Annual report 2019

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Comments by the President and CEO

Morten Thorsrud

2019 was a remarkable year for If.

Offering great customer service has been at the top of our agenda for many years, and we have now reached a point where the fruits of our investments can clearly be seen in our result. We experienced a substantial improvement on all key customer metrics, such as customer satisfaction, customer retention and number of customers. In financial terms, we recorded an annual growth rate of 5.7%, our highest growth rate in If's history. This growth development is a clear confirmation that we are succeeding in creating simpler and improved insurance solutions for our customers.

At the same time, we continued to deliver a stable result, with a combined ratio of 84.5% and a technical result of MSEK 7,250. Our cost ratio also improved to 21.8%. In many respects, 2019 was a relatively normal insurance year. We experienced a number of weather events and major claims, but all in all this was well in line with what is normal for our business.

The capital markets continued to be affected by the low interest-rate situation, where the return on interest-bearing securities was adversely affected. However, this was offset to some extent by increased demand for housing and corporate bonds, which meant that the return on the interest-bearing portfolio was nevertheless 2.3%. With continued low interest rates, it becomes clear that an attractive return on underwriting is becoming increasingly important If´s pricing and underwriting approach is well aligned with these developments. Despite the low interest-rate environment, we were able to report a total investment return of 5.0%, largely thanks to a highly positive return on equities throughout 2019.

Our investments in digital solutions and our core IT system, Waypoint, continued throughout the year. Internally, we are running one of the largest IT development projects in the Nordic region, and this is enabling us to implement new services and functionalities on an ongoing basis. We are now starting to see the enormous benefits this will lead to – both for our customers and for If as a company.

2019 was also a great year for partnerships. We renewed important agreements with key partners and maintained our position as the preferred partner to the automotive industry in the Nordics. We also expanded our business through the acquisition of Vertikal, a health service provider in Norway, and Viking, a Nordic roadside assistance company. Providing our customers with superior products and services not only requires market-leading insurance. We must also understand their needs and wants in all insurance-related situations. To this end, building partnerships with high-quality service providers will be increasingly important moving forward.

It is impossible to look back at 2019 without mentioning the climate and sustainability. At If, we publish a separate sustainability report to track our progress in a range of areas, and we have increased our own targets for the year to come. One area where we strive to make a significant contribution is climate change risk management. As an insurance company, we work with risk, safety and protection every day, and we have firsthand experience of the damage caused by storms, floods and other severe weather events. We know which solutions increase safety, while minimizing environmental impact. Our priority is to help our customers manage risks and provide support when accidents occur.

Finally, 2019 was the year we celebrated If's 20-year jubilee. This gave us time to reflect on our development throughout the years, and the fantastic journey we have been through. After a bumpy start in 1999, If has been a great success, delivering strong results year after year. I felt both humbled and proud to take the helm after Torbjörn Magnusson, who is now the CEO of Sampo Group. It was a privilege to continue the work of such a well-run company, with 7,000 dedicated employees. During my first year, I have met many of our employees and gained a deeper insight into the various areas of our business. Creating a positive working environment and building further on our strong culture have been two of my top priorities. Moving forward, we will strive to continue developing and improving our customer service, and fulfilling our shared purpose:

We give people confidence today to shape their tomorrow.

Morten Thorsrud, President and CEO

Board of Directors' Report

The Board of Directors and the President of If P&C Insurance Holding Ltd (publ), corporate registration number 556241-7559, hereby issue their annual report for the 2019 fiscal year.

Organization

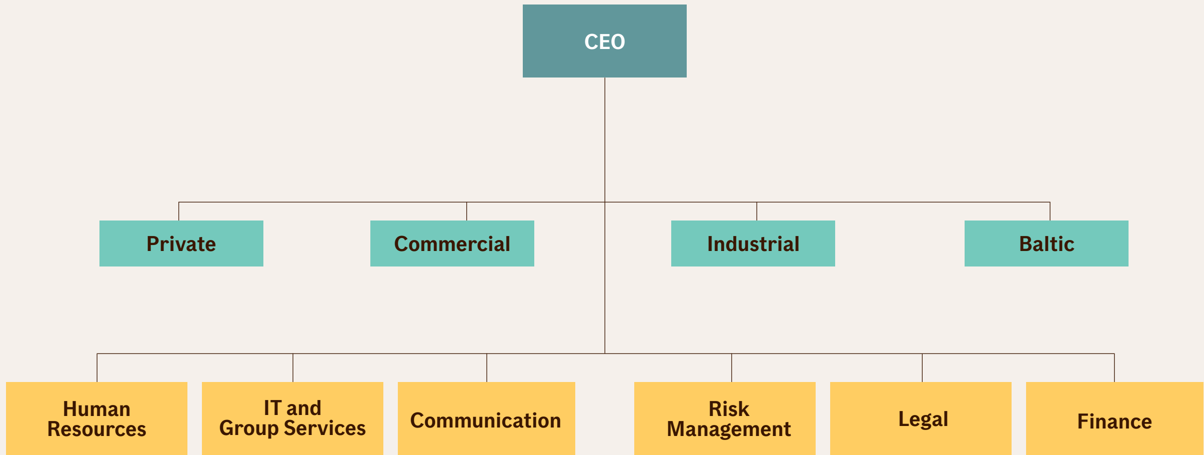
If is a Nordic Group that also conducts insurance operations in the Baltic countries. The Group's headquarter is located in Solna, Sweden.

The Parent Company of the If Group, If P&C Insurance Holding Ltd (publ), is a wholly owned subsidiary of Sampo plc, a Finnish listed company, whose registered office is in Helsinki.

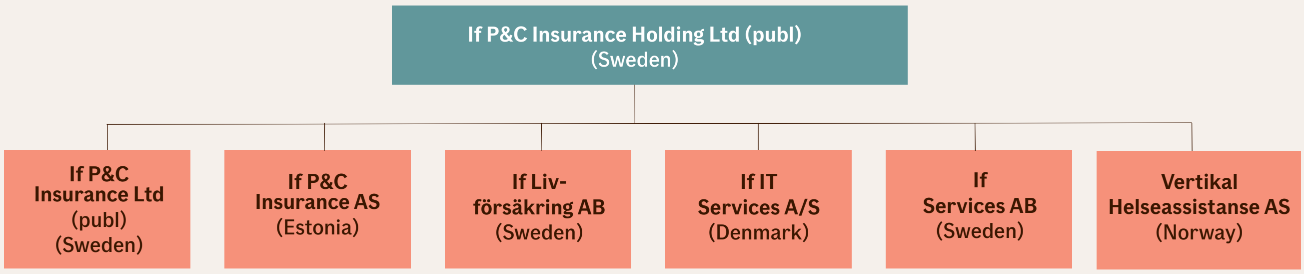
The main role of If P&C Insurance Holding Ltd (publ) is to manage shares in wholly owned property and casualty insurance operations as well as other significant holdings. The holding company owns the Swedish companies If P&C Insurance Ltd (publ), If Services AB and If Livförsäkring AB, the Danish company If IT Services A/S, the Norwegian company Vertikal Helseassistanse AS and the Estonian company If P&C Insurance AS. If's insurance operations in Denmark, Norway and Finland and to some extent Estonia and Latvia, 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. Support functions such as IT, Human Resources, Communication, Risk Management and Finance are organized as a support to the business.

Operational structure



Legal structure



Significant events during the year and after the balance sheet date

In February 2019, changes were made both to Group Management and the Parent Company's Board. Morten Thorsrud was appointed as the new President and CEO. Torbjörn Magnusson was appointed as new Chairman of the Board and Ricard Wennerklint as a Board member.

In December 2019, If acquired the Norwegian company Vertikal Helseassistanse AS and thereby confirmed its position as the leading provider of Health insurance in Norway. For more information, refer to Note 41.

In January 2020, the Norwegian road assistance company Viking Redningstjeneste Topco AS was acquired. Viking serves its customers through an extensive nationwide network of stations in Norway, Sweden, Denmark and Finland. For more information, refer to Note 42.

Results from operations

Group results

The result before income taxes was MSEK 9,333 (8,699). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 7,250 (6,601).

Premiums written

Gross written premiums for the year amounted to MSEK 49,484 (46,191). Adjusted for exchange-rate effects, the underlying change in premium volumes was growth of 5.7%. The increase was mainly in the Industrial and Private business areas.

Claims incurred and operating expenses

Net claims incurred amounted to MSEK 31,756 (30,307). Adjusted for exchange-rate effects, claims expenses increased by 3.2%. The claims ratio decreased compared with the preceding year and amounted to 68.4% (68.8). Operating expenses in the insurance operation totaled to MSEK 7,472 (7,200). Adjusted for exchange-rate effects, this corresponds to an increase by 2.3%. The expense ratio improved compared with 2018 to 16.1% (16.4). The combined ratio was 84.5% (85.2).

Investment result

At full market value, profit from asset management increased to MSEK 5,740 (-838), corresponding to a total return of 5.0% (-0.8%).

Net investment return amounted to MSEK 2,707 (2,648) in the income statement and MSEK 3,033 (-3,486) in other comprehensive income.

Risk willingness returned to the financial markets during 2019 and almost all asset classes where If had holdings showed positive results.

In the beginning of the year stock markets around the world had just ended at the lowest levels noted during 2018 caused by concerns about a looming downturn in the global economy. This was partly explained by the ongoing trade war between the US and China. As a result of this concern, market interest rates continued to decline and at the same time the Federal Reserve System lowered the policy interest rate in the summer, even though only a few months earlier it had indicated an increase in the policy.

Lower interest rates and global economy that still delivered growth during the year led to stock markets recovering sharply, ending on highs for the year and in some cases reaching their highest levels ever. However, during the last months of the year, interest rates also started to rise from very low levels, and the result from interest-bearing instruments weakened slightly.

During the year, increased risk tolerance caused the credit risk premium to fall from high levels, which contributed positively to the return on interest-bearing instruments.

All in all, 2019 was a very strong year in terms of the total result from asset management.

Consolidated results per quarter and full-year

MSEK	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2019 Jan-Dec	2018 Jan-Dec
Premiums earned, net of reinsurance	11,794	11,871	11,625	11,161	46,451	44,019
Allocated investment return transferred from the non-technical account	44	44	42	38	167	130
Other technical income	75	85	90	82	332	304
Claims paid, net of reinsurance	-8,074	-8,079	-7,710	-7,894	-31,756	-30,307
of which, claims-adjustment costs	*-718*	*-659*	*-594*	*-664*	*-2,635*	*-2,437*
Operating expenses for insurance operations, net of reinsurance	-1,948	-1,831	-1,939	-1,755	-7,472	-7,200
Other operating expenses	-134	-114	-126	-99	-472	-345
Technical result from property and casualty insurance	**1,758**	**1,976**	**1,982**	**1,533**	**7,250**	**6,601**
Investment result	823	477	719	688	2,707	2,648
Allocated investment return transferred to the technical account	-117	-118	-119	-116	-470	-450
Interest expense, net pension liability	-3	-3	-3	-3	-11	-12
Interest expense, subordinated debt	-38	-38	-37	-35	-149	-132
Income from associates	6	-2	6	-4	6	44
Result before income tax	**2,430**	**2,292**	**2,548**	**2,064**	**9,333**	**8,699**
Claims ratio	68.5%	68.1%	66.3%	70.7%	68.4%	68.8%
Expense ratio	16.5%	15.4%	16.7%	15.7%	16.1%	16.4%
Combined ratio	85.0%	83.5%	83.0%	86.5%	84.5%	85.2%
Risk ratio [1]	62.4%	62.5%	61.2%	64.8%	62.7%	63.3%
Cost ratio [1]	22.6%	21.0%	21.8%	21.7%	21.8%	21.9%
Insurance margin [1]	15.4%	16.9%	17.4%	13.9%	15.9%	15.1%

[1] Refers to alternative performance measurements which are defined in Glossary and definitions.

Interest-bearing assets returned 2.3% (1.0%) for the year. The increase in return is mainly attributable to lower credit spreads and overall positive development in the corporate bond market. The duration of the interest-bearing assets was 1.3 (1.4) at the end of the year.

The total return on equities was positive for the year, 34.1% compared with -10.4% for the preceding year. All the stock markets where If had an investment, had a positive return for the year. The strongest contributors to the positive return were the Swedish and North American stock markets.

Alternative investments, which account for only a small part of total investment assets, showed positive returns for the year.

Returns for interest-bearing assets were weaker than their benchmark indices, mainly attributable to rising yields in the last quarter of 2019. Equities, however, were almost in line with their benchmarks.

If's investment assets are mainly managed by the asset management unit within the Group's Parent Company, Sampo.

Net profit and tax costs

Net profit was MSEK 7,301 (6,784). The effective tax rate for the year was 21.8% (22.0). Of total taxes, current tax expenses accounted for MSEK 1,989 (1,822) and deferred tax expense for MSEK 42 (expense 93).

Results per business area

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

Solvency capital, cash flow and appropriation of earnings

The solvency ratio amounted to 77.2% (76.5) at year-end. Solvency capital increased to MSEK 36,559 (33,932). Cash flow from operating activities amounted to MSEK 8,059 (4,721) and cash flow from investing activities to MSEK -297 (39). A total dividend of MSEK 7,500 (7,000) was paid.

Unrestricted funds in the company, including the Fair value reserve, amounts to SEK 14,105,823,944. No allocation to statutory reserves is proposed. Funds available for appropriation by the Annual General Meeting in accordance with the balance sheet amounts to SEK 14,105,823,944, of which the net profit accounts for SEK 6,353,440,886. The Board of Directors and the President propose that SEK 0 be paid as dividend, SEK 14,094,841,608 be carried forward and that SEK 10,982,336 be carried as Fair value reserve.

Technical provisions (reserves)

Gross provisions at year-end increased to MSEK 91,704 (91,618). Currency effects arising from the conversion of provisions in foreign currencies increased the provision by MSEK 1,500. After adjustments for exchange-rate effects, the premium reserve increased by MSEK 991. Correspondingly the claims reserve decreased by MSEK 2,405 after adjustments for exchange-rate effects.

Reinsurers' proportion of technical provisions increased slightly to MSEK 2,194 (2,138). After adjustment for exchange-rate effects, reinsurers' share of technical provisions decreased by MSEK 23.

Objectives and policies for financial risk management

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

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

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

Solvency II

All If's insurance subsidiaries have regulatory solvency capital requirements (SCR). If P&C Insurance Ltd (publ) uses an approved partial internal model (PIM) to calculate the SCR for insurance risk, while other risks are calculated using the standard formula. If Livförsäkring AB and If P&C Insurance AS (Estonia) use the standard formula for calculating SCR.

As a subsidiary of Sampo plc, If P&C Insurance Holding Ltd (publ) is a member of the Sampo insurance group and is not subject to a formal requirement to report its sub-group solvency position. However, a standard formula based SCR is calculated, corresponding to what the regulatory requirement would have been if Solvency II-regulations had been enforced at the level of the If Group.

As per December 31, 2019, the sub-group standard formula SCR amounted to MSEK 19,750 (18,801) and the eligible own funds amounted to MSEK 37,525 (36,909).

Personnel

In 2019, the number of employees increased slightly and amounted to 6,925 (6,680) at year-end. The average number of employees during the year was 6,865 (6,603), of whom 54% (54) were women.

In 2019, If recruited approximately 1,150 employees, in order to replace people who had retired or left the company and to add new competencies to the company.

The principles applied for determining remuneration and benefits for key management personnel are presented in Note 12.

Applied accounting policies

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS Standards, IAS Standards, SIC Interpretations and IFRIC Interpretations), as adopted by the European Union. IFRS 16 Leases took effect on January 1, 2019 and If applies the standard as of this date. For more information refer to Note 1 Accounting policies. For the 2019 fiscal year, there were no other new or amended standards that caused any significant changes or new requirements for If's accounting.

Outlook

The way the global economy will develop in 2020 is difficult to predict. Despite increased competition in the market, the 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 financial target for the Group is to attain a return on equity of at least 17.5%. For 2020, the Group is expected to reach a combined ratio of 85-89%.

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 and manage a part of the cash surplus in a dedicated investment portfolio. Following the changes to management and the Board, the company has also been charged with paid and reserved remuneration of Torbjörn Magnusson and Ricard Wennerklint, which were previously settled by the subsidiary If P&C Insurance Ltd (publ).

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.

The Parent Company's net profit decreased to MSEK 6,353 (7,205), mainly as a result of decreased dividends from subsidiaries.

The Parent Company's solvency capital at year-end amounted to MSEK 20,220 (21,312) and its total assets to MSEK 21,934 (22,579).

Corporate Governance Statement

If P&C Insurance Holding Ltd (publ) is not listed, and does not comply with the Swedish Code of Corporate Governance. However, the company has subordinated loans listed for trading on the Luxembourg Stock Exchange (BdL Market). According to the Annual Accounts Act (1995:1554), there are requirements stipulating that such companies shall submit a limited Corporate Governance Statement. The company has decided to allow the Corporate Governance Statement to be part of the Board of Directors' Report.

As mentioned above, the company is a wholly owned subsidiary of the listed Finnish company Sampo plc. The shareholder's right to participate in company decisions is exercised at the Annual General Meeting and at Extraordinary General Meetings.

The Articles of Association, which is the fundamental control document for the company, states, inter alia, the object of the company's operation, the size of the share capital, the number of members of the Board of Directors and auditors, as well as, the period for such assignments, matters that shall be addressed at the Annual General Meeting and how notice convening the General Meetings shall be sent out. According to the Articles of Association, the Board of Directors shall comprise of not less than three and not more than five elected members, and the election shall apply for the period until the end of the Annual General Meeting taking place the second financial year after the election. The Articles of Association contains no stipulations pertaining to amendments of the Articles of Association. The company has issued two series of shares, A-shares and B-shares. Shares of series A carry one vote each and shares of series B carry one tenth of a vote each. The shareholder or the shareholder's representative is entitled to vote for the full number of shares represented, with no restrictions on voting entitlement. No General Meeting has granted any authorization to the Board of Directors to make decisions that the company shall issue new shares or acquire own shares.

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

The Internal Audit performs independently, on behalf of the Board of Directors, audit reviews of the company's operations and system for internal control according to an annually established plan. The head of the internal audit reports directly to the company's Board of Directors.

The Compliance function provides advice to management and the business operations on issues pertaining to regulatory compliance. The Compliance function reports to the Board of Directors and the President of the company.

On behalf of the Chief Risk Officer (CRO) the Risk Control unit within Risk Management is responsible for the collective internal reporting of all of the If Group's significant risks at an aggregated level. In addition, the If Group has a comprehensive system for monitoring risks in the business operations, as described in the section on Objectives and Policies for Financial Risk Management.

Sustainability report

In accordance with the Swedish Annual Accounts Act, If P&C Insurance Holding Ltd (publ) shall prepare a sustainability report which includes the Parent Company and its subsidiaries. If has chosen to prepare the statutory sustainability report separate from the annual report, named If Sustainability Report 2019. The report is available on the website https://www.if.se.

Group Five-year summary

MSEK	2019	2018	2017	2016	2015
Condensed income statement					
Premiums written, net of reinsurance	47,372	44,381	41,994	40,636	40,951
Premiums earned, net of reinsurance	46,451	44,019	41,376	40,575	40,629
Allocated investment return transferred from the non-technical account	167	130	180	-25	213
Other technical income	332	304	260	251	261
Claims incurred, net of reinsurance	-31,756	-30,307	-28,516	-27,503	-29,400
of which, claims-adjustment costs	*-2,635*	*-2,437*	*-2,327*	*-2,227*	*-2,333*
Operating expenses in insurance operations, net of reinsurance [1]	-7,472	-7,200	-6,796	-6,754	-5,290
Other operating expenses	-472	-345	-334	-316	-660
Technical result from property and casualty insurance	**7,250**	**6,601**	**6,171**	**6,228**	**5,753**
Investment result	2,707	2,648	2,389	1,893	3,184
Allocated investment return transferred to the technical account	-470	-450	-497	-242	-564
Interest expense, net pension liability	-11	-12	-18	-20	-42
Interest expense, subordinated debt	-149	-132	-175	-108	-136
Income from associates	6	44	14	4,635	394
Results before income tax	**9,333**	**8,699**	**7,884**	**12,386**	**8,589**
Income taxes	-2,032	-1,915	-1,736	-1,683	-1,826
Net profit for the year	**7,301**	**6,784**	**6,148**	**10,703**	**6,763**

[1] In 2015, operating expenses were affected by a non-recurring effect related to a Norwegian pension plan amendment (cost reduction MSEK 1,456).

Group Five-year summary, *continued*

MSEK	2019	2018	2017	2016	2015
Balance sheet, december 31					
Assets					
Intangible assets	1,380	945	892	863	873
Investment assets	112,394	110,535	110,975	111,994	104,293
Reinsurers' share of technical provisions	2,194	2,138	2,163	2,255	2,196
Deferred tax assets	203	111	172	233	252
Debtors	15,983	15,174	13,529	12,978	11,970
Other assets, prepayments and accrued income	7,297	5,562	6,527	6,633	5,739
Total assets	**139,452**	**134,465**	**134,258**	**134,956**	**125,323**
Shareholders' equity, provisions and liabilities					
Shareholders' equity	29,697	27,809	30,414	29,749	26,337
Subordinated debt	4,134	4,107	3,067	3,889	1,829
Deferred tax liability	2,931	2,127	2,735	3,309	2,881
Technical provisions	91,704	91,618	89,775	89,596	86,687
Creditors	7,818	6,293	5,534	5,648	4,634
Provisions, accruals and deferred income	3,168	2,509	2,734	2,765	2,955
Total shareholders' equity, provisions and liabilities	**139,452**	**134,465**	**134,258**	**134,956**	**125,323**
Key data, property and casualty operations					
Claims ratio	68.4%	68.8%	68.9%	67.8%	72.4%
Expense ratio [1]	16.1%	16.4%	16.4%	16.6%	13.0%
Combined ratio	84.5%	85.2%	85.3%	84.4%	85.4%
Risk ratio [2]	62.7%	63.3%	63.3%	62.3%	66.6%
Cost ratio [1] [2]	21.8%	21.9%	22.0%	22.1%	18.8%
Insurance margin [2]	15.9%	15.1%	15.1%	15.5%	15.1%
Key data, asset management					
Total investment return [3]	5.0%	-0.8%	2.6%	2.9%	1.5%
Other key data					
Capital base [4]	-	-	-	-	29,142
Solvency requirement [4]	-	-	-	-	8,093
Solvency capital	36,559	33,932	36,044	36,714	30,795
Solvency ratio	77.2%	76.5%	85.8%	90.3%	75.2%
Return on equity [2]	29.7%	12.1%	19.6%	38.4%	18.8%

[1] In 2015, operating expenses were affected by a non-recurring effect related to a Norwegian pension plan amendment (cost reduction MSEK 1,456).
[2] Refers to alternative performance measurements which are defined in Glossary and definitions.
[3] The calculations are based on the policies used internally by If for the valuation of investment operations. Refer to Note 15.
[4] Calculations are made in accordance with the Solvency I-regulation that ended January 1, 2016.

Consolidated income statement

MSEK	Note	2019	2018
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	7	49,484	46,191
Premiums ceded	7	-2,112	-1,810
Change in provision for unearned premiums and unexpired risks		- 991	- 366
Reinsurers' share of change in provision for unearned premiums and unexpired risks		70	4
		46,451	**44,019**
Allocated investment return transferred from the non-technical account	8	167	130
Other technical income		332	304
Claims incurred, net of reinsurance			
Claims paid			
Gross		-35,423	-32,106
Reinsurers' share		1,052	596
Change in provision for claims outstanding			
Gross		2,708	1,377
Reinsurers' share		- 93	- 173
	9	**-31,756**	**-30,307**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-7,619	-7,325
Commissions and profit participations in ceded reinsurance		146	125
		-7,472	**-7,200**
Other operating expenses		- 472	- 345
	10, 12, 13	**-7,945**	**-7,545**
Technical result from property and casualty insurance	14	**7,250**	**6,601**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		1,934	1,800
Changes in value		1,046	1,150
Management costs		- 272	- 302
	15	**2,707**	**2,648**
Allocated investment return transferred to the technical account	8	-470	-450
Interest expense on net pension liability		-11	-12
Interest expense, subordinated debt	16	-149	-132
Income from associates	17	6	44
Result before income taxes		**9,333**	**8,699**
Taxes	18	-2,032	-1,915
Net profit for the year		**7,301**	**6,784**
Of which attributable to owners of the parent		*7,301*	*6,784*

Consolidated statement of comprehensive income

MSEK	Note	2019	2018
Net profit for the year		**7,301**	**6,784**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurements of the net pension liability		- 606	- 64
Taxes related to items which will not be reclassified	18	131	13
		- 475	**- 51**
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		222	458
Effects of changes in exchange rates, foreign associates		0	1
Exchange rate differences at realization, foreign associates		-	- 3
Remeasuring of financial assets available for sale		3,910	-2,423
Value changes recognized in income statement on financial assets available for sale		- 877	-1,062
Taxes related to items which will be reclassified when specific conditions are met	18	-692	693
		2,562	**-2,338**
Total comprehensive income		**9,388**	**4,396**
Of which attributable to owners of the parent		*9,388*	*4,396*

Consolidated balance sheet

Assets, December 31

MSEK	Note	2019	2018
Intangible assets			
Goodwill		992	715
Other intangible assets		387	230
	19	**1,380**	**945**
Investment assets			
Land and buildings	20	35	122
Investments in associates	21	147	144
Other financial investment assets	22, 23	112,204	110,261
Deposits with ceding undertakings		7	7
		112,394	**110,535**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		523	433
Provisions for claims outstanding		1,671	1,704
	24	**2,194**	**2,138**
Deferred tax assets	33	**203**	**111**
Debtors			
Debtors arising out of direct insurance operations	25	14,437	13,375
Debtors arising out of reinsurance operations	26	705	455
Other debtors	27	842	1,344
		15,983	**15,174**
Other assets			
Tangible assets	28	1,600	246
Cash and bank balances		3,303	3,012
Collaterals and settlement claims		228	66
		5,131	**3,325**
Prepayments and accrued income			
Accrued interest and rental income		456	476
Deferred acquisition costs	29	1,293	1,190
Other prepayments and accrued income	30	418	571
		2,167	**2,237**
Total assets		**139,452**	**134,465**

Shareholders' equity, provisions and liabilities, December 31

MSEK	Note	2019	2018
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		4,771	2,402
Profit carried forward		14,500	15,497
Net profit for the year		7,301	6,784
		29,697	**27,809**
Subordinated debt	31	**4,134**	**4,107**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		22,465	21,018
Provisions for claims outstanding		69,239	70,600
	32	**91,704**	**91,618**
Provisions for other risks and charges			
Deferred tax liability	33	2,931	2,127
Other provisions	34, 35	1,242	707
		4,173	**2,834**
Deposits received from reinsurers		**-**	**-**
Creditors			
Creditors arising out of direct insurance operations	36	1,808	1,876
Creditors arising out of reinsurance operations		255	241
Derivatives	22, 23	259	46
Other creditors	37	5,495	4,131
		7,818	**6,293**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		42	32
Other accruals and deferred income	38	1,884	1,770
		1,926	**1,802**
Total shareholders' equity, provisions and liabilities		**139,452**	**134,465**

Parent Company

Income statement

MSEK	Note	2019	2018
Other operating income		-	-
Other operating expenses	1	-44	-
Operating result		**-44**	**-**
Result from financial investments			
Dividends from group companies		6,409	7,194
Income from associates	2	3	10
Interest income and similar income items	3	70	53
Interest expense and similar expense items	4	-107	-91
Result after financial items		**6,332**	**7,166**
Group contributions, net		21	39
Result before income taxes		**6,353**	**7,205**
Tax on net profit for the year	5	0	0
Net profit for the year		**6,353**	**7,205**

Statement of comprehensive income

MSEK	Note	2019	2018
Net profit for the year		**6,353**	**7,205**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Remeasuring of financial assets available for sale		53	-38
Value changes recognized in income statement on financial assets available for sale		0	0
Taxes related to items which will be reclassified when specific conditions are met		-11	8
		41	**-30**
Total comprehensive income		**6,394**	**7,175**

Balance sheet, December 31

MSEK Assets	Note	2019	2018
Financial fixed assets			
Shares in group companies	6	17,381	17,039
Shares in associates	7	92	92
		17,472	**17,130**
Deferred tax asset	10	-	8
Debtors			
Debtors, group companies		59	47
Accrued interest income		11	11
		70	**58**
Short-term investments			
Bonds and other interest-bearing securities		2,681	4,105
	8	**2,681**	**4,105**
Cash and bank balances		**1,711**	**1,278**
		21,934	**22,579**
Total assets			
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Fair value reserve		11	-30
Profit carried forward		7,741	8,037
Net profit for the year		6,353	7,205
		17,232	**18,337**
Subordinated debt	9	**2,988**	**2,983**
Provisions			
Deferred tax liability	10	1	-
Other provisions		7	-
		9	-
Current creditors			
Creditors, group companies		1,687	1,255
Provision for taxes		1	0
Other accrued expenses and prepaid income		19	4
		1,706	**1,259**
Total shareholders' equity, provisions and liabilities		**21,934**	**22,579**

Changes in shareholders' equity

Group

MSEK	Restricted equity Share capital	Statutory reserves	Fair value reserve [3]	Unrestricted equity Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2018	**2,726**	**400**	**5,106**	**22,182**	**-**	**30,414**
Total comprehensive income	-	-	-2,704	315	6,784	4,396
Dividend to shareholder [1]	-	-	-	-7,000	-	-7,000
Equity at end of 2018	**2,726**	**400**	**2,402**	**15,497**	**6,784**	**27,809**
Equity at beginning of 2019	**2,726**	**400**	**2,402**	**22,281**	**-**	**27,809**
Total comprehensive income	-	-	2,369	-282	7,301	9,388
Dividend to shareholder [2]	-	-	-	-7,500	-	-7,500
Equity at end of 2019	**2,726**	**400**	**4,771**	**14,500**	**7,301**	**29,697**

Parent Company

MSEK	Restricted equity Share capital	Statutory reserves	Fair value reserve [3]	Unrestricted equity Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2018	**2,726**	**400**	**0**	**15,037**	**-**	**18,162**
Dividend to shareholder [2]	-	-	-	-7,000	-	-7,000
Total comprehensive income	**-**	**-**	-30	**-**	7,205	7,175
Equity at end of 2018	**2,726**	**400**	**-30**	**8,037**	**7,205**	**18,337**
Equity at beginning of 2019	**2,726**	**400**	**-30**	**15,242**	**-**	**18,337**
Dividend to shareholder [2]	-	-	-	-7,500	-	-7,500
Total comprehensive income	**-**	**-**	41	**-**	6,353	6,394
Equity at end of 2019	**2,726**	**400**	**11**	**7,741**	**6,353**	**17,232**

[1] During 2018, dividends paid totaled approximately SEK 51.34 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 51.34 per share.

[2] During 2019, dividends paid totaled approximately SEK 55.01 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 55.01 per share.
The Board of Directors and the President propose that the 2020 Annual General Meeting resolve not to pay any dividend.

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

There are a total of 136,350,000 shares with a quotient 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 number of shares have been constant during the year.

The accumulated translation difference amounted to MSEK 637 (415).

Cash flow statements

Group

MSEK	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from insurance operations			
Premium flows, direct insurance		48,777	46,412
Claim payments, direct insurance		-35,441	-32,036
Reinsurance flows		-1,390	-1,275
Costs of operations		-7,118	-7,749
		4,829	**5,352**
Cash flow from asset management			
Interest received		2,023	1,993
Interest paid		-348	-461
Dividends received, shares		432	488
Cash flow from properties		116	3
Net investments in financial investment assets		3,070	285
		5,292	**2,309**
Interest payments, subordinated debt		-141	-125
Realized foreign exchange transactions		-95	-472
Paid income tax		-1,826	-2,343
		8,059	**4,721**
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend and sale of shares, associates		3	60
Acquisition of subsidiaries, net of cash acquired	41	-300	-
Investments in associates		-	-21
		-297	**39**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-7,500	-7,000
Issuance/repayment, subordinated debt	31	-	993
Repayment of lease liabilities	37	-216	-
		-7,716	**-6,008**
Cash flow for the year		**46**	**-1,248**
Cash and bank			
Cash and bank balances on january 1		3,012	4,082
Effect of exchange rate changes		245	178
Cash flow for the year		46	-1,248
Cash and bank balances on December 31		**3,303**	**3,012**

Parent company

MSEK	Note	2019	2018
Net profit for the year		6,353	7,205
Non cash flow items/changes in operating activities		2	-48
		6,355	**7,157**
Group internal flows, net		440	-282
Net investments in financial investment assets		1,476	-1,217
Investments			
Dividend and sale of shares, associates		3	8
Acquisition of subsidiaries	41	-342	-
Investments in associates		-	-21
		-339	**-13**
Financing			
Dividend		-7,500	-7,000
Issuance, subordinated debt		-	993
		-7,500	**-6,008**
Cash flow for the year		**432**	**-363**
Cash and bank			
Cash and bank balances on January 1		1,278	1,641
Effect of exchange rate changes		1	0
Cash flow for the year		432	-363
Cash and bank balances on December 31		**1,711**	**1,278**

Notes to the consolidated financial statements

Note 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 4, 2020 and will be presented to the 2020 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 Board of Directors' Report.

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).

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS Standards IAS Standards, SIC Interpretations and IFRIC Interpretations), as adopted by the European Union. In addition, If applies the supplementary provisions ensuing from the Annual Accounts Act for Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2015:12) and, in appropriate parts, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting rules for Groups).

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

IFRS 16 Leases took effect on January 1, 2019 and If applies the standard as of this date. The standard replaced IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. If made the transition to IFRS 16 in accordance with the modified retrospective model and comparative information was not restated.

Following the transition, If recognized a lease liability that corresponds to the present value of the remaining lease payments for the leases that were previously subject to IAS 17, discounted by an incremental borrowing rate as of the date of initial application. A corresponding amount was recognized as a right-of-use asset in the balance sheet adjusted by the lease prepayments which were recognized in the balance sheet on December 31, 2018.

However, If applies a company-specific materiality assessment that includes, but is not limited to, the two exemptions specified in the standard. Accordingly, only leases attributable to large office premises were initially recognized in accordance with IFRS 16.

The standard had a limited impact on If Group's financial statements. Tangible assets increased by MSEK 1,299 and liabilities by MSEK 1,250 upon transition on January 1, 2019, considering also the reclassification of already existing prepaid lease expenses of MSEK 49. The weighted average incremental borrowing rate applied to the lease liabilities at the initial recognition was 1.14 %. The Group's technical result also improved slightly since only depreciation of right-of-use assets is included in the technical result, while interest expenses related to the lease liabilities are presented as a part of the investment result. Before the implementation of IFRS 16 lease costs were included in the technical result.

For more information, refer to accounting policies applied for Tangible assets and Lease liabilities below in this note.

Issued, but not yet effective, international accounting standards or standards that If for some other reason does not apply, are currently assessed as not likely to have any significant impact on the financial statements when first applied, except IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts.

IFRS 9 Financial Instruments took effect on January 1, 2018. In accordance with an EU-adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that, under certain circumstances, insurance companies may delay their initial application of IFRS 9 so that the date coincides with the initial application of IFRS 17 Insurance Contracts (see below). If meets these requirements since If has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, If has decided to delay the application of IFRS 9. Accordingly, the transition from IAS 39 to IFRS 9 is not expected to have any significant impact on If's financial reporting until 2022. However, expanded disclosure requirements have been introduced for financial instruments, which will facilitate comparisons with companies that have already implemented IFRS 9. For more information, refer to Note 22 Other financial investment assets and derivative liabilities.

IFRS 9 contains some optionality, and If's opinion is that there are significant cross-influences with respect to the published, but not yet adopted, standard concerning insurance contracts that still need to be carefully assessed before a final decision can be made as to the classification of financial assets.

IFRS 17 Insurance Contracts was published in May 2017 and was originally expected to take effect on January 1, 2021. The standard has not yet been adopted by the EU. In June 2019, the IASB published an Exposure draft including a proposed amendment that the standard take effect one year later and that the initial mandatory application of IFRS 9 be delayed. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. Based on a preliminary assessment, the measurement rules in the standard are expected to have a limited effect on If's profit or loss and balance sheet, while the presentation rules may have a material impact.

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

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% of the votes for all shares or in some other manner has a controlling interest.

The consolidated accounts have been prepared in accordance with IFRS 10 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 measured at fair value 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 was 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, recognized in the consolidated accounts for 2019 at a rate of 21.4% of the non-deducted goodwill amount in the subsidiary, which represents deferred tax assets.

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

Individual companies and branches in the If Group report in their respective functional currency, determined as the local currency in the country in which the company or branch is active. Income statement items in another currency than the functional currency (foreign currency) are translated to their respective presentation currency using the average exchange rate for the month during which they were reported, while assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported in the income statement as changes in value under Investment result. Currency forward contracts used to economically hedge currency exposure are measured at fair value and these effects are reported in their entirety in the income statement as changes in value.

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

	2019	**2018**
Danish kroner	1.40	1.37
Euro	10.45	10.25
Norwegian kroner	1.06	1.03
US dollars	9.30	8.96

Policies applying 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 recognized as goodwill.

Goodwill is an asset with an indefinite useful life and thus it is not subject to amortization. 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 reduced to the recoverable amount. 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 amortizations.

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

Rights and similar assets are amortized from the day they are valid. Capitalized development expenses are amortized from the date the asset is put into production. Amortization is applied over its estimated useful life. The useful life is determined individually per asset and for capitalized developments does not exceed 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 reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

Land and buildings/investment properties

If reports all its owned properties as investment assets (investment properties), at fair value pursuant to IAS 40 and with changes in value reported in the income statement. This classification is in accordance with If's basic approach to these assets. If has concluded that a separation of such owned properties, which according to IAS 40 represent owner-occupied properties, would only have an insignificant effect on the particular asset and profit/loss item. The fair value consists of the realizable value and is set annually by external surveyors using acknowledged and accepted valuation methods. Accepted methods consist of local sales-price method (current prices paid for comparable properties in the same location/area) or cash flow models applying current market interest rates for the calculation of the present value of the property. Since valuation is effected at fair value, properties are not depreciated.

Investments in associates

Associates 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. Associates are reported in the consolidated accounts using the equity method. The equity method means that the carrying amount of an associate is continually adjusted for changes in the holding company's share of the associate's net assets. If there is any indication that an associate's carrying amount is higher than its recoverable amount, a calculation is made of the associate's recoverable amount. Recoverable amount refers to the higher of the associate'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 associate is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a previous impairment may be reversed.

Minor holdings are accounted for in a simplified way. The carrying amount is normally only adjusted with If's share of the respective company's result after tax and subject to a delay of one quarter. 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. 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 as well as derivative transactions are reported in the balance sheet on the transaction date. The counterparty's liability/receivable is reported between the transaction date and payment date at the gross amount under the item Other assets or Other creditors.

Shares

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

Interest-bearing securities

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

Derivatives

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

Receivables

Receivables are reported in the amounts expected to be received.

Provisions for doubtful receivables are normally accounted for on the basis of individual valuation of the receivables. 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 initially valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less accumulated straight-line depreciation. These deductions are based on historical acquisition value and the estimated useful life.

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

If applies the new standard IFRS 16 Leases as of January 1, 2019. This entails that If recognizes right-of-use assets for material leases that are in scope of the standard. If applies a company-specific materiality assessment that includes, but is not limited to, the two exemptions specified in the standard. The acquisition cost corresponds to the amount equivalent to lease liabilities and any lease prepayments made before the commencement date, discounted using an incremental borrowing rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the estimated useful life which is set at the end of the expected lease term. The carrying amount of the right-of-use asset is adjusted for certain remeasurements of the lease liability.

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

The comparative information is presented based on IAS 17 that was replaced by IFRS 16. According to it, lessees recognised leases either as operating leases or finance leases. If Group had only operating lease contracts. Operating leases were not recognized in the balance sheet, and the lease payments were recognised as expenses in the income statement on a straight-line basis over the lease term.

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

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

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

Technical provisions
Technical provisions consist of:
– Provision for unearned premiums and unexpired risks;
– 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 collective bargaining agreements and social insurance laws. The obligations consist of both defined contribution and defined benefit plans.

For defined contribution plans, the pension cost comprises of 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 2011). According to these rules, the present value of future pension obligations less the market value of the plan assets covered by the plan is to be recognized as a pension liability in the balance sheet.

What is to be recognized as a pension cost during the fiscal year is the sum of (i) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (ii) calculated interest expense for indexing the preceding year's established net pension obligation. The calculation of pension costs during the fiscal year primarily occurs at the beginning of the year and is based on assumptions about factors such as salary growth and price inflation throughout the duration of the obligation and on current market interest rates adjusted to take into account the duration of the company's pension obligations. If includes the first amount in the technical result while the interest expense is recognized separately in the income statement. The technical result also includes past service income and cost, e.g. effects of plan amendments.

Remeasurements of the pension obligation due to actuarial gains and losses, and because the return on plan assets deviates from the calculated interest rate, are recognized in other comprehensive income.

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.

Lease Liabilities
Lease liabilities are initially measured at the present value of the fixed lease payments and certain variable lease payments to be made under the lease that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured to reflect any lease modifications or reassessments. Lease liabilities are recognized in the line item Other creditors.

The lease term is determined as the expected lease term. This includes the non-cancellable period of the lease contracts, adjusted for any optional extension or termination periods that If is reasonably certain to exercise.

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 almost entirely 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 in accordance with to IFRS 15 Revenue from Contracts with Customers.

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

Premiums written

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

Premiums earned

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

Allocated investment return transferred from the non-technical account

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

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

Investment result

The investment result is divided into direct investment income and changes in value 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 method, where the premiums / discounts resulting from acquisitions are distributed across the remaining useful life of the asset. The Changes in value item mainly comprises of 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 where generally all shares with a significant (>20%) and/or prolonged (12 months) decline in value in relation to the acquisition cost shall be impaired. For both asset categories, the carrying amount is reduced to the current fair value. In the event of a subsequent recovery of a value decline, the recovery is presented as a reversed impairment loss in respect of interest-bearing securities but not in respect of shares.

The Group's currency result is included in the Changes in value item.

Taxes

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

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

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

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

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

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

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

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

In Sweden, the tax rate during the year was 21.4% of taxable income. In Denmark, the tax rate was 22%, in Finland 20% and in the Norwegian P&C insurance branch 25%. In Sweden, the tax rate is to be reduced as of 2021 to 20.6%. This has been taken into account when calculating deferred tax assets and liabilities as of December 31, 2019.

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

The 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.

Policies applying to items in the consolidated cash flow statement

If defines cash and cash equivalents as the balance in transaction accounts in banks. The 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, the reconciliation of the balance-sheet item Cash and bank balances is a reconciliation of the Group's cash and cash equivalents.

In the Group's income statement, the premiums written are accrued over the contractual period. Claims provisions are continuously generated using statistical models for anticipated claims, and the actual claims reserves are made when the claims occur. The claim is finally settled through payment to the policyholder. The cash flow arising from an insurance contract and a claim thus differs considerably from the procedure for recognizing income and expenses. The link between the income statement and cash flow is recognized in the Group's balance sheet, where accrual items are recognized in technical provisions (premium and claims provisions) and in the receivables and liabilities that comprise outstanding items attributable to insurance contacts. Due to extensive insurance 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 separate items of the Group's cash flow. 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 comprise significant receivables/liabilities in foreign currency and are thus subject to continuous 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.

Policies applied for alternative performance measures

Key figures are financial measurements of the historical earnings trend and financial position. If presents a number of key figures, some of which are referred to as alternative performance measures and are not defined in applicable accounting standards (IFRS, ÅRFL, FFFS 2015:12 and FRL). Definitions of a number of key figures are provided in the Glossary and definitions, including some that are marked as alternative performance measures.

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

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

Accounting policies in the parent company

Accounting of group contributions

Paid and received Group contributions are recognized as an appropriation in the income statement.

Accounting for holdings in subsidiaries and associates

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

Accounting for short-term investments

Short-term investments are recognized at fair value with changes in value recognized in other comprehensive income until they are realized. Refer to Policies applying to valuation of other financial investment assets above.

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 2019 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

Valuation of investment assets

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

The main part of the financial assets that are not derivatives has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If 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 claims result reported in future years. Additional comments on provision risk are provided in Note 5 and an account of the company's prior-year claims results in recent years is available in Note 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, the provision for unearned premiums is strengthened with a provision for unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk. This provision is also commented on in Note 5.

Provisions for pensions

If applies IAS 19 Employee benefits 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, other comprehensive income and balance sheet. Discount rates for the pension obligations are set in Sweden and Norway with reference to AAA and AA corporate bonds, including mortgage-backed bonds, issued in local currency. 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 Risk Policy set limits for currency exposure.

MSEK **Exchange-rate effects in the technical result**	**2019**	**2018**	**Change**	***Of which exchange-rate effect***
Premiums earned, net of reinsurance	46,451	44,019	2,431	*560*
Allocated investment return transferred from the non-technical account	167	130	38	*1*
Other technical income	332	304	29	*5*
Claims incurred, net of reinsurance	-31,756	-30,307	-1,449	*-407*
Operating expenses	-7,945	-7,545	-400	*-110*
Technical result from property and casualty insurance	**7,250**	**6,601**	**649**	***48***

As a result of the large amount of foreign currency in 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. Accordingly, exchange-rate effects that could have an impact on a specific reporting line in the income statement do not have a material impact on the technical result from property and casualty insurance.

Technical income and operating expenses net, distributed by currency 2019	**Premiums earned**	**Total expenses**	***Of which claims costs***	***Of which operating expenses***
SEK	32%	28%	*23%*	*5%*
NOK	31%	32%	*26%*	*6%*
DKK	9%	10%	*8%*	*2%*
EUR	25%	26%	*21%*	*5%*
USD	1%	2%	*2%*	*0%*
Other	1%	1%	*1%*	*0%*
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 the continuous allocations of If's investment assets in foreign currency. The remaining exposure that arises is managed through the use of currency forward contracts

For 2019, a net exchange-rate gain of MSEK 83 was recognized in the income statement. The gain amounted as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

MSEK **Total exchange-rate result**	**2019**	**2018**
Conversion of items in the income statement and balance sheet	399	622
Realized effects of currency derivatives	-95	-486
Unrealized effects of currency derivatives	-221	-73
Total exchange-rate result	**83**	**64**

Note 4 – Information about related companies

Relations with associates

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

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

The Parent Company If P&C Insurance Holding Ltd (publ) owns directly (10.5%) and indirectly via If P&C Insurance Ltd (15.3%) a share of 25.7% of SOS International A/S, a company providing assistance services to insurance companies.

The Parent Company If P&C Insurance Holding Ltd (publ) owns a share of 34.0% of Boligselskapenes Service Senter AS, which provides various services to housing associations, and Digiconsept AS, which owns the intellectual property rights to Boalliansen, a web portal for housing enterprises. Boligselskapenes Service Senter AS mediates insurances on behalf of If P&C Insurance Ltd.

Relations with Sampo

Relations with Sampo refers to Sampo plc and 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 If's networks in primarily Finland and the Baltic countries. The compensation takes the form of commission.

In Finland, If has concluded agreements with a Sampo subsidiary regarding life insurance policy administration, claims handling and maintenance of related IT systems. The compensation takes the form of a fee.

In Finland, If has also concluded agreements with a Sampo subsidiary 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 is conducted through If IT Services A/S, which has monitoring and administrative responsibility for IT operations with the suppliers.

If and Sampo have an asset management agreement according to which all investment decisions, within the framework of the Investment Policy have been outsourced to Sampo. The compensation takes the form of fixed commission calculated in accordance with the market value of the managed investment assets.

In Finland, Sampo and Sampo subsidiaries purchase HR services, as well as, other office services and investigation services from If. The compensation takes the form of a fee.

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

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

In Finland, If Services AB mediates insurances on behalf of subsidiaries to Sampo.

Relations with Nordea

Nordea is an associate to Sampo, and consequently a related company to If.

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

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

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

In Finland, If's subsidiary If P&C Insurance Ltd has written insurance policies with Nordea subsidiaries. The policies also include property financed by Nordea.

Transactions with related companies

	Income		Expenses		Assets		Liabilities	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Associates	-	4	-48	-97	40	5	-	-
Owner								
Sampo plc	1	1	-21	-20	0	0	0	-1
Other related parties								
Subsidiaries of Sampo	42	40	-	-	186	175	-3	-1
Nordea	85[1]	79[1]	-37[2]	-36[2]	9,373	8,713	-24	-41
Other associates, Sampo	3	1	-	0	244	50	-	0

[1] Including interest income
[2] Including interest expense

Note 5 – Risks and risk management

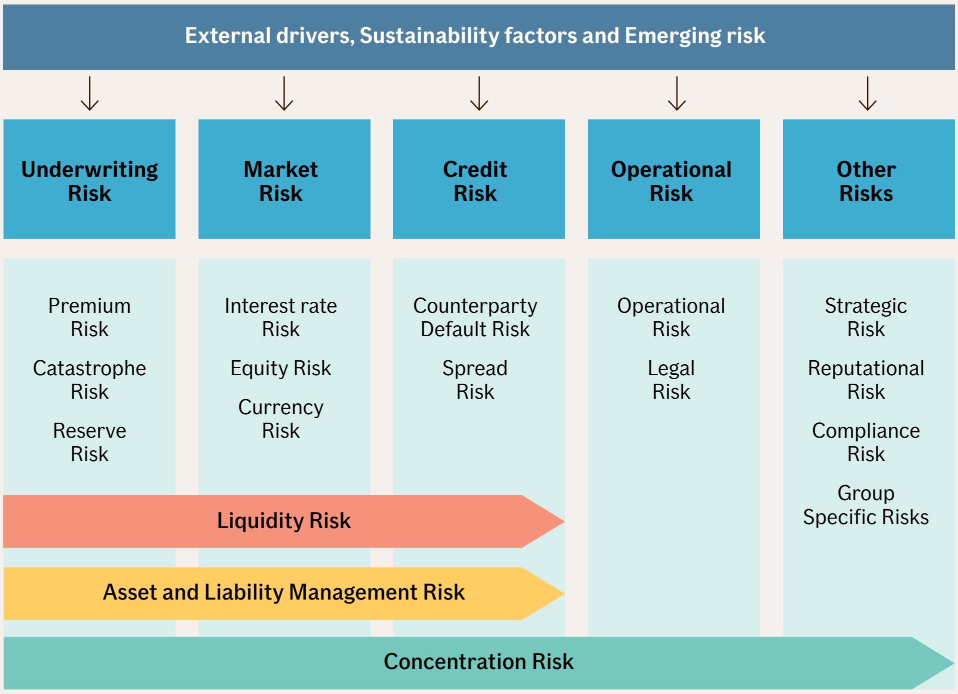
Risk Management System

Risk is an essential and inherent element of If's business activities and operating environment. A high-quality risk management process is a prerequisite for running the business effectively achieving established goals. The objectives of the Risk Management System are to create value for the stakeholders by securing long-term solvency, minimizing the risk of unexpected financial loss and giving input to business decisions by taking into account the effect on risk and capital. If's risk appetite framework defines the boundaries for what level of risk If is willing to accept in the pursuit of the objectives. The framework includes the risk appetite statement, capital adequacy, steering documents, processes and controls.

If's Risk Management System comprises strategies, processes and reporting procedures necessary to continuously identify, measure, monitor, manage and report risks. The Risk Management System is part of the larger Internal Control System and ensures that all risks are managed from a Group-wide perspective as well as from a legal entity perspective. The main risk categories are: underwriting risk, market risk, credit risk and operational risk. External drivers, sustainability factors and emerging risk have a potential impact on all risk categories, see Figure 1. Each key risk is subject to a dedicated risk management process.

Steering documents are in place for each risk area specifying restrictions and limits chosen to reflect and ensure that the risk level at all times complies with If's overall risk appetite and capital constraints.

Figure 1 – Risks encompassed in the Risk Management System



Risk strategy

The Risk Management Policy defines the overall risk strategy and the risk appetite for the main risks. The risk management strategies are to:

- Ensure strong governance structure to optimize development and maintenance;
- Ensure a sound and well established internal control and risk culture;
- Ensure adequacy of capital in relation to risks and risk appetite;
- Limit fluctuations in the economic values of Group companies;
- Ensure strong financial data management;
- Ensure that risks affecting the income statement and the balance sheet are identified, assessed, managed, monitored and reported;
- Ensure that the riskiness of the insurance business is reflected in the pricing;
- Ensure adequate long term investment returns within set risk levels;
- Ensure well working and efficient reporting processes compliant with external and internal requirements; and
- Safeguard If's reputation and ensure that customers and other stakeholders have confidence in If.

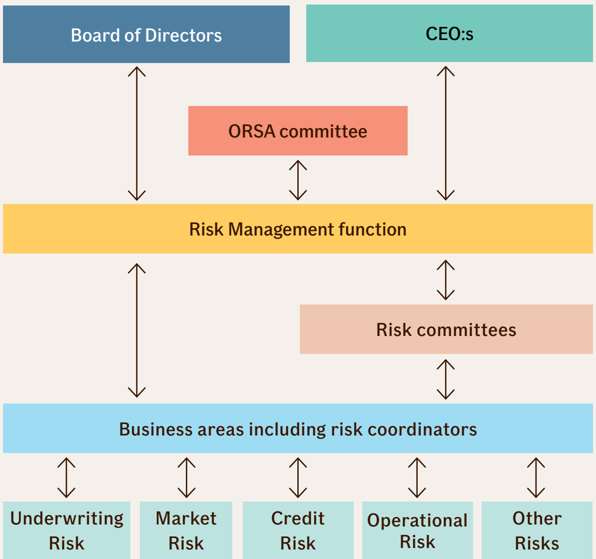
Risk management process

The overall risk management process in If includes five main steps; risk identification, risk assessment/measuring, risk monitoring, risk managing and risk reporting. When risks are identified and assessed, sustainability aspects should also be taken into account.

Reporting structure and risk governance

Figure 2 illustrates the risk management related information reporting structure in the Risk Management System. The system includes processes and activities performed by persons or groups including committees, experts and the line organization.

Figure 2 – Risk management reporting structure



Boards of Directors

The Boards of Directors are the corporate body responsible for risk control, internal control, and for ensuring that If has appropriate risk management systems and processes. The Boards of Directors approve the yearly Risk Management Policy and other risk-steering documents.

CEO:s

The CEO:s are responsible for organizing and overseeing the daily business activities in accordance with instructions and guidelines from the Boards of Directors. The CEO:s have the ultimate responsibility for the effective implementation of the Risk Management System by ensuring appropriate risk management set-up and promoting a sound risk culture.

Committees in the Risk Management System

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

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

Risk Management function

The Risk Management function facilitates the implementation and development of the Risk Management System in If and consists of the CRO, the risk control unit and the capital management unit. The function is responsible for coordinating the risk management activities on behalf of the Boards of Directors and the CEO:s.

Line organization

The line organization has the day-to-day responsibility for identifying and managing risks within limits and restrictions set by the risk policies, guidelines and instructions and has to ensure that it has resources and tools in place. On behalf of the Heads of the business areas/corporate functions, a risk coordinator structure is established. The Head of the Risk Control unit issues instructions describing the responsibility of the risk coordinators.

The line organization has an obligation to inform the Risk Management function of material risks relevant to the performance of their duties.

Capital management

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

Capital management is based on If's risk-appetite statement, which provides further details on risk preferences and risk tolerances. These are established through steering documents decided by the Boards of Directors. If's risk profile, capital requirements and available capital are measured, analyzed and reported to the ORSA committee and the Boards of Directors on a quarterly basis, or more often when deemed necessary.

In order to maintain a sufficient level of capital, If:

- Projects its risk and capital according to the financial plan;
- Allocates capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation;
- Manages its debt-to-equity relation, enhancing the return to shareholders while maintaining reasonable financial flexibility; and
- Assures its dividend capacity through the effective use of reinsurance, group synergies and diversification benefits.

Risk and capital modelling

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

In addition to the calculation and reporting of economic capital for If and its subsidiaries, the internal model is used as a basis for decisions regarding:

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

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

Capital position

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

Regulatory measures

Insurance is a regulated business with EU common rules for calculating capital requirements and available capital. All insurance companies within If fulfilled the regulatory solvency capital requirements (SCR) under Solvency II during 2019.

As a subsidiary of Sampo plc, If P&C Insurance Holding Ltd (publ) is a member of the Sampo insurance group and is not subject to a formal requirement to report its sub-group solvency position. However, a standard formula based SCR is calculated, corresponding to what the regulatory requirement would have been if Solvency II-regulations had been enforced at the level of If.

As per December 31, 2019, the standard formula, sub-group, SCR amounted to MSEK 19,750 (18,801) and the eligible own funds amounted to MSEK 37,525 (36,909).

Internal economic measures

Economic capital is an internal measure showing the deviation from the expected result calculated at a confidence level corresponding to 99.5% on a one-year horizon. If's major quantifiable risks are included in the calculation of economic capital. The calculations are based on an economic, market-consistent valuation.

Rating agency measures

If P&C Insurance Ltd (publ) within the Group is A+ rated by Standard & Poor's and A1 rated by Moody's. The objective is to retain a single A-rating.

Risks

Underwriting risk

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

Premium risk and catastrophe risk

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

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

Risk management and control

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

If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The optimal choice of reinsurance is evaluated by comparing the expected cost versus the benefit of the reinsurance, the impact on result volatility and capital requirement. The main tool for this evaluation is If's internal model in which small claims, large claims and natural catastrophes are modelled. The Reinsurance Policy includes limitations on permitted reinsurers and their rating for each line of business. In addition, limits relating to concentration risk and exposure to reinsurance risk are included. The reinsurers are continuously assessed and evaluated through own financial and qualitative pre-defined analyses.

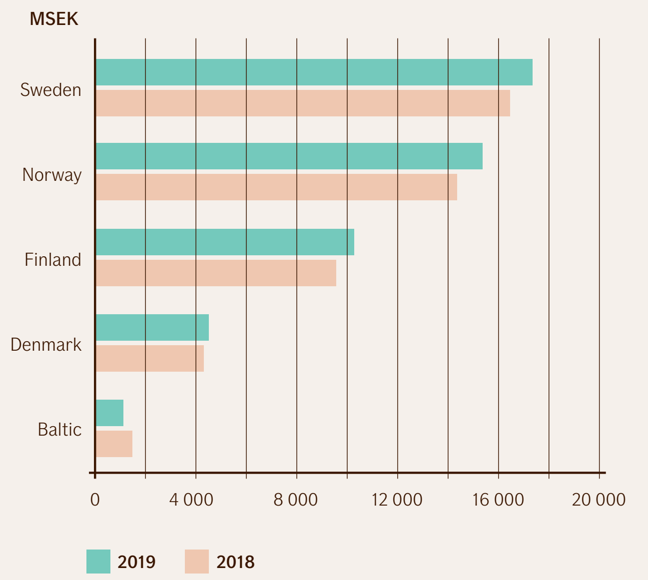
A Group-wide reinsurance program has been in place in If since 2003. In 2019, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 250 per event.

Risk exposure

There is a risk, given the inherent uncertainty of P&C insurance, of losses due to unexpectedly high claims costs. Examples of what could lead to high claims costs include large fires and natural catastrophes or an unforeseen increase in the frequency or the average size of small and medium-sized claims.

If mainly underwrites insurance policies in the Nordic and Baltic countries. If also underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of premium income is shown in Figure 3.

Figure 3 – Premium income per country



An analysis of how changes in the combined ratio, premium and claims level affect the result before tax is presented in Table 1.

Table 1 – Sensitivity analysis, premium risk

MSEK			Effect on result before tax	
Parameter	**Current level, 2019**	**Change**	**2019**	**2018**
Combined ratio, Business Area Private	82.0%	+/- 1 percentage point	+/- 278	+/- 265
Combined ratio, Business Area Commercial	88.3%	+/- 1 percentage point	+/- 123	+/- 119
Combined ratio, Business Area Industrial	89.3%	+/- 1 percentage point	+/- 48	+/- 42
Combined ratio, Business Area Baltic	87.0%	+/- 1 percentage point	+/- 15	+/- 15
Premium level	46,451	+/- 1%	+/- 465	+/- 440
Claims level	31,756	+/- 1%	+/- 318	+/- 303

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 sheet date.

Reserve risk includes revision risk, which is defined as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

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 necessary to set provisions for claims outstanding. The technical provisions are hence the sum of the provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a 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 Party Liability (MTPL), Personal Accident and Liability insurance are products with the latter characteristics.

Risk management and control

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

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

Risk exposure

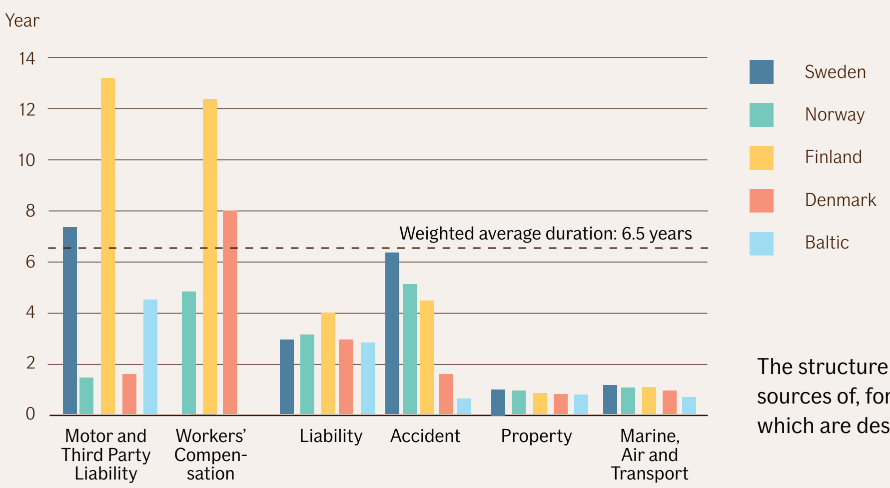
For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2019, the proportion of technical provisions related to MTPL and WC was 53%. The amount of technical provisions broken down by product and country is shown in Table 2.

Table 2 – Technical provisions (net) per product and country

	Sweden		Norway		Finland		Denmark		Baltic	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Motor and Motor Third Party Liability	22,143	23,860	5,579	5,399	10,661	10,522	1,672	1,679	1,157	1,088
Workers' Compensation	-	-	1,943	2,093	12,209	12,051	2,699	2,590	-	-
Liability	2,921	2,685	1,189	1,135	1,098	1,133	803	784	274	217
Accident	3,871	3,465	4,152	3,952	1,770	1,646	1,084	1,019	74	71
Property & Other	4,204	4,381	5,146	4,778	2,494	2,435	1,077	1,089	360	333
Marine, Air and Transport	266	226	378	412	83	127	179	287	25	24
Total	**33,404**	**34,616**	**18,387**	**17,769**	**28,315**	**27,914**	**7,514**	**7,448**	**1,890**	**1,733**

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

Figure 4 – Duration of technical provisions 2019



The structure and duration of technical provisions are also sources of, for example, interest rate risk and inflation risk, which are described in greater detail under market risk.

A sensitivity analysis of the reserve risk is presented in Table 3. The result of changes in the technical provisions will be a corresponding change in claims incurred.

Table 3 – Sensitivity analysis, reserve risk

Portfolio	Risk	Change in Risk parameter	Country	2019 Effect MSEK	2018 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,654	1,897
			Denmark	127	158
			Norway	538	511
			Finland	349	347
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	710	681
			Denmark	186	156
			Finland	3,128	3,005
Annuities and estimated share of claims reserves to future annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	256	248
			Denmark	18	17
			Finland	700	678

Financial assets and liabilities

The recognition of financial assets and liabilities depends on their classification.

Table 4 – Categories of financial assets and financial liabilities

MSEK	2019	2018
Financial assets at fair value		
Financial assets, mandatory at fair value through profit and loss (trading)	140	94
Financial assets, available for sale	110,033	109,173
Loans and receivables [1]	22,286	20,071
Total financial assets	**132,459**	**129,337**
Financial liabilities, mandatory at fair value through profit and loss (trading)	259	46
Financial liabilities measured at amortized cost or at the amount expected to be settled [2]	12,723	11,428
Total financial liabilities	**12,982**	**11,474**

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

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

Table 5 – Investment assets categorized from an asset management perspective

	Investment assets and derivative liabilities		Assets under active management		Assets under active management categorized from an asset management perspective					
					Fixed income		Equity		Properties	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Land and buildings	**35**	**122**	35	122					35	122
Investments in associates	**147**	**144**								
Financial assets mandatory at fair value through profit and loss (trading)										
Derivatives [1]	140	94	140	94	9		0	0		
Financial assets available for sale										
Shares and participations	13,511	11,557	13,511	11,557			13,511	11,557		
Bonds and other interest-bearing securities	96,522	97,616	96,522	97,616	96,522	97,616				
Loans										
Deposits with credit institutions	157		157		157					
Other loans	1 874	995	1 874	995	1 874	995				
Total other financial investment assets	**112,204**	**110,261**								
Deposits with ceding undertakings	**7**	**7**								
Total Investment assets	**112,394**	**110,535**								
Other assets										
Cash and bank			3,303	3,012	3,303	3,012				
Collaterals and settlement claims			228	66	172	12	56	54		
Accrued income			456	476	456	476				
Assets under active management			**116,227**	**113,938**	**102,493**	**102,111**	**13,567**	**11,611**	**35**	**122**
Financial liabilities mandatory at fair value through profit and loss (trading)										
Derivatives [2]	259	46	259	46	11	18				
Total Derivative liabilities	**259**	**46**								
Financial liabilities valued at the amount expected to be settled										
Collaterals and settlement liabilities			24	81	24	81				
Accruals			2	1	2	1				
Liabilities under active management			**285**	**128**	**37**	**101**				
Assets under active management net			**115,942**	**113,810**	**102,456**	**102,010**	**13,567**	**11,611**	**35**	**122**

[1] Only fixed income and equity derivatives are included in the assets categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 131 (94).

[2] Only fixed income and equity derivatives are included in the liabilities categorized from an asset management perspective. Excluded currency derivatives amounted to MSEK 247 (27).

Market risk

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

Risk management and control

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

The structure of If's technical provisions, the overall risk appetite, risk tolerance, regulatory requirements, rating targets and the nature of the technical provisions are taken into account when deciding limits and when setting return and liquidity targets. The Boards of Directors decides on the Investment Policy once a year or more often if deemed necessary. The Investment Policy specifies guidelines defining mandates and authorizations and guidelines on the use of derivatives. The market risk is actively monitored and controlled by the Investment Control Committee and reported to the ORSA Committee quarterly.

Risk exposure

If's investment operations generated a return of 5.0% in 2019. Investment assets amounted to MSEK 116,058. The main market risks are interest rate risk, equity risk and currency risk. The exposure towards market risk can be described through the allocation of investment assets and the sensitivity of values to changes in key risk factors.

Table 6 – Allocation of assets under active management, from an asset management perspective

MSEK	2019 Carrying amoumt	2019 %	2018 Carrying amoumt	2018 %
Fixed income	102,456	88.3	102,010	89.7
Equities	13,567	11.7	11,611	10.2
Properties	35	0.0	122	0.1
Total	**116,058**	**100**	**113,744**	**100**

Currency derivatives amounting to net MSEK -116 (66) are excluded from the allocation of assets under active management.

During the year, the proportion of equity investments increased from 10.2% to 11.7%. The proportion of fixed income investments decreased from 89.7% to 88.3%. Other investment assets amounted to 0.0% at December 31, 2019.

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

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

	2019				2018			
	Interest rate		Equities	Properties	Interest rate		Equities	Properties
MSEK	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices	1 percentage point parallel shift down	1 percentage point parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	2	-2			1	-1		
Long-term fixed income	1,477	-1,426			1,595	-1,543		
Equities			-2,713				-2,322	
Other financial assets				-7				-24
Liabilities								
Derivatives net	-53	50	0		-15	14	0	
Total change in fair value	**1,427**	**-1,378**	**-2,713**	**-7**	**1,582**	**-1,530**	**-2,322**	**-24**
Effect recognised in profit/loss	**-53**	**50**	**0**	**-7**	**-15**	**14**	**0**	**-24**
Effect recognised in equity	**1,427**	**-1,378**	**-2,713**	**-7**	**1,582**	**-1,530**	**-2,322**	**-24**

Interest rate risk

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

Risk management and control

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

Risk exposure

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

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

The duration of provisions and thus sensitivity to changes in interest rates is analyzed in greater detail in Figure 4 and Table 3, in the reserve risk section. The cash flows of financial assets and liabilities are presented by maturities in Table 15, in the liquidity risks section. The duration of fixed income investments was 1.3 at year-end 2019 (1.4). The duration of fixed income investments is shown in Table 8.

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

	2019			2018		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Short-term fixed income	4,743	4.6	0.1	3,793	3.7	0.0
Scandinavia long-term government and corporate securities	75,014	73.2	1.1	70,771	69.4	1.3
Scandinavia index-linked bonds	190	0.2	0.9	655	0.6	1.9
Europe long-term government and corporate securities	17,636	17.2	2.0	17,948	17.6	1.9
USA long-term government and corporate securities	3,271	3.2	2.3	6,636	6.5	2.0
Global long-term government and corporate securities	1,602	1.6	3.5	2,206	2.2	2.4
Total	**102,456**	**100**	**1.3**	**102,010**	**100**	**1.4**

Equity risk

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

Risk management and control

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

Risk exposure

The equity portfolio consists of Nordic shares and a diversified global fund portfolio. At year-end, If's exposure amounted to MSEK 13,567 and the proportion of equities in the investment portfolio was 11.7%.

Table 9 – Breakdown of equity investments by industry sectors

	2019		2018	
MSEK		%		%
Industrials	4,464	48.9	3,703	46.9
Consumer Discretionary	2,198	24.1	1,960	24.8
Health Care	852	9.4	594	7.6
Materials	754	8.3	609	7.7
Telecommunication Services	624	6.8	651	8.2
Energy	174	1.9	260	3.3
Consumer Staples	59	0.6	113	1.4
Financials	4	0.0	4	0.0
Total	**9,129**	**100**	**7,894**	**100**

The sector allocation of equity excludes investments made through ETF's mutual and private equity funds of MSEK 4,438 (3,717).

Table 10 – Breakdown of equity investments by geographical regions

	2019		2018	
MSEK		%		%
Scandinavia	9,036	67.5	7,894	69.1
Far East	1,527	11.4	1,235	10.8
Europe	1,455	10.9	1,149	10.1
North America	872	6.5	877	7.7
Latin America	499	3.7	262	2.3
Total	**13,389**	**100**	**11,417**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 178 (194).

Currency risk

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

Risk management and control

The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in the insurance operations is hedged to the base currency on a regular basis. The currency exposure in investment assets is controlled weekly and is hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size. If is also exposed to translation risk. Translation risk is described in more detail in the Group-specific risks section.

Risk exposure

If's currency positions against the base currency and the sensitivity of the valuation to changes in exchange rates are shown in Table 11.

Table 11 – Currency risk

MSEK Currency 2019	EUR	NOK	DKK	GBP	USD	JPY	Other
Investments	24,146	22,062	1,375	1	4,733	1	8
Derivatives	9,889	-1,179	7,118	18	-3,600	0	115
Insurance operations	-34,250	-20,729	-8,410	-26	-1,496	-6	-203
Open position (SEK)	-214	153	83	-7	-362	-5	-80
10% depreciation of foreign currency against SEK	21	-15	-8	1	36	0	8
Effect recognized in profit/loss	62	39	-6	1	47	0	8
Effect recognised in equity	21	-15	-8	1	36	0	8

Excluding currency positions in business area Baltic.

MSEK Currency 2018	EUR	NOK	DKK	GBP	USD	JPY	Other
Investments	20,107	21,881	809	18	15,659	1	7
Derivatives	12,367	474	7,648	0	-14,316	0	202
Insurance operations	-33,577	-21,438	-8,376	-31	-1,383	-4	-223
Open position (SEK)	-1,103	918	82	-14	-40	-3	-15
10% depreciation of foreign currency against SEK	110	-92	-8	1	4	0	1
Effect recognized in profit/loss	87	-26	-10	1	-27	0	1
Effect recognised in equity	110	-92	-8	1	4	0	1

Excluding currency positions in business area Baltic.

Credit risk

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

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

In general, credit risk refers to losses arising from occurred defaults of debtors or other counterparties or from increases in assumed probability of defaults. In the case of default, the final loss depends on the value of the asset less any collateral and recoveries at the time of default.

Credit risk in investment operations

Credit risk in the investment operations can be measured as spread risk and counterparty default risk. In most cases, part of the credit risk is already reflected through a higher spread and thereby the asset has a lower market value, even in the case of no default. Accordingly, the spread is essentially the market price of credit risk.

Additional risks, stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by (i) a single issuer of securities or (ii) a group of related issuers not captured by the spread risk or counterparty default risk, is measured as concentration risk.

Risk management and control

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

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

The development of the portfolios with respect to credit risk is monitored at company level, as well as at Group level, and is reported to the Investment Control Committee on a regular basis. Credit exposures are reported by ratings, instrument types and industry sector.

Risk exposure

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

Table 12 – Exposures by sectors asset classes and rating category 2019

	Fixed,income											
MSEK	**AAA**	**AA+ - AA-**	**A+ - A-**	**BBB+ - BBB-**	**BB+ - C**	**Not rated**	**Total [1]**	**Equities**	**Proper-ties**	**Derivatives**	**Total [2]**	**Change compared with Dec 31 2018**
Basic Industry			209	912	214	120	**1,455**	408			**1,862**	221
Capital Goods			632	428	103	1,262	**2,424**	4,745			**7,170**	1,502
Consumer Products			1,773	2,873	170	891	**5,708**	2,313			**8,020**	-700
Energy					359	1,341	**1,700**	82			**1,782**	-1,406
Financial Institutions	385	10,608	11,054	7,765	881	559	**31,251**			34	**31,285**	1,755
Governments	95						**95**				**95**	-1,271
Government Guaranteed	95	283					**378**				**378**	10
Health Care	74		106	284		374	**838**	96			**934**	-764
Insurance			441	860	267	438	**2,005**				**2,005**	61
Media						162	**162**				**162**	-55
Packaging						159	**159**				**159**	106
Public Sector, Other	5,367	686					**6,053**				**6,053**	-1,278
Real Estate		56	918	2,800	573	5,696	**10,043**		35		**10,078**	1,937
Services				456	721	348	**1,525**				**1,525**	-325
Technology and Electronics			201	139	104	1,095	**1,539**				**1,539**	523
Telecommunications			223	1,384	500		**2,107**	624			**2,731**	-172
Transportation		607	285	322		2,410	**3,624**	10			**3,634**	854
Utilities			636	1,191	1,234	298	**3,359**				**3,359**	-414
Covered Bonds	26,478	730	119				**27,327**				**27,327**	-185
Funds								4,437			**4,437**	720
Others		273				285	**559**	852			**1,411**	985
Total	**32,494**	**13,242**	**16,597**	**19,415**	**5,126**	**15,438**	**102,312**	**13,567**	**35**	**34**	**115,949**	**2,102**
Change compared with Dec 31, 2018	-2,172	-895	-971	1,174	1,144	1,932	213	1,956	-87	20	2,102	

[1] Total fixed income exposure differs by MSEK -144 from the corresponding financial assets and liabilities in Table 5 because other derivatives and collaterals are excluded.

[2] Total exposure differs by MSEK -109 from the corresponding financial assets and liabilities in Table 5 because derivatives and collaterals are excluded except for OTC derivatives for which only the counterparty risk is taken into account.

Credit risk in reinsurance operations

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

Risk management and control

To limit and control credit risk associated with ceded reinsurance, If has a Reinsurance 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.

Risk exposure

The distribution of recoverables and receivables concerning ceded reinsurance is presented in Table 13. In the table, MSEK 1,417 (1,453) is excluded, which mainly relates to captives and statutory pool solutions.

Table 13 – Reinsurance recoverables

MSEK Rating (S&P)	2019	%	2018	%
AAA	-	-	-	-
AA	631	63.6	534	62.8
A	352	35.5	309	36.3
BBB	6	0.6	6	0.7
BB - CCC	-	-	-	-
Not rated	3	0.3	1	0.1
Total	**991**	**100**	**851**	**100**

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

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

MSEK Rating (S&P)	2019	%	2018	%
AAA	-	-	-	-
AA	346	59.2	327	61.4
A	238	40.8	206	38.6
BBB	-	-	-	-
BB - CCC	-	-	-	-
Not rated	-	-	-	-
Total	**584**	**100**	**532**	**100**

Asset and liability management risk

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

Risk management and control

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

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

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

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

Liquidity risk

Liquidity risk is the risk that insurance undertakings may be unable to realize investments and other assets in order to settle their financial obligations when they fall due.

Risk management and control

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

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

Risk exposure

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

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

2019 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2020	2021	2022	2023	2024	2025-2034	2035-
Financial assets	132,459	*16,986*	*115,473*	31,064	29,886	21,241	16,611	19,211	9,3282	-
Derivative liabilities	-259		*-259*	-274	-12	-	-	-	-	-
Other financial liabilities	-11,426	*-24*	*-11,402*	-7,406	-3,297	-31	-1,008	-	-	-
Lease liabilities	-1,297	-	*-1,297*	-237	-237	-184	-127	-110	-464	-
Net technical provisions	-89,510	*-89,510*	-	31,973	10,378	6,149	4,354	3,488	19,519	17,705

2018 MSEK	Carrying amount	*of which without maturity*	*of which with contractual maturity*	Cash flows 2019	2020	2021	2022	2023	2024-2033	2034-
Financial assets	129,337	*14,581*	*114,756*	30,960	20,767	26,813	20,741	13,078	9,240	-
Derivative liabilities	-46	*-*	*-46*	-59	-5	-	-	-	-	-
Other financial liabilities	-11,428	*-81*	*-11,428*	-7,397	-145	-3,281	-36	-1,009	-	-
Net technical provisions	-89,481	*-89,481*	-	-30,897	-10,877	-6,115	-4,214	-3,446	-19,964	-19,340

Concentration risk

Concentration risk is all risks towards a single counterparty, industry sector or geographic region with a material loss potential that is not captured by any other risk type.

Risk management and control

In If's Underwriting Policy, Investment Policy and Reinsurance 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 quarterly to the ORSA committee.

Risk exposure

Investments are mainly concentrated to the financial sector in the Scandinavian countries.

The ten largest individual reinsurance recoverable balances amounted to MSEK 1,677 (1,529), representing 70% (66%) of the total reinsurance recoverables. Out of the ten largest reinsurance recoverables, 34 per cent were from at least A-rated reinsurers, while the rest were from non-rated captives.

The largest market and credit risk concentrations related to individual counterparties and asset classes are shown in Table 16.

Table 16 – Concentration of market and credit risks in individual counterparties and asset classes 2019

MSEK Fair value	Equities	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank Oyj	-	4,800	2,691	1,951	-	**9,442**
Svenska Handelsbanken AB	-	5,066	346	1	-	**5,412**
Kingdom of Norway	-	-	4,880	-	-	**4,880**
DnB ASA	-	2,030	2,540	3	-	**4,573**
Swedbank AB	-	2,897	1,108	18	-	**4,023**
Landshypotek Bank AB	-	2,093	557	-	-	**2,650**
Danske Bank A/S, Copenhagen	-	1,615	962	60	-	**2,637**
Kingdom of Sweden	-	-	2,365	-	-	**2,365**
Volvo AB	1,395	-	897	-	-	**2,293**
Swedish National Housing Finance Corporation	-	737	1,446	-	-	**2,183**
Total top ten exposures	**1,395**	**19,237**	**17,793**	**2,033**	**-**	**40,458**

The ten largest exposures amount to MSEK 40,458 (41,122), representing 35 percent (36) of the investment assets under active management.

Operational risk

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

The definition includes legal risk that can be described as the risk of loss due to (i) disputes not related to insurance claims, (ii) breach of contract or entry into illegal contracts or (iii) breach of intellectual property rights.

Risk management and control

Operational risks are identified and assessed through the Operational and Compliance Risk Assessment (OCRA) process. Self-assessments to identify, measure, monitor and manage operational risks are performed and reported by the line organization periodically. Identified risks are assessed from a likelihood and impact perspective. The residual risk for each risk is assessed using a traffic light system. The process is supported by an operational risk coordinator network and the results are challenged and aggregated by the Risk Management function. The most significant risks are reported to the Operational Risk Committee (ORC), the ORSA committee and to the Boards of Directors.

If has a system for incident reporting procedures and follow-up. Incident data is used to analyse risk and severe incidents are tracked to ensure proper actions are taken.

If has issued a number of steering documents which are relevant for the management of operational risk. These include but are not limited to the Operational Risk Policy, Business Continuity Policy and Information Security Policy. If also has processes and instructions in place to manage the risk of external and internal fraud. Internal training on ethical rules and guidelines is provided to employees on a regular basis. Policies and other internal steering documents are reviewed and updated on a regular basis.

Other Risks

Strategic risk

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

Risk management and control

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

The Corporate Control and Strategy unit is responsible for coordinating and facilitating strategic risk assessments within the Group. If's strategy process takes place annually and includes setting high-level objectives and translating these into detailed short-term business plans. The strategy process also includes a risk assessment update whenever larger changes occur. An overall assessment by the Corporate Control and Strategy unit is reported to ORSA committee at least twice a year.

Compliance risk

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

Risk management and control

A long-term strategic objective is to achieve a fully integrated compliance culture. The Compliance function is responsible for ensuring that there are effective processes for identifying, assessing, mitigating, monitoring and reporting compliance risk exposure. Compliance risks identified by the business areas and the Corporate functions are reported to the Compliance function. Business area leaders and the IT function report twice a year while Corporate functions report once a year. Compliance risks are also reported when deemed necessary. The risks are signed off by the Head of business areas/Corporate functions in accordance with the OCRA process.

Reputational risk

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

A good reputation is vital for an insurance company, which means that trust is an important factor in If's relationship with its customers, investors, employees and other stakeholders. If's reputation is determined by how stakeholders perceive the company in all aspects.

Risk management and control

When assessing operational and compliance risks, the reputational consequence of a materialized risk is taken into account. Reputational risk is assessed from an overall view by the Head of Communication Department. An aggregated reputational risk assessment is reported to the ORC twice a year.

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

Emerging risk

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

Risk management and control

The main principle is that each business area is responsible for identifying and taking action with regard to potential emerging risk exposures in its portfolios. Due to the risk of a potentially large accumulation of emerging risks that could negatively affect the long-term solvency, Risk Management has established the Emerging Risk Core Team, consisting of key persons from the various business areas who meet regularly. This group follows up and analyses important emerging risks factors for If and suggests possible actions. The risks assessed as being most serious are reported twice a year to the ORSA committee by the Emerging risk coordinator.

Risk exposure

The risks that are under extra observation are lack of adaptation to climate changes, cyber risks, nanotechnology and terrorism.

Group-specific risks

Group-specific risks are:

- Present at individual level, but whose impact is significantly different at Group level; and
- Only present at Group level.

Risk management and control

To a limited extent, If is exposed to risks arising from the complexity of the Group structure and internal transactions. The internal transactions consist of internal reinsurance, internal outsourcing and other services provided under service agreements.

If has processes in place for handling these risks and the risks are generally managed through the risk management system.

Risk exposure

Sources of Group-specific risk for If are intra-Group transactions and the Group structure. Examples of Group-specific risks are contagion risk due to intra-Group transactions and currency risk due to the Group structure.

The only Group-specific risk that is material is the translation risk. The translation risk refers to the risk that arises when consolidating the financial statements of foreign operations that have a different base currency than the Parent Company into the Group's financial statements. The translation risk is not hedged.

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 and medium sized corporate customers, large sized corporates, as well as asset management.

The Private, Commercial and Industrial business areas conduct operations in Sweden, Norway, Denmark and Finland on a pan-Nordic business platform.

The operations in the Baltic countries constitute a separate business area. The business area consists of insurance operations conducted in Estonia, 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.

Business area consolidation is implemented, with the exception of asset management, in accordance with the same policies as those applied by 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 policies [2]	2019 Total	2018 Total
Premiums earned, net of reinsurance	27,798	12,343	4,759	1,549		1		46,451	44,019
Allocated investment return transferred From the non-technical account	83	65	20	-		0		167	130
Other technical income	234	54	25	1		19		332	304
Claims incurred, net of reinsurance	-18,480	-8,767	-3,555	-953		-1		-31,756	-30,307
Operating expenses in insurance operations, net of reinsurance	-4,319	-2,128	-696	-394		65		-7,472	-7,200
Other operating expenses	-307	-79	-26	-		-61		-472	-345
Technical result from property and casualty insurance	**5,009**	**1,488**	**527**	**202**	**-**	**23**	**-**	**7,250**	**6,601**
Investment result, net					5,740		-3,033	2,707	2,648
Allocated investment return transferred To the technical account						-470		-470	-450
Interest expense on net pension liability						-11		-11	-12
Interest expense etc., subordinated debt						-149		-149	-132
Income from associates						6		6	44
Result before income taxes								**9,333**	**8,699**
Assets on december 31									
Intangible assets	312	353	-	-	-	715		1,380	945
Investment assets	-	-	-	-	112,394	-		112,394	110,535
Reinsurers' share of technical provisions	36	212	1,922	25	-	-		2,194	2,138
Deferred tax assets	-	1	-	-	-	202		203	111
Debtors arising out of insurance operations	11,561	2,245	1,135	312	-	-111		15,141	13,830
Deferred acquisitions costs	838	381	38	35	-	-		1,293	1,190
Other assets [3]	-	-	-	-	1,111	5,736		6,847	5,716
Total assets	**12,746**	**3,192**	**3,095**	**372**	**113,505**	**6,539**		**139,452**	**134,465**
Shareholders' equity, provisions and liabilities on december 31									
Shareholders' equity	-	-	-	-	-	29,697		29,697	27,809
Subordinated debt	-	-	-	-	-	4,134		4,134	4,107
Technical provisions, gross	49,493	24,622	15,674	1,915	-	-		91,704	91,618
Provisions for other risks and charges	32	33	3	349	-	3,755		4,173	2,834
Deposits received from reinsurers	-	-	-	-	-	-		-	-
Creditors arising out of insurance operations	751	261	335	54	-	663		2,064	2,117
Reinsurers´share of deferred acquisitions costs	1	3	38	1	-	-		42	32
Other creditors [3]	-	-	-	-	294	7,386		7,680	5,979
Total shareholders' equity, provisions and liability	**50,276**	**24,916**	**16,012**	**2,318**	**294**	**45,635**		**139,452**	**134,465**

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

[2] Business area reporting includes all 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

Revenue by geographic area below is distributed among the countries in which If has companies or branches and corresponds in all material respects with the customers' geographic domicile.

Long-term investments have been distributed directly to the countries where they belong in terms of physical or business domicile.

Geographical area segment information	Sweden 2019	Sweden 2018	Norway 2019	Norway 2018	Denmark 2019	Denmark 2018	Finland 2019	Finland 2018	Baltic 2019	Baltic 2018	Total 2019	Total 2018
Premiums earned, net of reinsurance	15,981	15,273	14,630	13,616	4,399	4,169	9,892	9,482	1,549	1,479	46,451	44,019
Non-current assets [1]	948	200	767	132	180	139	1,199	979	69	8	3,162	1,458

[1] Non-current assets refer to goodwill, customer relations, other intangible assets, land and buildings, investments in associates and tangible assets.

Business area Private

Development during the year

The technical result improved during the year to MSEK 5,009 (4,344), corresponding to a combined ratio of 82.0% (83.7).

Gross written premiums increased by 5.1% excluding currency effects. Growth was positive in all countries, due to strong development in all customer metrics, such as customer satisfaction, customer retention and number of new customers. In all, this was a result of several years effort to make it easier and better being an If customer.

Total claims costs were stable compared with the preceding year and the risk ratio improved to 60.3% (61.8).

Despite a continuously high investment pace in new IT solutions, cost ratio improved to 21.7% (21.9) which was foremost enabled through a continuous focus upon streamlined processes and enhanced working methods. Total operating expenses increased by 2.8% excluding currency effects.

Markets and outlook

During the year, the Nordic non-life insurance market was characterized by a continued low interest rate environment, moderate inflation and positive macroeconomic growth. Overall, the competitive situation remained relatively unchanged with some variation across countries and product lines.

The Private business area is committed to strengthening If´s market position as the "undifficult" insurer by securing that all customers are properly insured and have the security they need to meet risks and build for the future. To enable this commitment, customers will be offered competitive and easy-to-grasp solutions to right price and excellent service characterized by a large share of Web-based services and automated claims processes.

MSEK **Income statement and insurance-related balance sheet items**	**2019**	**2018**
Premiums earned, net of reinsurance	27,798	26,493
Allocated investment return transferred from the non-technical account	83	62
Other technical income	234	195
Claims incurred, net of reinsurance	-18,480	-18,019
Operating expenses in insurance operations, net of reinsurance	-4,319	-4,152
Other operating expenses	-307	-236
Technical result of property and casualty insurance	**5,009**	**4,344**
Intangible assets	**312**	**209**
Debtors arising out of direct insurance operations	11,558	10,693
Debtors arising out of reinsurance operations	3	4
Debtors arising out of insurance operations	**11,561**	**10,698**
Deferred acquisition costs	838	786
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**837**	**785**
Technical provisions, gross	49,493	49,820
Reinsurers' share of technical provisions	36	32
Technical provisions, net	**49,458**	**49,788**
Creditors arising out of direct insurance operations	747	800
Creditors arising out of reinsurance operations	5	4
Creditors arising out of insurance operations	**751**	**804**

Business area Commercial

Development during the year

The technical result increased during the year to MSEK 1,488 (1,611), corresponding to an improved combined ratio of 88.3% (86.9).

Gross written premiums grew by 2.8% excluding currency effects, largely due to a continued strong focus on customer satisfaction, which contributed to good customer loyalty in all countries. The premium development also benefited from new partner agreements.

The risk ratio deteriorated to 65.9% (64.4), partly resulting from lower run-off gains compared with the preceding year.

Despite increased operating expenses by 1.8%, excluding currency effects, continued efficiency improvements contributed to a cost ratio of 22.3% (22.5).

Market and outlook

The relatively stable market situation within the Nordic countries with continued low interest rates, moderate inflation and positive macroeconomic growth made the competition remain intense.

Current market position means continuous efforts towards better and more straightforward insurance offerings underpinned by a strong focus on underwriting and new digital solutions where safe, easy and efficient insurance solutions based on the customer's needs and expectations have come to consist strategic cornerstones of the business area.

MSEK **Income statement and insurance-related balance sheet items**	**2019**	**2018**
Premiums earned, net of reinsurance	12,343	11,896
Allocated investment return transferred from the non-technical account	65	52
Other technical income	54	68
Claims incurred, net of reinsurance	-8,767	-8,252
Operating expenses in insurance operations, net of reinsurance	-2,128	-2,081
Other operating expenses	-79	-72
Technical result of property and casualty insurance	**1,488**	**1,611**
Intangible assets	**353**	**21**
Debtors arising out of direct insurance operations	2,238	2,086
Debtors arising out of reinsurance operations	7	12
Debtors arising out of insurance operations	**2,245**	**2,098**
Deferred acquisition costs	381	333
Reinsurers' share of deferred acquisition costs	3	1
Deferred acquisition costs, net	**378**	**333**
Technical provisions, gross	24,622	24,663
Reinsurers' share of technical provisions	212	211
Technical provisions, net	**24,410**	**24,452**
Creditors arising out of direct insurance operations	257	251
Creditors arising out of reinsurance operations	4	6
Creditors arising out of insurance operations	**261**	**257**

Business area Industrial

Development during the year

The technical result increased during the year to MSEK 527 (336) and the combined ratio improved to 89.3% (92.3).

Gross written premiums increased strongly in all countries by a total of 16.5% excluding currency effects, mainly due to new customers, increased customer loyalty as well as enhanced cross-selling.

Total claims cost increased, but the risk ratio improved to 69.8% (71.2).

Despite increased operating expenses by 4.6%, excluding currency effects, the continued streamlining of operations, new IT solutions and the strong growth, contributed to an improved cost ratio of 19.5% (21.1).

Market and outlook

The overall economic development in the Industrial business area's main markets remained somewhat more positive than in previous years and the markets were still characterized by an environment with continued low interest rate and moderate inflation.

During the year, the international competition has decreased somewhat which is why If is now strengthening its position as the main insurer of large Nordic corporations, with focus on supporting the customers' business operations through risk assessment, risk management, claims handling as well as via an international network for global customers.

In order to be at the forefront regarding claims prevention and customized insurance coverage, the business area is cooperating continuously with its customers, to evaluate new, evolving and more unpredictable risks, such as cyber risks.

MSEK **Income statement and insurance-related balance sheet items**	**2019**	**2018**
Premiums earned, net of reinsurance	4,759	4,151
Allocated investment return transferred from the non-technical account	20	15
Other technical income	25	22
Claims incurred, net of reinsurance	-3,555	-3,167
Operating expenses in insurance operations, net of reinsurance	-696	-664
Other operating expenses	-26	-21
Technical result of property and casualty insurance	**527**	**336**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	442	394
Debtors arising out of reinsurance operations	693	428
Debtors arising out of insurance operations	**1,135**	**822**
Deferred acquisition costs	38	36
Reinsurers' share of deferred acquisition costs	38	30
Deferred acquisition costs, net	**1**	**6**
Technical provisions, gross	15,674	15,368
Reinsurer' share of technical provisions	1,922	1,863
Technical provisions, net	**13,752**	**13,505**
Creditors arising out of direct insurance operations	90	106
Creditors arising out of reinsurance operations	245	229
Creditors arising out of insurance operations	**335**	**335**

Business area Baltic

Development during the year

The technical result increased during the year to MSEK 202 (167) and the combined ratio improved to 87.0% (88.8).

Gross written premiums, excluding currency effects, were in line with the preceding year. Premium growth was positive in Lithuania, but slightly negative in Estonia and Latvia.

The risk ratio improved to 58.4% (60.0). The outcome was favored by an extraordinarily low level of reported large and mid-size claims within Property in Estonia as well as lower average claims and a lower claims frequency within Motor in Latvia.

Despite the 0.8% increase in operating expenses, continuous efficiency improvements and tight cost control, supported by further digitalisation and automation of processes, made the cost ratio improve to 28.6% (28.8).

Market and outlook

The economic outlook for the Baltic region is characterized by stable consumer confidence and strong consumption. Although the economic growth is expected to slow down, the pace of growth is still expected to be relatively strong.

Following from the market consolidation of the past years, the competitive environment within the Baltic non-life insurance market, seems to continue to stabilize which is expected to encourage an improved financial discipline for the industry in the coming years.

The shift towards digital channels for distribution, service and claims is expected to continue with more and even larger investments in digitalization of processes and customer interactions. Accordingly, developing smooth digital solutions that simplify the customer's everyday life will remain a primary focus for the Baltic business area as well as an important competitive edge in order to maintain a positive premium development.

MSEK **Income statement and insurance-related balance sheet items**	**2019**	**2018**
Premiums earned, net of reinsurance	1,549	1,479
Allocated investment return transferred from the non-technical account	-	-
Other technical income	1	1
Claims incurred, net of reinsurance	-953	-933
Operating expenses in insurance operations, net of reinsurance	-394	-380
Other operating expenses	-	-
Technical result of property and casualty insurance	**202**	**167**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	310	295
Debtors arising out of reinsurance operations	2	5
Debtors arising out of insurance operations	**312**	**300**
Deferred acquisition costs	35	34
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**35**	**33**
Technical provisions, gross	1,915	1,765
Reinsurers' share of technical provisions	25	32
Technical provisions, net	**1,890**	**1,733**
Creditors arising out of direct insurance operations	50	49
Creditors arising out of reinsurance operations	4	4
Creditors arising out of insurance operations	**54**	**54**

Asset management

At full market value, profit from asset management increased to MSEK 5,740 (-838), corresponding to a total return of 5.0% (-0.8%).

Net investment return amounted to MSEK 2,707 (2,648) in the income statement and MSEK 3,033 (-3,486) in other comprehensive income.

Risk willingness returned to the financial markets during 2019 and almost all asset classes where If had holdings showed positive results.

In the beginning of the year stock markets around the world had just ended at the lowest levels noted during 2018 caused by concerns about a looming downturn in the global economy. This was partly explained by the ongoing trade war between the US and China. As a result of this concern, market interest rates continued to decline and at the same time the Federal Reserve System lowered the policy interest rate in the summer, even though only a few months earlier it had indicated an increase in the policy.

Lower interest rates and global economy that still delivered growth during the year led to stock markets recovering sharply, ending on highs for the year and in some cases reaching their highest levels ever. However, during the last months of the year, interest rates also started to rise from very low levels, and the result from interest-bearing instruments weakened slightly.

During the year, increased risk tolerance caused the credit risk premium to fall from high levels, which contributed positively to the return on interest-bearing instruments.

All in all, 2019 was a very strong year in terms of the total result from asset management.

Interest-bearing assets returned 2.3% (1.0%) for the year. The increase in return is mainly attributable to lower credit spreads and overall positive development in the corporate bond market. The duration of the interest-bearing assets was 1.3 (1.4) at the end of the year.

The total return on equities was positive for the year, 34.1% compared with -10.4% for the preceding year. All the stock markets where If had an investment, had a positive return for the year. The strongest contributors to the positive return were the Swedish and North American stock markets.

Alternative investments, which account for only a small part of total investment assets, showed positive returns for the year.

Returns for interest-bearing assets were weaker than their benchmark indices, mainly attributable to rising yields in the last quarter of 2019. Equities, however, were almost in line with their benchmarks.

If's investment assets are mainly managed by the asset management unit within the Group's Parent Company, Sampo.

	Fair value Dec 31, 2019		Fair value Dec 31, 2018		Return 2019		Return 2018	
Return on investment assets [1]	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**	**MSEK**	**%**
Interest-bearing securities	102,455	88	102,010	90	2,441	2.3	1,060	1.0
Shares	13,567	12	11,611	10	3,654	34.1	-1,364	-10.4
Currency (active positions)	16	-	-4	0	24	-	102	-
Currency (other) [2]	-132	-	71	0	59	-	-38	-
Properties	35	-	122	0	26	-	0	-
Other	0	-	0	0	-464	-	-598	-
Total investment assets excl. associates [1]	**115,942**	**100**	**113,810**	**100**	**5,740**	**5,0**	**-838**	**-0,8**

[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 associates. Accrued interest and the investment operations' bank balances are reported above as part of interest-bearing securities. Derivatives and securities settlement claims/liabilities have been reported under the relevant asset category above. 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.

[2] In the asset category Currency (other), 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.

Other operations

Other operations comprise Group-wide operations that If has chosen not to allocate to the Group's established business areas and includes Parent Company costs, adjustments due to reporting of defined-benefit pension plans and interest expenses for the Group's subordinated debt.

Other operations also include run-off operations.

The technical result for the year amounted to MSEK 23 (142).

Note 7 – Premiums written

	2019			2018		
MSEK	Gross[1]	Ceded	Net	Gross[1]	Ceded	Net
Premiums written	49,484	-2,112	47,372	46,191	-1,810	44,381

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

Sweden	16,633	15,851
Rest of EEA	31,437	29,198
Total	**48,070**	**45,048**

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

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

	2019 Annuities	2019 Other provisions	2018 Annuities	2018 Other provisions
Sweden/SEK	1.3%	0.0%	1.7%	0.0%
Norway/NOK	2.0%	0.9%	2.3%	0.7%
Denmark/DKK	0.4%	0.0%	0.9%	0.0%
Finland/EUR	1.2%	0.0%	1.2%	0.0%

Note 9 – Claims incurred

	2019			2018		
MSEK	Gross	Ceded	Net	Gross	Ceded	Net
Claims costs attributable to current-year operations						
Claims paid	-19,232	325	-18,907	-17,856	183	-17,673
Operating expenses for claims adjustment	-2,635	-	-2,635	-2,437	-	-2,437
Change in claims reserve for incurred and reported losses	-6,753	233	-6,520	-7,177	331	-6,846
Change in claims reserve for incurred but not reported losses (ibnr)	-5,943	97	-5,846	-5,184	43	-5,141
Change in provision for annuities	-46	-	-46	-82	-	-82
Change in reserves for claims adjustment	185	-	185	98	-	98
			-33,768			**-32,081**
Claims costs attributable to prior-year operations						
Claims paid	-12,249	727	-11,523	-10,455	413	-10,043
Annuities	-1,587	0	-1,587	-1,214	0	-1,214
Claims portfolios	17	-	17	-	-	-
Change in claims reserve for incurred and reported losses	7,531	-376	7,155	6,113	-212	5,901
Change in claims reserve for incurred but not reported losses (ibnr)	7,998	-47	7,951	7,465	-336	7,129
			2,012			**1,774**
Total insurance claims	**-32,715**	**959**	**-31,756**	**-30,730**	**423**	**-30,307**

MSEK	Gross 2019	Ceded 2019	Net 2019	Gross 2018	Ceded 2018	Net 2018
Paid insurance claims						
Claims paid	-31,481	1,052	-30,430	-28,311	596	-27,716
Annuities paid	-1,323	-	-1,323	-1,358	-	-1,358
Claims portfolio	17	-	17	-	-	-
Operating expenses for claims adjustment	-2,635	-	-2,635	-2,437	-	-2,437
	-35,423	**1,052**	**-34,371**	**-32,106**	**596**	**-31,511**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	778	-143	635	-1,064	120	-944
Change in claims reserve for incurred but not reported losses (IBNR)	1,004	50	1,054	2,194	-293	1,901
Change in claims provision for annuities	741	0	741	149	0	149
Change in reserves for claims adjustment	185	-	185	98	-	98
	2,708	**-93**	**2,615**	**1,377**	**-173**	**1,203**
Total claims incurred	**-32,715**	**959**	**-31,756**	**-30,730**	**423**	**-30,307**

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 in If amounted to MSEK 2,433 (2,696). The undiscounted value was MSEK 2,846 (3,210). The currency effect on the discounted reserves was an increase of MSEK 54 and real decrease amounted to MSEK 317.

Note 10 – Operating expenses

MSEK	2019	2018
Specification of income statement item operating expenses		
External acquisition costs [1]	-1,542	-1,565
Internal acquisition costs	-3,759	-3,396
Change in deferred acquisition costs, gross	81	-8
Administrative expenses, insurance	-2,399	-2,357
Total operating expenses in property and casualty insurance, gross	**-7,619**	**-7,325**
Reinsurance commission and profit participation in ceded reinsurance	155	127
Change in deferred acquisition costs, ceded	-9	-1
Total reinsurance commission and profit participation in ceded reinsurance	**146**	**125**
Other operating expenses	-472	-345
Total	**-7,945**	**-7,545**
[1] Of which, provisions in direct insurance	*-1,067*	*-1,500*
Summary of total operating expenses		
Salaries and remuneration	-4,370	-3,999
Social costs	-904	-842
Pension costs	-620	-572
Other personnel costs	-249	-225
Total personnel costs	**-6,143**	**-5,638**
Premises costs	-227	-446
Depreciation/amortization	-359	-165
External acquisition costs	-1,542	-1,565
Other administrative costs	-2,726	-2,499
Total	**-10,997**	**-10,312**

MSEK	2019	2018
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in claims paid	-2,635	-2,437
External and internal acquisition costs included in operating expenses in insurance operations	-5,300	-4,961
Joint administrative costs for insurance operations included in operating expenses in insurance operations	-2,399	-2,357
Administrative costs pertaining to other technical operations included in other operating expenses	-472	-345
Asset-management costs included in investment costs	-190	-213
Total	**-10,997**	**-10,312**

Note 11 – Average number of employees

	2019 Average number of employees	2019 Of whom women %	2018 Average number of employees	2018 Of whom women %
Parent Company				
Sweden	2	*0*	1	*0*
Norway	1	*0*	-	-
Total in Parent Company	**3**	***0***	**1**	***0***
Subsidiaries				
Sweden [1]	2,242	*50*	2,096	*50*
Denmark	611	*48*	606	*48*
Estonia	358	*77*	356	*77*
Finland	1,762	*62*	1,742	*62*
France	6	*33*	6	*33*
Latvia	362	*42*	314	*45*
Lithuania	158	*70*	157	*69*
Netherlands	5	*62*	6	*51*
Norway	1,348	*48*	1,309	*48*
United Kingdom	6	*50*	6	*51*
Germany	5	*26*	6	*33*
Total in subsidiaries	**6,862**	***54***	**6,602**	***54***
Group total	**6,865**	***54***	**6,603**	***54***

[1] Agents are not included. If has 13 (16) spare-time agents in Sweden.

Percentage of women in executive management	Parent Company 2019	Parent Company 2018	Group total 2019	Group total 2018
Board of Directors	0%	0%	14%	10%
Other senior executives	0%	0%	23%	17%

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

MSEK **Expensed salaries, remuneration, pension and social security fees**	2019 Salaries and remuneration	2019 Pension costs[1]	2019 Social fees	2018 Salaries and remuneration	2018 Pension costs	2018 Social fees
Parent company [1]	25	7	12	13	4	8
Subsidiaries	4,345	613	892	3,986	568	834
Group total	**4,370**	**620**	**904**	**3,999**	**572**	**842**

MSEK **Expensed salaries and remuneration**	2019 Senior executives [2]	2019 of which incentive schemes and other variable compensation [3]	2019 Other employees	2018 Senior executives[3]	2018 of which incentive schemes and other variable compensation [3]	2018 Other employees
Parent Company [1]	25	9	-	13	6	-
Subsidiaries	66	32	4,279	61	22	3,925
Subsidiaries and branches in Sweden	*25*	*13*	*1,223*	*28*	*10*	*1,134*
Subsidiaries and branches outside Sweden	*41*	*19*	*3,056*	*33*	*12*	*2,791*
Group total	**91**	**41**	**4,279**	**74**	**28**	**3,925**

[1] Refers to the Chief Executive Officer, Head of the Board and a Board member employeed in If P&C Insurance Holding ltd for 2019 (publ).

[2] Senior executives in the Parent Company and in subsidiaries are defines as board members, presidents, vice presidents and members of the Parent Company and subsidiaries' executive management groups. The amounts for salaries and and remuneration also include severanve pay of MSEK - (-).

[3] Regardless of the earnings year.

Principles for determining remuneration of senior executives

Director fees are in principle not paid to Board members employed in If or other companies within the Sampo Group. In connection with the changes in management that were made in February, when the then CEO and the deputy CEO were appointed Chairman respectively member of the Board of Directors of If P&C Insurance Holding Ltd, unchanged terms of service were agreed, Remuneration of these two persons, the CEO and other members of Group Management consist in most cases of fixed salary, annual variable compensation, units in long-term incentive schemes, pension and other benefits.

The maximum annual variable compensation payable to the CEO is 75% of the annual fixed salary. The maximum annual variable compensation payable to other members of Group Management is 50-75% of the annual fixed salary. The annual variable compensation is based on the If Group results, business unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the annual variable compensation is also based on Sampo Group results. A substantial part of payments from variable compensation programs is deferred for at least three years. Thereafter, the Board shall evaluate and, if needed, risk adjust the deferred compensation before any payment is made.

KSEK **Remuneration paid and other benefits during 2019**	**Basic salary**	**Variable payments**	**Payment pertaining to incentive programs [1]**	**Other benefits**	**Pension cost**	**2019**
Chairman of the Board Torbjörn Magnusson [2]	6,888	3,814	10,774	22	3,591	25,089
Board member Ricard Wennerklint [2]	4,210	2,316	6,464	24	2,217	15,231
Other Board members [3]	383	-	4,856	12	-	5,251
President/CEO Morten Thorsrud [2]	5,157	1,511	5,530	39	1,538	13,775
Other members of Group Management (12 individuals)	25,362	8,291	31,881	1,281	8,678	75,493
Total	**42,000**	**15,932**	**59,505**	**1,378**	**16,024**	**134,839**

[1] For more information, refer to Long-term incentive schemes below.
[2] Amount presented are total remuneration paid and benefits provided during 2019 regardless position within the Group management team and the Board.
[3] Refers to the previous CFO and Board member in If P&C Insurance Holding ltd. Remuneration paid relates to his employment at If P&C Insurance ltd.

KSEK **Remuneration paid and other benefits during 2018**	**Basic salary**	**Variable payments**	**Payment pertaining to incentive programs [1]**	**Other benefits**	**Pension cost**	**2019**
Chairman of the Board Kari Stadigh	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO Torbjörn Magnusson	6,646	4,785	12,716	18	3,748	27,913
Deputy CEO Ricard Wennerklint	4,111	2,854	7,630	19	2,321	16,935
Other members of Group Management (12 individuals)	26,059	12,306	47,573	1,504	8,550	95,992
Total	**36,816**	**19,945**	**67,919**	**1,541**	**14,619**	**140,840**

KSEK **Provisions expensed during 2019 for disbursement during future years**	**Variable compensation**	**Incentive schemes**	**Total**
Chairman of the Board Torbjörn Magnusson	-	-	-
Board member Ricard Wennerklint	-	-	-
Other Board members	-	-	-
President/CEO Morten Thorsrud	3,628	1,604	5,232
Other members of Group Management (12 individuals)	10,854	8,440	19,294
Summa	**14,482**	**10,044**	**24,526**

KSEK **Provisions expensed during 2018 for disbursement during future years**	**Variable compensation**	**Incentive schemes**	**Total**
Chairman of the Board Kari Stadigh	-	-	-
Other Board members	-	-	-
President/CEO Torbjörn Magnusson	4,404	-352	4,052
Deputy CEO Ricard Wennerkling	2,693	-306	2,387
Other members of Group Management (12 individuals)	11,448	-3,348	8,100
Summa	**18,545**	**-4,006**	**14,539**

Pensions

Alongside statutory retirement pension benefits, the Swedish, Norwegian and Danish members of Group Management are covered by local occupational retirement pension plans. A description of the pension plans can be found below. For more information on pensions, see note 34.

Sweden

Swedish senior executives are entitled to an individually agreed Defined Contribution pension plan or collectively agreed pension according to FTP1. The retirement age for all senior executives is 65.

Individually agreed pension plan

The annual premium corresponds to 38% of the annual fixed salary and 25% of paid annual variable compensation.

FTP1

One senior executive is covered by the FTP1 plan. On salary levels below 7.5 Swedish income base amount (IBA) the contribution for 2019 is 5.1% and on salary above 7.5 IBA, the contribution for 2019 is 30.8%.

Norway

Norwegian members are covered by defined contribution pension plans, with an annual contribution corresponding to:

– 7% of pensionable salary up to 7.1 G (G = National Insurance basic amount)
– 25.1% between 7.1 and 12 G.
– For pensionable salary exceeding 12 G, the Norwegian members are covered by a temporary pension between 67 and 82 years of age and the contribution corresponds to 24% of the annual fixed salary.
– Norwegian pension legislation allows for a flexible retirement age between 62 and 75.

Denmark

The Danish member is covered by a defined contribution pension plan. The contribution corresponds to 22.7%of the annual fixed salary and 25% of paid annual variable compensation.

The retirement age is flexible.

Latvia

No retirement pension is paid apart from statutory earnings-based retirement pension.

Severance pay

In the event of a 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 12 months' fixed salary.

In the event of a termination of employment by the company, other members of Group Management are entitled to salary during a period of notice of 1 to 12 months, and in most cases, severance pay amounting to a minimum of 9 months' and a maximum of 24 months' fixed salary.

Long-term incentive schemes

A number of senior executives are covered by incentive schemes issued by Sampo Group. There are currently two schemes in force, issued in September 2014 and September 2017 respectively, both covering 70-80 employees. The schemes are subject to performance thresholds and ceilings that cap the size of the payment. The outcome of the schemes is determined over a period of three to five years starting from the issue of the respective scheme and is based on Sampo plc's share-price performance, If's insurance margin and Sampo Group's return on risk-adjusted capital. A number of incentive units have been allocated to each participant in the respective scheme. The incentive unit carries an entitlement to a cash payment, provided that threshold levels are reached. Given that the targets regarding If's insurance margin and Sampo Group's return on risk-adjusted capital have been met, the payment equals the increase in Sampo plc's share price from the issue of the respective scheme up until three defined payment dates. According to the terms and conditions of the schemes, identified staff must buy Sampo A shares with 50 or 60 % of the net amount of the reward. The shares are subject to a formal disposal restriction for three years from the date of payment.

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

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

KSEK **Outstanding units and values**	**Number of units**	**Maximum amount**	**Reserved amount**
Chairman of the Board Torbjörn Magnusson [1]	-	-	-
Board member Ricard Wennerklint [1]	-	-	-
President/CEO Morten Thorsrud	127,000	32,439	2,282
Other members of Group Management (10 individuals)	677,000	172,379	11,962
Others covered by the incentive schemes	1,157,875	295,341	20,841
Total	**1,961,875**	**500,159**	**35,085**

[1] Variable remuneration and incentive programs are not funded by If P&C insurance Holding Ltd in the coming years.

The expensed cost of the incentive program during the year amounted to MSEK 53 (18).

Note 13 – Auditors' fees

MSEK	2019	2018
KPMG		
Audit fees	18	18
Audit fees outside the audit assignment	0	-
Tax consultancy fees	0	-
Other consultancy fees	1	-
Total fee to KPMG	**19**	**18**

MSEK	2019	2018
Ernst & Young AB		
Audit fees	-	1
Audit fees outside the audit assignment	-	0
Tax consultancy fees	-	1
Other consultancy fees	0	0
Total fee to Ernst & Young AB	**0**	**2**

Note 14 – Performance analysis per class of insurance

2019 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	8,760	5,728	14,546	1,159	13,577	2,463	20
Premiums earned, gross	8,599	5,767	14,234	1,148	13,263	2,364	21
Claims incurred, gross	-6,079	-2,187	-10,891	-927	-8,896	-973	-2
Operating expenses, gross [1]	-1,555	-1,164	-2,218	-190	-1,821	-341	-3
Profit/loss from ceded reinsurance	41	-5	-5	-70	-843	-231	-
Technical result before investment income transferred from the non-technical account	**1,007**	**2,411**	**1,121**	**-39**	**1,704**	**818**	**16**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations and undistributed cost items	Total
Premiums written, gross	532	16	1,269	48,070	1,414		49,484
Premiums earned, gross	524	13	1,215	47,147	1,347		48,493
Claims incurred, gross	-364	-9	-1,303	-31,630	-1,121	36	-32,715
Operating expenses, gross [1]	-67	-	-266	-7,624	-210	75	-7,759
Profit/loss from ceded reinsurance	-1	-	166	-948	11		-937
Technical result before investment income transferred from the non-technical account	**91**	**4**	**-188**	**6,944**	**27**	**111**	**7,083**

Investment income transferred from the non-technical account	**167**
Technical result of insurance operations	**7,250**

[1] The item Operating expenses, gross includes other technical income of MSEK 332 (304) and other technical expense of MSEK -472 (-345).

2018 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, aviation and transport	Fire and other damage to property	Third party liability	Credit and suretyship
Premiums written, gross	8,099	5,657	13,727	1,085	12,632	2,192	24
Premiums earned, gross	8,007	5,751	13,491	1,091	12,570	2,151	24
Claims incurred, gross	-5,134	-3,380	-10,006	-680	-9,013	-1,974	-4
Operating expenses, gross [1]	-1,420	-1,256	-1,990	-182	-1,847	-317	-3
Profit/loss from ceded reinsurance	-27	-6	-5	-104	-629	80	-
Technical result before investment income transferred from the non-technical account	**1,426**	**1,109**	**1,490**	**125**	**1,081**	**-60**	**17**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations and undistributed cost items	Total
Premiums written, gross	491	-	1,141	45,048	1,143		46,191
Premiums earned, gross	489	-	1,132	44,706	1,119		45,825
Claims incurred, gross	-289	-	-1,051	-31,531	763	38	-30,730
Operating expenses, gross [1]	-68	-	-169	-7,252	-187	73	-7,366
Profit/loss from ceded reinsurance	-1	-	-41	-733	-525		-1,258
Technical result before investment income transferred from the non-technical account	**131**	**-**	**-129**	**5,190**	**1,170**	**111**	**6,471**

Investment income transferred from the non-technical account	**130**
Technical result of insurance operations	**6,601**

[1] The item Operating expenses, gross includes other technical income of MSEK 304 (260) and other technical expense of MSEK -345 (-334).

Note 15 – Investment result

MSEK	Direct income 2019	Direct income 2018	Value changes 2019	Value changes 2018	Total 2019	Total 2018
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	-300	-405	54	-4	-246	-409
Financial assets, available for sale						
Interest bearing securities						
Interest income	1,716	1,620			1,716	1,620
Realized gains and losses			110	171	110	171
Impairment losses			5	155	5	155
Shares						
Dividends	426	483			426	483
Realized gains and losses			975	1,104	975	1,104
Impairment losses			-209	-368	-209	-368
Total from financial assets at fair value	**1,842**	**1,698**	**936**	**1,058**	**2,778**	**2,756**
Loans						
Interest income	58	66			58	66
Realized gains and losses			-	15	-	15
Total from Other financial investment assets	**1,900**	**1,765**	**936**	**1,074**	**2,836**	**2,838**
Properties and Other assets						
Result from properties	-1	4	27	12	26	16
Interest income	34	31			34	31
Currency result			83	64	83	64
Total Investment income	**1,934**	**1,800**	**1,046**	**1,150**	**2,980**	**2,950**
Investment costs						
Allocated operating expenses					-190	-213
Interest expense on lease liabilities					-16	-
Other financial expenses					-67	-90
Investment result					**2,707**	**2,648**

Impairment losses in the income statement 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.

MSEK **Reconciliation of value changes of financial assets available for sale**	**2019**	**2018**
Opening balance, value changes of financial assets available for sale	**3,073**	**6,537**
Unrealized change in value of financial assets available for sale	3,910	-2,423
Changes in value recognized in income statement	-877	-1,062
Translation difference	5	21
Closing balance, value changes of financial assets available for sale	**6,111**	**3,073**
Net value change, financial assets available for sale	3,038	-3,464

Note 16 – Interest expense, subordinated debt

MSEK	Interest rate	2019	2018
Subordinated loan, issued in 2011	6.00%	-71	-69
Subordinated loan, issued in 2016	3-month STIBOR + 2.25%	-36	-29
Subordinated loan, issued in 2016	2.415%	-13	-13
Subordinated loan, issued in 2018	3-month STIBOR + 2.75%	-29	-20
Total		**-149**	**-132**

Note 17 – Income from associates

MSEK	2019	2018
Share of result	6	10
Sales gain	-	35
Total	**6**	**44**

Note 18 – Taxes

MSEK	2019	2018
Current tax	-1,989	-1,822
Deferred tax	-42	-93
Total tax in the income statement	**-2,032**	**-1,915**
Specification of current taxes		
Swedish entities	-946	-775
Non-Swedish entities	-1,043	-1,058
Current taxes pertaining to prior years	-1	11
Total current tax	**-1,989**	**-1,822**

For specification of deferred tax, see Note 33.

MSEK	2019	2018
Specification of taxes related to Other comprehensive income		
Related to remeasurements of net pension liability	131	13
Related to financial assets, available-for-sale	-668	765
Other	-25	-72
Total current and deferred tax	**-561**	**706**

MSEK	2019	2018
Difference between reported tax and tax based on current swedish tax rate		
Profit before taxes	9,333	8,699
Tax according to current tax rate, 21.4% (22%)	-1,997	-1,914
Currency related tax effects	-2	0
Permanent differences, net	-50	-38
Share of associates' result	1	2
Capital gains and impairment loss, associates	-	8
Adjustment of prior-year taxes	2	10
Reassessments of deferred tax assets/liabilities	-1	0
Different tax rates in foreign units	17	22
Changes in tax rates	-1	-5
Reported tax in the income statement	**-2,032**	**-1,915**

Notes to the balance sheet

Note 19 – Intangible assets

MSEK	2019 Goodwill	2019 Customer relations	2019 Other intangible assets	2019 Total intangible assets	2018 Goodwill	2018 Other intangible assets	2018 Total intangible assets
Accumulated acquisition value							
Opening balance	**715**	**-**	**395**	**1,110**	**715**	**305**	**1,020**
Additions	-	-	103	103	-	105	105
Acquisitions through business combinations	277	73	22	372	-	-	-
Disposals	-	-	-20	-20	-	-24	-24
Translation differences	-	-	7	7	-	9	9
Closing balance	**992**	**73**	**505**	**1,571**	**715**	**395**	**1,110**
Accumulated depreciation and impairment							
Opening balance	**-**	**-**	**-165**	**-165**	**-**	**-128**	**-128**
Amortization and impairments during the year	-	-	-23	-23	-	-57	-57
Acquisitions through business combinations	-	-	-20	-20	-	-	-
Disposals	-	-	20	20	-	24	24
Translation differences	-	-	-4	-4	-	-4	-4
Closing balance	**-**	**-**	**-192**	**-192**	**-**	**-165**	**-165**
Carrying amount, closing balance	**992**	**73**	**314**	**1,380**	**715**	**230**	**945**

Consolidated goodwill consists of two different items.

Goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations amounts to MSEK 715. 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 calculated as the value in use in December 2019. 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 2020-2022. For subsequent years, the calculation is based on normalized earnings, with a combined ratio established at 92%.

Goodwill arising from the acquisition of Vertikal Helseassistense AS in December 2019 amounts to MSEK 277 and impairment testing will be conducted for the first time during 2020.

Other intangible assets include capitalized costs for the development of various insurance systems.

In the calculation, the following parameters were used:

	2019	2018
Long-term premium growth	2.0%	2.0%
Return on investment assets	1.8%	2.2%
Discount interest rate (calculated according to Capital Asset Pricing Model)	6.0%	4.8%

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	34	4,734	7,283	43.0 %	-4.4%
Industrial properties and warehouses	0	58	2,890	-	0.0%
Other properties	0	1,817	230	-	7.3%
Total	**35**	**3,370**	**10,403**	**30.1 %**	**-4.3 %**
Preceding year	122	5,599	21,804	16.5 %	6.2 %

MSEK **Geographical distribution, carrying amount**	2019	2018
Finland	35	121
Norway	0	1
Total	**35**	**122**

MSEK	2019	2018
Carrying amount, opening balance	**122**	**196**
Sales and scrappage	-90	-95
Net changes in current value	1	12
Translation differences	2	9
Carrying amount, closing balance	**35**	**122**

MSEK	2019	2018
Rental income during the fiscal year	**8**	**23**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	4	14
Operating expenses pertaining to premises that did not generate income during the fiscal year	4	4

Total future minimum rents	2019	2018
<1 year	2	12
1–5 years	0	9
> 5 years	-	-

Note 21 – Investments in associates

MSEK	Country	Number of shares	Holding %[1]	Carrying amount 2019	Carrying amount 2018
CAB Group AB	Sweden	1,209	22.0	36	31
SOS International A/S	Denmark	539,600	25.7	75	78
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	14	14
Boligselskapenes Service Senter AS	Norway	34,000	34.0	8	7
Digiconsept AS	Norway	68,000	34.0	14	14
Total				**147**	**144**

[1] All of the associates have only one share class, therefore the participating share and voting rights are the same.

Changes in investments in associates 2019

MSEK	Total
Opening balance	**144**
Share of associates' result	6
Dividends from associates	-3
Effects of exchange rates, foreign associates	0
Closing balance	**147**

Changes in investments in associates 2018

MSEK	Total
Opening balance	**144**
Investments	21
Share of associates' result	10
Dividends from associates	-6
Effects of exchange rates, foreign associates	1
Sales [1]	-21
Closing balance	**144**

[1] Consists of the sales of Autovahinkokeskus Oy and Contemi Holding AS.

Note 22 – Other financial investment assets and derivative liabilities

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

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

MSEK	Acquisition value 2019	Acquisition value 2018	Fair value 2019	Fair value 2018	Carrying amount 2019	Carrying amount 2018
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives	15	13	140	94	140	94
Financial assets available for sale						
Shares and participations	9,479	10,256	13,511	11,557	13,511	11,557
Bonds and other interest-bearing securities	96,257	98,026	96,522	97,616	96,522	97,616
Total financial assets, at fair value	**105,751**	**108,295**	**110,174**	**109,267**	**110,174**	**109,267**
Loans [1]						
Deposits with credit institutions	157	-	157	-	157	-
Other loans	1,874	995	1,882	1,001	1,874	995
Total Other financial investment assets	**107,782**	**109,290**	**112,212**	**110,268**	**112,204**	**110,262**
Financial liabilities, mandatory at fair value Through profit or loss (trading)						
Derivatives	-	-	259	46	259	46
Total financial liabilities, at fair value	**-**	**-**	**259**	**46**	**259**	**46**

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

Classification of other financial investment assets in accordance with IFRS 9

In accordance with the requirements of IFRS 4, insurance companies that have decided to delay the implementation of IFRS 9 until 2022 must provide certain disclosures regarding fair value and changes in fair values. These disclosures are to be divided into two groups of financial assets.

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

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

MSEK	Fair value 2019	Fair value 2018	Change in fair value
Financial assets, at fair value through profit or loss			
Shares and participations	13,511	11,557	1,954
Bonds and other interest-bearing securities	96,522	97,616	-1,094
Derivative assets	140	94	46
Total	**110,173**	**109,267**	**906**
Financial investment assets at amortized cost			
Deposits with credit institutions	157	-	157
Other loans	1,882	1,001	881
Total	**2,039**	**1,001**	**1,038**
Total financial investment assets	**112,212**	**110,268**	**1,944**

If has only minor holdings in financial investment assets at amortized cost. These holdings are assessed to have a credit rating of between B and BBB.

Specification of other financial investment assets and derivative liabilities

Bonds and other interest-bearing securities

If's bonds and other interest-bearing securities by type of issuer at December 31, 2019 are shown below.

MSEK **Type of issuer**	**Nominal value**	**%**	**Fair value**	**%**	**Carrying amount**	**%**
Swedish government	66	0	95	0	95	0
Swedish public sector, other	2,579	3	2,615	3	2,615	3
Swedish mortgage companies	9,038	9	9,280	10	9,280	10
Swedish financial companies	14,408	15	14,602	15	14,602	15
Other Swedish companies	14,217	15	14,419	15	14,419	15
Foreign governments	338	0	376	0	376	0
Foreign public sector, other	3,686	4	3,698	4	3,698	4
Foreign financial companies	30,561	32	30,732	32	30,732	32
Other foreign companies	21,007	22	20,705	21	20,705	21
Total	**95,900**	**100**	**96,522**	**100**	**96,522**	**100**

Years to maturity [1]	**<1**	**1-2**	**2-3**	**3-4**	**4-5**	**5-6**	**6-7**	**7-8**	**8-9**	**9-30**	**Total**
Fair value %, 2019	14	22	21	16	19	4	4	0	-	-	**100**
Fair value %, 2018	13	20	26	20	13	4	2	1	0	-	100

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

Derivatives

	2019			**2018**		
MSEK **Derivative assets**	**Fair value**	**Carrying amount**	**Nominal amount**	**Fair value**	**Carrying amount**	**Nominal amount**
Equity derivatives						
Options	0	0	4	0	0	4
Total equity derivatives	**0**	**0**	**4**	**0**	**0**	**4**
of which, cleared by clearing house	-	-	-	-	-	-
Total fixed income derivatives	**9**	**9**	**1,000**	**-**	**-**	**-**
Currency derivatives						
Options	18	18	807	2	2	195
Futures	113	113	16,820	92	92	19,937
Total currency derivatives	**131**	**131**	**17,627**	**94**	**94**	**20,131**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative assets	**140**	**140**		**94**	**94**	
Derivative liabilities						
Equity derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Fixed income derivatives						
Swaps	11	11	500	18	18	500
Total fixed income derivatives	**11**	**11**	**500**	**18**	**18**	**500**
of which, cleared by clearing house	*11*	*11*	*500*	*18*	*18*	*500*
Currency derivatives						
Options	-	-	-	-	-	-
Futures	247	247	17,130	27	27	19,911
Total currency derivatives	**247**	**247**	**17,130**	**27**	**27**	**19,911**
of which, cleared by clearing house	-	-	-	-	-	-
Total derivative liabilities	**259**	**259**		**46**	**46**	

Financial investment assets and derivative liabilities at fair value

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial investment assets and derivative liabilities in fair value hierarchy

MSEK	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total fair value	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total fair value
Financial assets, mandatory at fair value through profit and loss (trading)								
Derivatives								
Equity derivatives	-	0	-	0	-	0	-	0
Fixed income derivatives	-	9	-	9	-	-	-	-
foreign exchange derivatives	-	131	-	131	-	94	-	94
Financial assets, available for sale								
Shares and participations [1]	13,330	-	182	13,511	11,359	-	198	11,557
Bonds and other interest-bearing securities	67,321	29,201	0	96,522	70,370	27,246	0	97,616
Total financial assets, at fair value	**80,651**	**29,341**	**182**	**110,174**	**81,729**	**27,340**	**198**	**109,266**
Financial liabilities, mandatory at fair value through profit and loss (trading)								
Derivatives								
Fixed income derivatives	-	11	-	11	-	18	-	18
Foreign exchange derivatives	-	247	-	247	-	27	-	27
Total financial liabilities, at fair value	**-**	**259**	**-**	**259**	**-**	**46**	**-**	**46**

[1] Mutual equity funds recognized in the above balances totaled MSEK 4,432 (3,711) of which MSEK 4,347 (3,517) was allocated to level 1 and MSEK 86 (194) to level 3.

Financial investment assets in level 3

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2019, the assets presented in level 3 amounted to MSEK 182 (198).

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

MSEK 2019	Carrying amount Jan 1	Net gains/losses recorded in income-statement	Net gains/losses recorded in other comprehensive income	Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/ losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	198	-	-28	97	-90	-	5	182	-
Bonds and other interest-bearing securities	0	-	-	-	-	-	-	0	-
	198	**-**	**-28**	**97**	**-90**	**-**	**5**	**182**	**-**
Total financial assets, at fair value	**198**	**-**	**-28**	**97**	**-90**	**-**	**5**	**182**	**-**

MSEK 2018	Carrying amount Jan 1	Net gains/losses recorded in income-statement	Net gains/losses recorded in other comprehensive income	Purchases	Sales/ maturities	Transfers into/out of level 3	Exchange rate differences	Carrying amount Dec 31	Net gains/losses in income statement that are attributable to assets held at end of period
Financial assets, available for sale									
Shares and participations	189	-	-18	25	-6	-	8	198	-18
Bonds and other interest-bearing securities	0	-	0	-	-	-	-	0	0
	189	**-**	**-18**	**25**	**-6**	**-**	**8**	**198**	**-18**
Total financial assets, at fair value	**189**	**-**	**-18**	**25**	**-6**	**-**	**8**	**198**	**-18**

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

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

The following changes in key assumptions have been used:
– a 1% increase in the yield curve for bonds and other interest-bearing securities;
– a 20% decrease in prices for equity related securities and real estate.

MSEK	2019 Carrying amount	2019 Effect of reasonably possible alternative assumptions	2018 Carrying amount	2018 Effect of reasonably possible alternative assumptions
Financial assets, available for sale				
Shares and participations [1]	182	-36	198	-40
Bonds and other interest-bearing securities	0	0	0	0
Total financial assets, at fair value	**182**	**-36**	**198**	**-40**

[1] Includes holding in equity funds.

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

MSEK **Assets**	**2019**	**2018**
Derivatives		
Gross amount of recognized assets	140	94
Gross amounts of recognized liabilities offset against assets	-	-
Net amount presented in the balance sheet	**140**	**94**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-89	-27
Cash collateral received	24	81
Net amount	**75**	**148**

MSEK **Liabilities**	**2019**	**2018**
Derivatives		
Gross amount of recognized liabilities	259	46
Gross amounts of recognized assets offset against liabilities	-	-
Net amount presented in the balance sheet	**259**	**46**
Amounts not set off but subject to master netting agreements and similar agreements [1]		
Financial instruments	-89	-27
Cash collateral pledged	209	37
Net amount	**379**	**56**

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

Note 24 – Reinsurers' share of technical provisions

MSEK **Change during the year**	**2019** **Provision for unearned premiums and unexpired risks**	**2019** **Provision for claims outstanding**	**2018** **Provision for unearned premiums and unexpired risks**	**2018** **Provision for claims outstanding**
Opening balance	**433**	**1,704**	**393**	**1,770**
Change in provision	70	-93	4	-173
Translation differences	20	60	36	107
Closing balance	**523**	**1,671**	**433**	**1,704**

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

Note 25 – Debtors arising out of direct insurance

MSEK	2019	2018
Receivables from policyholders	14,607	13,576
Receivables from insurance brokers	23	9
Receivables from insurance companies	61	73
Bad-debt provision	-256	-283
Total [1]	**14,437**	**13,375**

[1] Of which, MSEK 5 (7) is expected to be received later than 12 months after the closing date.

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	14,197	495	14,692
Of which, provision	-15	-241	-256
Total	**14,182**	**254**	**14,437**

Generally, provision is made on a standard computation base, the amount includes individual provision of negative MSEK -9 (-11).

Note 26 – Debtors arising out of reinsurance

MSEK	2019	2018
Receivables from reinsurers	708	459
Bad-debt provisions	-4	-4
Total [1]	**705**	**455**

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

MSEK Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	674	34	708
Of which, provision	0	-3	-4
Total	**674**	**31**	**705**

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

Note 27 – Other debtors

MSEK	2019	2018
Debtor, patient-insurance pool for the public sector	737	1,224
Bad-debt provisions	0	0
Other debtors	105	120
Total [1]	**842**	**1,344**

[1] Of which, MSEK 686 (1,167) is expected to be received later than 12 months after the closing date.

Note 28 – Tangible assets

	2019		2018
MSEK	Right-of-Use: Buildings	Other Tangible assets	Other Tangible assets
Accumulated acquisition value			
Opening balance	**-**	**657**	**588**
First application IFRS 16 as at January 1	1,299	-	
Additions	247	118	117
Acquisitions through business combinations	-	9	-
Disposals	-	-40	-62
Translation differences	16	9	14
Closing balance	**1,562**	**753**	**657**
Accumulated depreciation and impairment			
Opening balance	**-**	**-411**	**-371**
Depreciation and impairments during the year	-228	-95	-81
Acquisitions through business combinations	-	-7	-
Disposals	-	29	50
Translation differences	2	-5	-8
Closing balance	**-226**	**-489**	**-411**
Carrying amount, closing balance	**1,336**	**264**	**246**

Lease contracts where If acts as lessee mainly pertain premises, vehicles and office equipment. Right-of-use assets relate to lease contracts for large office premises.

If leases premises for its own use. The expected lease term varies from 2 to 12 years. Most contracts include an option to extend the contract at the term end. Some lease contracts have an option to terminate the contract before the term end.

Variable lease payments are linked to consumer price indexes.

If has signed three office lease contracts that have not yet commenced and therefore are not recognized in the balance sheet. Lease terms vary from 7 to 14 years. The new premises will subsequently replace currently leased premises included into the right-of-use assets.

Expenses during 2019 relating to lease contracts not recognized in the balance sheet amount to MSEK 83.

For more information on leases, please refer to Note 1 Accounting policies, Note 15 Investment result and Note 37 Other creditors.

Note 29 – Deferred acquisition costs

MSEK	2019	2018
Opening balance	**1,190**	**1,166**
Net change during the year	81	-8
Translation difference	22	31
Closing balance	**1,293**	**1,190**

Acquisition expenditure during the year amounted to MSEK 5,300 (4,961). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include such operating expenses as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

Note 30 – Other deferred costs and accrued income

MSEK	2019	2018
Accrued income	277	340
Deferred costs	140	231
Total	**418**	**571**

Note 31 – Subordinated debt

				2019		2018	
MSEK	Original nominal value	Maturity	Interest rate	Fair value [1]	Carrying amount	Fair value [1]	Carrying amount
Subordinated loan, issued in 2011	MEUR 110	30 years	6.00%	1,200	1,146	1,200	1,124
Subordinated loan, issued in 2016	MSEK 1,500	30 years	3-month STIBOR + 2.25%	1,504	1,496	1,501	1,494
Subordinated loan, issued in 2016	MSEK 500	30 years	2.415%	497	499	498	498
Subordinated loan, issued in 2018	MSEK 1,000	perpetual	3-month STIBOR + 2.75%	1,005	993	991	991
Total				**4,207**	**4,134**	**4,190**	**4,107**

[1] According to If´s application of IAS 39, subordinated debt is carried at amortized cost. Fair value is only given for information purposes. Financial instruments with fair value given for information purposes are classified in three different hierarchy levels depending on their liquidity and valuation methods. All subordinated loans are classified in level 3 and the fair value is based on cash-flow valuations.

The loan issued in 2011 is issued with fixed interest rate terms for the first 10 years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time. The loan is listed on the Luxembourg Stock Exchange (BdL Market) and is approved by the supervisory authority as being utilizable for solvency purposes in If P&C Insurance Ltd.

The loan of MSEK 1,500 issued in 2016 is issued with variable interest rate terms. After ten years, the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 500 issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 1,000 issued in 2018 is issued with variable interest rate terms. The loan includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

MSEK **Reconciliation of movements in subordinated loans to cash flows arising from financing activities**	**2019**	**2018**
Opening balance	**4,107**	**3,067**
Cash flows - Issuance, subordinated loan	-	993
Non-cash changes - Translation difference	21	45
Non-cash changes - Other	6	3
Closing balance	**4,134**	**4,107**

Note 32 – Technical provisions, gross

	2019		**2018**	
MSEK **Changes during the year**	**Provision for unearned premiums and unexpired risks**	**Provisions for claims outstanding**	**Provision for unearned premiums and unexpired risks**	**Provisions for claims outstanding**
Opening balance	**21,018**	**70,600**	**19,960**	**69,815**
Unwinding of discounted annuities	-	303	-	321
Change in provision	991	-2,708	366	-1,377
Translation differences	456	1,044	692	1,841
Closing balance	**22,465**	**69,239**	**21,018**	**70,600**

MSEK **Technical provisions and reinsurers' share**	**2019**	**2018**
Technical provisions, gross		
Unearned premiums and unexpired risks	22,465	21,018
Provision for incurred and reported claims	16,236	16,717
Provision for incurred but not reported claims	27,183	28,849
Provision for annuities	23,514	22,577
Provision for claims-settlement costs	2,306	2,457
Total	**91,704**	**91,618**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	523	433
Provision for incurred and reported claims	1,164	1,262
Provision for incurred but not reported claims	506	441
Provision for annuities	2	1
Provision for claims-settlement costs	-	-
Total	**2,194**	**2,138**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	21,942	20,585
Provision for incurred and reported claims	15,072	15,456
Provision for incurred but not reported claims	26,677	28,407
Provision for annuities	23,513	22,576
Provision for claims-settlement costs	2,306	2,457
Total	**89,510**	**89,481**

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 provision 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 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).

The rates given below are the weighted averages for If's annuities.

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

MSEK	2019	2018
Denmark		
Amount vested annuities	1,534	1,360
Discount rate	0.21%	0.77%
Finland		
Amount vested annuities	16,427	15,830
Amount IBNR	2,433	2,696
Discount rate	0.95%	1.20%
Sweden		
Amount vested annuities	5,227	5,132
Discount rate	1.19%	1.57%

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. Firstly, as noted earlier, 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 2019

No significant changes in methods were implemented during the year.

During the year, the reported decrease in gross claims provisions amounted to SEK 1.4 billion. Effects of exchange rate changes amounted to an increase of 1.0 billion, while the real changes in gross claims reserves adjusted for currency effects amounted to a decrease of SEK 2.4 billion. The discount rate in Finland was reduced from 1.20% to 0.95% which increased the reserves by SEK 0.6 billion on a stand alone basis. By geographical area, the major reserve changes were as follows;

– Claims provisons in the Swedish operation, including branches of the Industrial business area, decreased by SEK 1.6 billion. The largest decrease was seen in reserves for Motor Third Party Liability insurance, which were reduced by almost SEK 1.9 billion. Reserves for Property insurance were reduced by close to SEK 0.4 billion while other lines showed small changes.
– Claims provisions in the Norwegian operation decreased by more than SEK 0.6 billion, The largest reserve reductions were seen in reserves for Motor Third Party Liability insurance with close to SEK 0.3 billion and reserves for Workers' Compensation insurance with more than SEK 0.2 billion.
– Claims provisions in the Danish operation decreased by more than SEK 0.1 billion. The largest change was in reserves for claims in Marine insurance which decreased by over SEK 0.1 billion.
– Claims provisions in the Finnish operation decreased by more than SEK 0.1 billion. The largest decreases were seen in reserves for Motor Third Party Liability insurance and reserves for Workers' Compensation insurance which both decreased by close to SEK 0.1 billion. Other lines showed minor changes.
– Claims provisions in the Baltic operations increased by SEK 0.1 billion, due to increases in reserves for Liability insurance in Estonia and increases in reserves for Motor Third Party Liability insurance in Estonia and Lithuania.

The reinsured share of the claims provision decreased only slightly in nominal terms. The real change adjusted for currency effects was a decrease of almost SEK 0.1 billion. The main driver was a decrease in ceded reserves for Property partly offset by an increase in ceded reserves for Liability.

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 2010-2019, before and after reinsurance. For claims years 2009 and earlier, the information is aggregated to one column and includes only payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002 as well as the complete claims years 2003-2009.

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 on December 31, 2019. 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	2009 and prior years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimated claims cost												
at the close of the claims year	221,923	27,723	28,568	28,983	28,012	27,802	28,072	28,510	28,891	30,398	31,676	
one year later	220,485	28,111	29,692	28,860	28,271	27,725	28,258	28,848	29,286	31,462		
two years later	218,581	27,572	29,645	29,013	28,290	27,796	28,137	28,830	29,231			
three years later	216,731	27,554	29,525	28,920	28,345	27,921	27,880	28,409				
four years later	216,313	27,499	29,257	28,612	28,404	27,975	27,611					
five years later	215,900	27,474	29,110	28,268	28,278	27,662						
six years later	217,106	27,316	28,879	28,075	28,155							
seven years later	216,109	27,244	28,825	27,921								
eight years later	215,578	27,077	28,820									
nine years later	214,041	26,943										
ten years later	212,757											
Current estimate of total claims costs	212,757	26,943	28,820	27,921	28,155	27,662	27,611	28,409	29,231	31,462	31,676	
Total disbursed	185,067	25,145	26,850	26,020	25,665	24,858	24,879	25,147	25,182	25,860	19,042	
Provisions reported in the balance sheet	27,690	1,798	1,971	1,900	2,489	2,804	2,732	3,262	4,050	5,602	12,634	66,933
of which annuities	*16,794*	*822*	*789*	*805*	*873*	*888*	*748*	*628*	*542*	*580*	*45*	*23,514*
Provisions for claims-settlement costs												2,306
Total provisions reported in the balance sheet												**69,239**

MSEK Claims cost, net of reinsurance Claims year	2009 and prior years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimated claims cost												
at the close of the claims year	208,345	26,395	27,033	27,072	27,529	27,419	27,620	27,920	28,277	29,839	31,031	
one year later	207,278	26,848	27,759	26,921	27,790	27,305	27,769	28,014	28,720	30,700		
two years later	205,614	26,423	27,622	27,071	27,826	27,222	27,613	27,978	28,621			
three years later	204,091	26,357	27,571	27,084	27,895	27,340	27,452	27,657				
four years later	203,768	26,340	27,273	26,827	27,924	27,348	27,160					
five years later	203,474	26,318	27,168	26,486	27,812	27,007						
six years later	204,570	26,152	26,924	26,324	27,676							
seven years later	203,571	26,067	26,806	26,170								
eight years later	203,101	25,907	26,683									
nine years later	201,632	25,780										
ten years later	200,354											
Current estimate of total claims costs	200,354	25,780	26,683	26,170	27,676	27,007	27,160	27,657	28,621	30,700	31,031	
Total disbursed	172,915	23,996	24,943	24,286	25,247	24,376	24,496	24,563	24,707	25,324	18,723	
Provisions reported in the balance sheet	27,439	1,784	1,740	1,885	2,429	2,631	2,664	3,094	3,913	5,375	12,308	65,262
of which annuities	*16,792*	*822*	*789*	*805*	*873*	*888*	*748*	*628*	*542*	*580*	*45*	*23,513*
Provisions for claims-settlement costs												2,306
Total provisions reported in the balance sheet												**67,568**

Comments

In 2019 If had reinsurance with self-retention of MSEK 250 per event and between MSEK 100 and 250 per risk depending on line of business.

Provisions for fixed claims-related annuities and related payments are included in the distribution by claims year above. 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 23.514, MSEK 16.794 applies to 2009 and previous years.

Note 33 – Deferred tax

MSEK Changes in deferred tax 2019	Opening balance 2019	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Changes due to acquisition through business combination/ disposal	Closing balance 2019
Deferred tax assets						
Provisions	155	-18	1	137	-	275
Goodwill [1]	89	0	0	0	-	89
Accumulated depreciation	4	-1	-	-1	-	2
Other temporary differences	16	2	0	-8	1	12
Total deferred tax asset	**264**	**-17**	**1**	**127**	**1**	**377**
Netted deferred tax asset against deferred tax liability	**-153**					**-174**
Deferred tax asset according to balance sheet	**111**					**203**
Deferred tax liability						
Equalization reserve and other similar provisions	1,733	-2	20	–	-	1,751
Valuation of investment assets at fair value	248	-9	2	757	-	998
Customer relationships	-	-	-	-	18	18
Other temporary differences	299	36	5	–	-3	337
Total deferred tax liability	**2,280**	**25**	**27**	**757**	**15**	**3,104**
Netted deferred tax liability against deferred tax asset	**-153**					**-174**
Deferred tax liability according to balance sheet	**2,127**					**2,931**
Deferred tax expense according to income statement 2019		**-42**				

[1] Goodwill pertains to the possibility of tax deductions for acquired goodwill in If P&C Insurance Ltd.

MSEK Changes in deferred tax 2018	Opening balance 2018	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2018
Deferred tax assets					
Tax losses carried forward	0	-	-	0	-
Provisions	201	-63	2	15	155
Goodwill [1]	91	-2	4	-4	89
Accumulated depreciation	7	-3	0	-	4
Other temporary differences	7	1	0	8	16
Total deferred tax asset	**306**	**-67**	**7**	**19**	**264**
Netted deferred tax asset against deferred tax liability	**-134**				**-153**
Deferred tax asset according to balance sheet	**172**				**111**
Deferred tax liability					
Equalization reserve and other similar provisions	1,711	-3	25	-	1,733
Valuation of investment assets at fair value	900	-2	5	-655	248
Other temporary differences	258	30	11	-	299
Total deferred tax liability	**2,869**	**26**	**41**	**-655**	**2,280**
Netted deferred tax liability against deferred tax asset	**-134**				**-153**
Deferred tax liability according to balance sheet	**2,735**				**2,127**
Deferred tax expense according to income statement 2018		**-93**			

[1] Goodwill pertains to the possibility of tax deductions for acquired goodwill in If P&C Insurance Ltd.

Note 34 – Provision for pensions and similar obligations

MSEK	2019	2018
Estimated present value of obligation, including social costs etc.	3,449	2,750
Fair value of plan assets	2,412	2,224
Net liability recognized in balance sheet	**1,037**	**526**

If applies IAS 19 Employee Benefits (issued in 2011) and recognizes defined-benefit pension plans in Sweden and Norway. Other pension plans existing in the Group have either been classified as defined-contribution plans or 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.

For the defined-contribution pension plans, If pays fixed contributions and has no further payment obligations once the contributions have been paid. The pension expense for the defined-contribution plans is equal to the premiums paid by If for the fiscal year.

The main Swedish defined-benefit pension plan is closed to new employees born in 1972 or later. The corresponding Norwegian pension plan consists solely of active people employed prior to 2006 and born 1957 and earlier.

For both countries, the pension benefits referred to are old-age pension and survivors' pension. A common feature of the defined-benefit plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

The retirement age for receiving early retirement pension is normally 62 years in Sweden and normally 65 years in Norway. In Sweden, premature old-age pension following a complete service period is payable at a rate of approximately 65% of the pensionable salary and applies to all employees born in 1955 or earlier and who were covered by the insurance sector's collective bargaining agreement of 2006. In Norway, premature old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary and applies to all employees born in 1957 or earlier and who were employed by If in 2013.

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of 70% of the pensionable salary up to 12 National Insurance base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise or fall. If is not responsible for indexation of paid-up policies and/or pension payments from the Norwegian insured plans.

The pensions are primarily funded through insurance whereby the insurers establish the premiums and disburse the benefits. If's obligation is primarily fulfilled through payment of the premiums. Should the assets that are attributable to the pension benefits not be sufficient to enable the insurers to cover the guaranteed pension benefits, If could be forced to pay supplementary insurance premiums or secure the pension obligations in some other way. In addition to insured pension plans, there are also unfunded pension benefits in Norway for which If is responsible for ongoing payment.

To cover the insured pension benefits, the related capital is managed as part of the insurers' management portfolios. In such management, the characteristics of the investment assets are analyzed in relation to the characteristics of the obligations, in a process known as Asset Liability Management. New and existing asset categories are evaluated on an ongoing basis in order to diversify the asset portfolios with a view to optimize the anticipated risk-adjusted return. Any surplus that arises from management of the assets normally accrues to If and/or the insured and there is no form of transfer of the asset value to other members of the insurance collective.

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, longevity, the investment risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligation and the pension cost attributed to the fiscal period are calculated annually using the Projected Unit Credit method. The calculation of the defined benefit obligation is based on future expected pension payments and includes yearly updated actuarial assumptions such as salary growth, inflation, mortality and employee turnover. The expected pension payments are then discounted to a present value using a discount rate set with reference to AAA and AA corporate bonds issued in local currency, including mortgage-backed bonds, as at mid-December. The discount rates chosen in Sweden and Norway take into account the duration of the company's pension obligations in each respective country. After a deduction for the plan assets, a net asset or a net liability is recognized in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. The carrying amounts have been stated including special payroll tax in Sweden (24.26%) and a corresponding fee in Norway (14.1%-19.1%).

MSEK Distribution by country	2019 Sweden	 Norway	 Total	2018 Sweden	 Norway	 Total
Income statement and other comprehensive income						
Current service cost	51	17	68	49	18	67
Past service cost	-	-	-	1	-	1
Total cost, defined benefit pensions in technical result	**51**	**17**	**68**	**50**	**18**	**68**
Interest expense on net pension liability	5	7	11	4	8	12
Remeasurements of the net pension liability in other comprehensive income	571	35	606	92	-28	64
Net cost (income), defined benefit pensions in comprehensive income	**628**	**58**	**686**	**146**	**-2**	**144**
In addition, defined contribution pension cost excl. social costs			**568**			**517**
Balance sheet						
Estimated present value of obligation, including social costs	2,870	580	3,449	2,153	597	2,750
Fair value of plan assets	2,115	297	2,412	1,911	314	2,224
Net liability recognized in balance sheet	**755**	**283**	**1,037**	**243**	**283**	**526**
Distribution by asset class						
Bonds, level 1	45%	49%		44%	51%	
Bonds, level 2	0%	12%		0%	13%	
Equities, level 1	22%	13%		23%	14%	
Equities, level 3	10%	1%		9%	2%	
Properties, level 3	11%	14%		11%	14%	
Other, level 1	1%	9%		0%	6%	
Other, level 2	5%	2%		6%	1%	
Other, level 3	6%	0%		7%	0%	
Significant actuarial assumptions, etc.						
Discount rate	1.50%	2.50%		2.50%	2.75%	
Future salary increases	2.75%	3.00%		2.75%	3.00%	
Price inflation	2.00%	2.00%		2.00%	2.00%	
Mortality table	DUS14	K2013		FFFS 2007:31 +1 year	K2013	
Average duration of pension liabilities	22 years	12 years		21 years	12 years	
Expected contributions to the defined benefit plans during 2020 and 2019	89	17		89	19	
Sensitivity analysis						
Discount rate, +0.50%	-348	-35	-383	-260	-37	-297
Discount rate, -0.50%	403	38	441	300	41	341
Future salary increases, +0.25%	102	3	105	77	4	81
Future salary increases, -0.25%	-95	-3	-98	-70	-4	-74
Expected longevity, +1 year	138	15	152	92	14	106

MSEK Distribution of obligations on funded and unfunded plans	Funded plans 2019	 2018	Unfunded plans 2019	 2018
Estimated present value of obligation, including social costs	3,155	2,458	295	292
Fair value of plan assets	2,412	2,224	-	-
Net liability recognized in balance sheet	**743**	**234**	**295**	**292**

MSEK **Specification of change in pension obligations**	**2019**	**2018**
Present value of obligations on Jan 1	2,750	2,639
Current service cost	68	67
Past service cost	-	1
Interest expense	69	70
Actuarial gains (-)/losses (+) on financial assumptions	643	148
Actuarial gains (-)/losses (+) on demographic assumptions	43	-
Actuarial gains (-)/losses (+), experience adjustments	16	2
Translation differences on foreign plans	17	25
Benefits paid and social costs paid	-157	-203
Settlements	-	-
Present value of obligations on Dec 31	**3,449**	**2,750**

MSEK **Specification of change in plan assets**	**2019**	**2018**
Fair value of plan assets on Jan 1	2,224	2,082
Interest income	58	59
Difference between actual return and calculated interest income	96	85
Contributions paid	151	158
Translation differences on foreign plans	9	12
Benefits paid	-126	-171
Settlements	-	-
Fair value of plan assets on Dec 31	**2,412**	**2,224**

Note 35 – Other provisions

MSEK **Change in other provisions**	**2019**	**2018**
Opening balance	**181**	**326**
Provisions utilized during the fiscal year	-53	-256
Unutilized provisions reversed during the fiscal year	-1	-1
Provisions added during the fiscal year	75	110
Translation difference	2	2
Closing balance[1]	**204**	**181**

[1] Of which MSEK 135 (104) to be settled later than 12 months after the closing date.

Other provisions consist of funds amounting to MSEK 81 (91) 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 are resulting in organizational changes affecting all business areas. In addition to the provisions attributable to restructuring measures, the item includes employer contributions of MSEK 34 (30) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 89 (59).

Note 36 – Creditors arising out of direct insurance

MSEK	**2019**	**2018**
Payables to policyholders	1 680	1,773
Payables to insurance brokers	87	85
Payables to insurance companies	41	18
Total [1]	**1,808**	**1,876**

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

Note 37 – Other creditors

MSEK	2019	2018
Lease liabilities	1,297	-
Tax debt (current)	713	598
Accounts payable	61	68
Collaterals and settlement liabilities	24	81
Creditor, patient-insurance pool for the public sector	722	1,200
Premium tax	1,838	1,786
Employee withholding taxes	118	121
Other tax	69	48
Other creditors	654	229
Total [1]	**5,495**	**4,131**

[1] Of which MSEK 736 (1,157) matures later than 12 months after the closing date.

MSEK **Reconciliation of lease commitments in Annual report 2018 to lease liabilities as at January 1, 2019**	
Future minimum lease payments as at December 31, 2018	1,445
Lease payments prepaid as at December 31, 2018	-49
Lease contracts not recognized in the balance sheet	-96
Effect from discounting	-51
Lease liabilities as at January 1, 2019	1,250

Weighted average incremental borrowing rate at initial application, 1.14%.

MSEK **Operational leasing agreements (lessee)** **Due dates**	**Total future minimum lease payments** **2018**
< 1 year	274
1–5 years	811
> 5 years	360
Total	**1,445**
Total lease payments during the period	**316**
Of which, minimum lease payments	*306*
Of which, contingent rents	*11*

MSEK **Reconciliation of movements in lease liabilities to cash flows arising from financing activities**	**2019**
Opening balance	**-**
First application IFRS 16 as at January 1	1,250
Cash flows - Repayment of lease liabilities	-216
Cash flows -Interest expenses payment on lease liabilities	-16
Non-cash changes - Translation difference	18
Non-cash changes - New leases and reassessments	246
Non-cash changes - Interest expense	16
Closing balance	**1,297**

The total cash outflow for leases amount to 315 MSEK.

For more information on leases, please refer to Note 1 Accounting policies, Note 15 Investment result and Note 28 Tangible assets.

Note 38 – Other accruals and deferred income

MSEK	2019	2018
Accrued interest expense, subordinated debt	9	8
Accrued interest expense, other	2	1
Other accrued expense	1,732	1,662
Deferred income	141	99
Total	**1,884**	**1,770**

Other accrued expense 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 for own liabilities and for commitments reported as provisions, each type individually:**	2019	2018
Other financial investment assets	2,495	2,275
Cash and bank	18	23
Total	**2,513**	**2,298**

MSEK **Pledged assets and the pledging purposes were distributed as follows:**	2019	2018
Financial investment assets		
Collateral for insurance undertakings	2,355	2,143
Collateral for futures trading	140	132
Total	**2,495**	**2,275**
Cash and bank balances	**18**	**23**
Total	**2,513**	**2,298**

The following assets are registered as assets covering technical provisions. 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 Insurance Business Act.

MSEK **Policyholders' beneficiary rights**	2019	2018
Assets covered by policyholders' beneficiary rights	105,348	102,407
Technical provisions, net	-72,442	-72,076
Surplus of registered securities	**32,906**	**30,331**

Note 40 – Contingent liabilities and other commitments

MSEK	2019	2018
Surety and guarantee undertakings	19	25
Other commitments	98	165
Total	**116**	**190**

The subsidiary If P&C Insurance Ltd provides insurance with mutual undertakings within the Nordic Nuclear Insurers pool, 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 agreements with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikring AS, whereby, Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (UK) Ltd (changed name to Marlon Insurance Company Ltd, company dissolved in July 2017), in favor of the Institute of London Underwriters. 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.

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 IT- systems.

If P&C Insurance Ltd has outstanding commitments to private equity funds totalling MSEK 51, which is the maximum amount that the company has committed to invest in the funds. Capital may be called to these funds over several years as the funds make investments. In addition, If P&C Insurance Ltd has outstanding commitments to borrowers totalling approximately MSEK 46.

NOTE 41 – Business combinations during the year

In December 2019, If P&C Insurance Holding Ltd acquired the Norwegian company Vertikal Helseassistanse AS.

The purchase price amounted to MNOK 328 and was paid in cash in connection with the acquisition. Acquisition-related costs were insignificant and are included in administrative expenses in the consolidated income statement. During the year, revenue and operating profit for Vertikal were about MNOK 125 and MNOK 5, respectively.

The company is consolidated into If Group as at December 31, 2019. Thus, the company's result is not included into the If Group's consolidated income statement for 2019.

The acquired net assets are presented in the table below. Customer relationships consist of the calculated value of current customer contracts and the calculated value of renewal of the contracts. The estimated useful life for customer relationships is 7 years and they are amortized using the straight-line method. The goodwill value includes synergy effects of more efficient processes as well as the personnel's knowledge of the market and technical skills that enables further expansion in the Norwegian market.

MSEK **Acquisition balance sheet**	
Customer relationships	73
Cash and bank balances	42
Other assets	24
Deferred tax liabilities	-18
Other liabilities	-51
Total identifiable net assets	**70**
Goodwill	277

Note 42 – Events after the balance sheet date

In January 2020, If P&C Insurance Holding Ltd acquired the Norwegian company Viking Redningstjeneste Topco AS.

The purchase price was MNOK 322. Acquisition-related costs were not significant and are included in administrative expenses in the consolidated income statement.

The company is consolidated into If Group as at January 1, 2020.

The acquired net assets, including assumed net debt, are negative. The value of acquired trademarks and customer relationships is estimated at MSEK 230. The trademarks are estimated to have a lasting value. The calculated value of existing and the estimated value of renewed customer agreements will be amortized over the expected useful life. Goodwill attributable to the acquisition is estimated to amount to MSEK 950. The amount for goodwill includes the synergy effects in the form of more efficient processes and expansion opportunities that the competencies of Viking's personnel will add to If.

No other significant events have occurred after the balance sheet date.

Notes to the Parent Company

Note 1 – Salaries and other remuneration

MSEK	2019	2018
Salaries and remuneration	16	-
Pension costs	8	-
Social fees	5	-
Total	**29**	**-**

For more information about salaries and other remuneration, refer to Note 12 to the consolidated financial statements.

Note 2 – Income from associates

MSEK	2019	2018
Dividend	3	2
Gain/loss on sale	-	8
Total	**3**	**10**

Note 3 – Interest income and similar income items

MSEK	2019	2018
Interest income, Group companies	10	14
Other interest income	58	39
Other	2	0
Total	**70**	**53**

Note 4 – Interest expense and similar expense items

MSEK	2019	2018
Interest expense, Group companies	-11	-7
Interest expense, other	-86	-77
Other	-9	-8
Total	**-107**	**-91**

Note 5 – Taxes

MSEK	2019	2018
Current tax	-1	0
Deferred tax	2	-
Total tax in the income statement	**0**	**0**

MSEK	2019	2018
Difference between reported tax and tax based on current swedish tax rate		
Profit before taxes	6,353	7,205
Tax according to current tax rate, 21.4% (22%)	-1,360	-1,585
Non-taxable dividend from group companies, associates and other holdings	1,372	1,583
Non-taxable/non-deductible capital gain/loss and impairment loss	-	2
Permanent differences, net	-12	-
Reported tax in the income statement	**0**	**0**

Note 6 – Shares in group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2019	2018
If P&C Insurance Ltd (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	16,515	16,515
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
If Services AB, corp. reg. no. 559058-0824	Sweden	50,000	100	7	7
Nordisk Hälsoassistans AB, corp. reg. no. 556691-1094	Sweden	1,000	100	1	-
If IT Services A/S	Denmark	501	100	1	1
Vertikal Helseassistanse AS	Norway	957,731	100	342	-
If P&C Insurance AS	Estonia	6,391,165	100	442	442
Total				**17,381**	**17,039**

Note 7 – Shares in associates

	Country	Number of shares	Holding %	Carrying amount, MSEK 2019	2018
CAB Group AB, corp.reg.no. 556131-2223	Sweden	1,209	22.0	7	7
SOS International A/S [1]	Denmark	219,450	10.5	51	51
Svithun Rogaland Assuranse AS	Norway	6,530	33.0	13	13
Boligselskapenes Service Senter AS	Norway	34,000	34.0	7	7
Digiconsept AS	Norway	68,000	34.0	14	14
Total				**92**	**92**

[1] Besides the holding in If P&C Insurance Holding Ltd, the subsidiary If P&C Insurance Ltd owns 320,150 shares, corresponding to 15.3%.

Note 8 – Bonds

Classification and specification of short-term investments

	Acquisition value		Fair value		Carrying amount	
MSEK	2019	2018	2019	2018	2019	2018
Financial assets available for sale						
Bonds	2,667	4,143	2,681	4,105	2,681	4,105
Other interest-bearing securities	-	-	-	-	-	-
Total	**2,667**	**4,143**	**2,681**	**4,105**	**2,681**	**4,105**

Bonds

Bonds and other interest-bearing securities by type of issuer, are shown below.

MSEK	Nominal value		Fair value		Carrying amount	
Type of issuer	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Swedish municipalities	600	600	607	604	607	604
Swedish financial companies	486	1,036	492	1,045	492	1,045
Other Swedish companies	928	1,203	933	1,181	933	1,181
Foreign financial companies	395	785	396	778	396	778
Other foreign companies	255	505	254	496	254	496
Total	**2,664**	**4,129**	**2,681**	**4,105**	**2,681**	**4,105**

The sensitivity to changes in interest rates, calculated as the effect on the unrealized result of 1 percentage point shift up of the interest rate, amounted to MSEK -37 as of December 31, 2019.

The duration of the portfolio was 1,3 at year-end 2019.

Short-term investments at fair value

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

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

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

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

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

Assets and liabilities in the category include interest-bearing assets that have noted prices on an active market at the time of valuation.

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

In the level 2 hierarchy all essential inputs are observable either directly or indirectly. The large majority of the instruments in level 2 are traded in a market with daily quoted prices and regularly occurring market transactions but where the market is not considered to be active enough regarding frequency and volume and/or when the standard deviation of the prices is high.

Instruments which are valued at level 2 include interest-bearing assets where the market is not active enough.

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

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

There are no assets that are valued as level 3-assets.

Short-term investments in fair value hierarchy

	2019				2018			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets available for sale								
Bonds	2,088	593	-	2 ,681	2,844	1,261	-	4,105
Other interest-bearing securities	-	-	-	-	-	-	-	-
Total	**2,088**	**593**	**0**	**2 681**	**2,844**	**1,261**	**-**	**4,105**

Note 9 – Subordinated debt

MSEK	Original nominal value	Maturity	Interest rate	2019 Fair value [1]	2019 Carrying amount	2018 Fair value [1]	2018 Carrying amount
Subordinated loan, issued in 2016	MSEK 1,500	30 years	3-month STIBOR + 2,25%	1,504	1,496	1,501	1,494
Subordinated loan, issued in 2016	MSEK 500	30 years	2,415%	497	499	498	498
Subordinated loan, issued in 2018	MSEK 1,000	perpetual	3-month STIBOR + 2,75%	1,005	993	991	991
Total				**3,006**	**2,988**	**2,990**	**2,983**

[1] According to If's application of IAS 39, subordinated debt is carried at amortized cost. Fair value is only given for information purposes. Financial instruments with fair value given for information purposes are classified in three different hierarchy levels depending on their liquidity and valuation methods. All subordinated loans are classified in level 3 and the fair value is based on cash-flow valuations.

The loan of MSEK 1,500 issued in 2016 is issued with variable interest rate terms. After ten years, the margin is increased by one percentage point. It includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 500 issued in 2016 is issued with fixed interest rate terms for the first five years. After that period, the loan becomes subject to variable interest rate but it also includes terms stating the right of redemption at this point in time or at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

The loan of MSEK 1,000 issued in 2018 is issued with variable interest rate terms. The loan includes terms stating the right of redemption after five years and at any interest payment date thereafter. The loan is listed on the Luxembourg Stock Exchange (BdL Market).

Note 10 – Deferred tax

MSEK Changes in deferred tax 2019	Opening balance 2019	Recognized in income statement	Recognized in other comprehensive income	Closing balance 2019
Deferred tax assets				
Other temporary differences	8	2	-8	2
Total deferred tax asset	**8**	**2**	**-8**	**2**
Netted deferred tax asset against deferred tax liability	**-**			**-2**
Deferred tax asset according to balance sheet	**8**			**-**
Deferred tax liability				
Short term investment at fair value	-	-	3	3
Total deferred tax liability	**-**	**-**	**3**	**3**
Netted deferred tax liability against deferred tax asset	**-**			**-2**
Deferred tax liability according to balance sheet	**-**			**1**
Deferred tax income according to income statement 2019		**2**		

MSEK Changes in deferred tax 2018	Opening balance 2018	Recognized in income statement	Recognized in other comprehensive income	Closing balance 2018
Deferred tax assets				
Other temporary differences	-	-	8	8
Deferred tax asset according to balance sheet	**-**	**-**	**8**	**8**
Deferred tax liability				
Short term investment at fair value	0	-	0	-
Deferred tax liability according to balance sheet	**0**	**-**	**0**	**-**
Deferred tax according to income statement 2018		**-**		

Note 11 – Contingent liabilities and other commitments

MSEK	2019	2018
Surety and guarantee undertakings	-	-
On behalf of Group companies	-	-

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

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 IT-systems.

Note 12 – Appropriation of earnings

Unrestricted funds in the company, including the Fair value reserve, amounts to SEK 14,105,823,944. No allocation to statutory reserves is proposed.

Funds available for appropriation by the Annual General Meeting in accordance with the balance sheet amounts to SEK 14,105,823,944, of which the net profit accounts for SEK 6,353,440,886. The Board of Directors and the President propose that SEK 0 be paid as dividend, SEK 14,094,841,608 be carried forward and that SEK 10,982,336 be carried as Fair value reserve.

Signatures

We hereby certify that the consolidated financial statements have been prepared in accordance with international accounting principles as adopted by the European Union and provides a true and fair view of the Group's financial position and results. The Annual Report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view of the Parent Company's financial position and results. The Board of Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group and Parent Company's operations, financial position and result and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 4, 2020

Torbjörn Magnusson
Chairman of the Board

Knut Arne Alsaker
Board member

Patrick Lapveteläinen
Board member

Ricard Wennerklint
Board member

Morten Thorsrud
President and CEO

Our audit report was issued on March 4, 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of If P&C Insurance Holding Ltd (publ), corp. id 556241-7559

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of If P&C Insurance Holding Ltd (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 4-80 in this document.

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 2019 and its financial performance and cash flow 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 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Insurance Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act and the Annual Accounts Act for Insurance Companies.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Provision for claims outstanding

See Note 32 and accounting principles on page 21 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Provision for claims outstanding, reported as part of technical provisions, amounts to 69 239 million SEK as of December 31, 2019, which constitutes 50% of the group's total assets.

Provisions for claims outstanding involve significant judgement of uncertain future outcome, primarily including the timing and size of incurred claims which will be settled with the policyholders.

The group uses established actuarial valuation models to support the calculations of the technical provision. The complexity of the models may cause risk for errors as a result of inadequate/incomplete data and/or incorrect assumptions made and/or incorrect actuarial calculations.

The group's provision for claims outstanding consists of a variety of different products, with different characteristics such as long settlement time, injury patterns, assumptions about morbidity, inflation, discount rate, mortality (life annuities) and overheads.

Response in the audit

We have assessed the actuarial assumptions used by the group in calculating the provisions with the group's own investigations, those required for regulatory purposes as well as industry data.

We have by sample tested the internal controls implemented by management over the calculation of the claims provision including for example internal controls over the extraction of data used as input to the actuarial calculations.

We have involved our internal actuarial specialists in order to challenge the methods and assumptions used in the projections of future cash flows and valuation of the provision. We have also performed recalculations to verify that the provision is reasonable as compared to the expected future claims.

We have also considered the completeness of the underlying facts and circumstances that are presented in the disclosures in the annual report and assessed whether the information is sufficiently comprehensive to provide an understanding of the methods and assumptions used by management.

Valuation of financial investment assets classified as level 2 and 3

See Note 22 and accounting principles on page 20 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The group's financial instruments in level 2 and 3 amounts to 29 523 million SEK, as of December 31, 2019, which constitutes 26 percent of the group's financial investment assets.

The valuation of financial assets classified in level 2 according to the IFRS valuation hierarchy is based on observable market data such as not included in level 1. Because representative transactions for those current assets only to a limited extent are available, the estimated value of these assets are difficult to assess.

The valuation of financial assets classified in Level 3 according to the IFRS valuation hierarchy includes significant management judgment as they are valued based on inputs that are not observable by external parties.

The group's assets as described above consist of shares and participations, bonds and other interest-bearing securities.

Response in the audit

We have tested key controls in the valuation process including management's determination and approval of assumptions and methods used in model-based calculations, data quality control, change management regarding internal valuation models, as well as management's review of valuations conducted by external specialists.

We have involved our internal valuation specialists to challenge the methods and assumptions used in the valuation of unlisted financial assets as well as performed an independent valuation.

We have assessed the methods of valuation models against industry practices and valuation guidelines.

We have compared assumptions used with appropriate reference values and price sources as well as investigated possible deviations.

We have also verified the completeness of the underlying facts and circumstances presented in the disclosures in the annual report and assessed whether the information is sufficiently comprehensive to understand management's assessments as well as applied methods

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-3 and 84-87. The Board of Directors and the President are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

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

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the President of If P&C Insurance Holding Ltd (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of If P&C Insurance Holding Ltd (publ) by the general meeting of the shareholders on April 3, 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm March 4, 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant

Group Management

Morten Thorsrud [1)]
Born 1971
President and Chief Executive Officer
Employed 2002
Resident in Nesbru

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

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

Måns Edsman
Born 1974
Chief Financial Officer
Employed 2002
Resident in Stockholm

Andris Morozovs
Born 1977
Head of Baltic business area
Employed 1999
Resident in Ozolnieki

Karin Friberg
Born 1959
Chief Risk Officer
Employed 1999
Resident in Stockholm

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

Ingrid Janbu Holthe [2)]
Born 1982
Head of Private business area
Employed 2014
Resident in Oslo

Poul Steffensen
Born 1964
Head of Industrial business area
Employed 1999
Resident in Birkerød

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

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

[1)] Entered at February 7, 2019, former Head of Private business area.
[2)] Entered at February 7, 2019.

Glossary and definitions

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

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

Capital base (Solvency I)
Reported shareholders' equity after proposed dividend less intangible assets and 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.

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

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

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

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

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

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

Credit risk
Credit risk is the risk of loss or of an adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and other debtors to which the insurance undertakings are exposed in the form of counterparty risk, spread risk or market risk concentrations. Credit risk pertains to both reinsurance operations and derivative instruments.

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
Total sum of operating surplus from land and buildings, 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 time until invested capital plus interest is returned to the investor.

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

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

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

Gross premiums written
Total premiums received during the 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.

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

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

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 associates.

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

[1)] Refers to alternative performance measurements.

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.

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

Net premiums written
Gross premiums written less ceded reinsurance premiums.

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

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

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

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

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

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

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

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

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

Return on equity [1)]
Result for the year, adjusted for unrealized gains and losses on investments assets recognized in other comprehensive income, less full tax in relation to average shareholders’ equity.

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

Risk selection
The insurer’s intentional selection of the type of risks to be included in the 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 premiums written, net excluding portfolio premiums.

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

Solvency requirement (Solvency I)
The lowest permissible capital required for insurance operations from the viewpoint of the supervisory authorities according to Solvency I-regulations. The requirement is based on the historical claims outcome or premiums written, gross 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 to the technical accounts and other technical income.

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

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

[1)] Refers to alternative performance measurements.

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

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