, 2013.
2) Entered at January 1, 2013, former head of Industrial business area.

Glossary and definitions

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

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

ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT

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

CAPITAL BASE

Reported shareholders' equity after proposed dividend less intangible assets surplus in funded pensions plans, plus untaxed reserves, subordinated debt (within some limits) and deferred tax liabilities. Major holdings of securities in financial institutions shall also be deducted when these securities constitute risk capital in the institution. The capital base must satisfy the solvency requirement. See solvency requirement.

CAPTIVE

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

CEDENT

Direct insurance company that reinsures a part of its direct business with a reinsurer.

CLAIMS FREQUENCY

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

CLAIMS RATIO

Total sum of claims incurred on own account including claims-adjustment costs and premiums earned expressed as a percentage.

COMBINED RATIO

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

COST OF INSURANCE OPERATIONS

Sum total of operating expenses in insurance operations on own account and claims-adjustment costs.

COST RATIO

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

CREDIT-RISK

Credit-risk is the risk of loss or of an adverse change in financial position resulting from fluctuations in the credit rating of issuers of securities, counterparties and other debtors to which the investment operations are exposed in the form of counterparty risk, issuer risk and concentration risk. Credit-risk pertains to both reinsurance operations and derivative instruments.

DEDUCTIBLE

That part of the claims amount that the insured must account for himself, in accordance with the insurance terms, and which is thus deducted from insurance compensation. Special deductibles exist in certain types of insurance, whereby a distinction is made between compulsory and voluntary deductibles. The latter leads to a reduction in the premium.

DIRECT INSURANCE

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

DIRECT INVESTMENT RETURN

Sum total of operating surplus from buildings and land, dividends on shares and participations and interest income.

DURATION

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

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

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

ECONOMIC CAPITAL

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

EXPENSE RATIO

Sum total of operating expenses in insurance operations on own account and claims-adjustment costs in relation to premiums earned on own account expressed as a percentage.

GROSS BUSINESS

Insurance business before deduction of the portion of business that is reinsured with other companies.

GROSS PREMIUMS WRITTEN

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

IBNR PROVISION

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

INSURANCE MARGIN

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

INVESTMENT ASSETS

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

INVESTMENT RETURN

Net of following income and costs: interest income/expense, dividend on shares and participations, surplus/deficits from own properties, realized and unrealized changes in fair value of real estate, shares and participations and interest-bearing securities, and exchange-rate gains/losses. Return pertaining to associated companies is not included. If recognizes the main part of unrealized value changes on shares and participations and interest-bearing securities in other comprehensive income.

LIQUIDITY RISK
Liquidity risk is the risk that an insurance undertaking will be unable to realize investments and other assets in order to settle its financial obligations when they fall due. Liquidity risk can be divided into refinancing risk and market liquidity risk.

MARKET RISK
Market risk is the risk of loss, or of an adverse change in financial position, resulting directly or indirectly from the level or volatility of market prices of assets, liabilities and financial instruments. Losses in the investment portfolio could occur due to adverse changes in the level or volatility of interest-rates, equity prices, credit spreads, currencies, commodities and real estate.

NET BUSINESS
That part of the insurance business for which the insurance company assumes the risk and which is thus not reinsured with other companies.

NET PREMIUMS WRITTEN
Gross premiums written less ceded reinsurance premiums.

OPERATING EXPENSES IN INSURANCE OPERATIONS
Expenses related to the acquisition or renewal of insurance contracts plus corporate administration costs.

OPERATING RESULT
Profit/loss before appropriations and taxes.

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

PRIOR-YEAR CLAIMS RESULT
Profit or loss that arises when claims originating from a prior year are either finally settled or revalued.

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

PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS
Liability item in the balance sheet corresponding to the portion of premiums written that, in the financial accounts, pertains to forthcoming periods, and that covers anticipated claims costs and operating expenses for policies in force at the accounting date and up to their next due date.

PROVISION FOR CLAIMS OUTSTANDING
Liability item in the balance sheet consisting of the estimated value of claims incurred but not yet paid and the expected operating expenses for the settlement of the claims.

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

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

RETURN ON EQUITY
Result for the year, adjusted for unrealized gains and losses on investments assets recognised in other comprehensive income, less full tax in relation to average shareholders' equity.

RISK RATIO
Sum total of insurance claims on own account, excluding claims-adjustment costs, in relation to premiums earned on own account, expressed as a percentage.

RISK SELECTION
The insurer's intentional selection of the type of risks to be included in his portfolio.

RUN-OFF BUSINESS
The liquidation of an insurance company or portfolio of insurance business which has been transferred to a separate administrative unit.

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

SOLVENCY RATIO
Key ratio representing the relative size of solvency capital. The solvency ratio is calculated as solvency capital in relation to net premiums written, excluding portfolio premiums.

SOLVENCY REQUIREMENT (REQUIRED SOLVENCY MARGIN)
The lowest permissible capital required for insurance operations from the viewpoint of the supervisory authorities. The requirement is based on the historical claims outcome or gross premiums written, where the highest value is used.

TECHNICAL PROVISIONS
Provisions for unearned premiums, unexpired risks and claims outstanding.

TECHNICAL RESULT
Premiums earned on own account less claims costs and operating expenses on own account, plus the allocated investment return transferred from insurance operations and other technical income.

TECHNICAL RESULT BEFORE INVESTMENT RETURN
Item in the technical accounts comprising premiums earned on own account less claims and operating expenses on own account in the insurance operations.

TOTAL INVESTMENT RETURN
Sum total of direct return and realized and unrealized changes in value in relation to the investment assets, excluding associated companies, expressed as a percentage. The return has been calculated using the calculation methods used internally by If for the evaluation of asset management.

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

UNDERWRITING RISK
Underwriting risk pertains to the risk of losses or unfavourable changes to the technical liabilities due to uncertainty in pricing and provisions.

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