Annual Report 2013

Contents

Comments by the President and CEO

Torbjörn Magnusson

2013 was a good year for If. The company has surpassed its long-term profitability targets in 37 of the most recent 38 quarters. The exception was the extremely cold winter of 2010, when snow and the cold and slippery conditions led to many more insurance claims than in a normal year. The combined ratio for 2013 was 88.1%, the best ever for If, the technical result rose to MSEK 5,200, profit before taxes was MSEK 8,040 and premium growth was a healthy 2.9%.

These results were achieved during a period when interest rates were extremely low. Due to the low interest rates, the investments made by the insurance companies, which are essentially made in interest-bearing securities, generated a limited return. Today, the industry is focusing much more than before on the profitability of the actual insurance operations. For If, this has been the most important strategic theme for more than a decade. Now when other companies are following suit, we are facing even tougher requirements in order to maintain our head start in relation to the market.

The factor underlying our favorable earnings trend is a long-term strategy based on a consistent focus on underwriting, so that we understand risks better than the others, and on setting the right prices, risk selection and efficiency. This is very much a living strategy. Considerable work is currently under way to further strengthen If in terms of its underwriting competencies. When it comes to work to increase efficiency, If has entered a phase of extensive IT investments, which includes even further development of If's industry-leading digital initiative. Increasing numbers of customers go online to obtain information, report claims or buy insurance. The number of visits increased by 22% compared with 2012, while online sales to private individuals rose 18%. Another aim of the IT investments is to refine the Nordic-wide cooperation within If; for example, by improving opportunities to steer company-wide work duties to the places that have the best competencies and where the cost scenario is the most favorable.

A key goal for If is to create the best customer experience in all types of contacts, particularly in cases where customers are affected by an insurance claim. Each claims case is monitored and the person reporting the claim is able to grade how he or she was dealt with and comment on the service received. The surveys conducted show that the customers who have had an insurance claim are even more satisfied with If than those who have never had to report a claim. The customers' ratings of our claims handling improved further during the year, from an already high level. Nine of ten private customers gave us the highest or second highest rating.

Towards the end of 2012, If acquired Tryg's Finnish business, with premium volume of approximately MEUR 80 and a market share of about 2%. This business has now been successfully integrated into If. During 2013, If also entered into cooperation with Nordea in Finland, Sweden and the Baltic countries, whereby Nordea sells If's products at its bank branches and via its online bank.

At the time of writing, it looks like Solvency II, the EU reform that has been postponed time and again, will be implemented during 2016. The purpose of this comprehensive legislation is to secure financial stability and to ensure that financial markets in Europe function correctly. The ideas reflected in Solvency II very much match If's view of risk management and we are already working in a manner that accords in all significant respects with Solvency II. During the year, guidelines have been issued concerning the demands that the supervisory authorities should place on the companies' preparations in respect of business-management systems, the prospective assessment of own risks, information disclosure to pertinent authorities and preparatory reviews of internal models. If is well prepared to satisfy the requirements in these areas.

At the beginning of the year, two changes occurred in If's Group Management, when Morten Thorsrud took over the helm at Business Area Private and Niclas Ward assumed responsibility for Business Area Industrial.

Torbjörn Magnusson, CEO

Board of Directors' Report

The Board of Directors and the President of If P&C Insurance Holding Ltd, corporate registration number 556241-7559, hereby issue their annual report for the 2013 fiscal year.

ORGANISATION

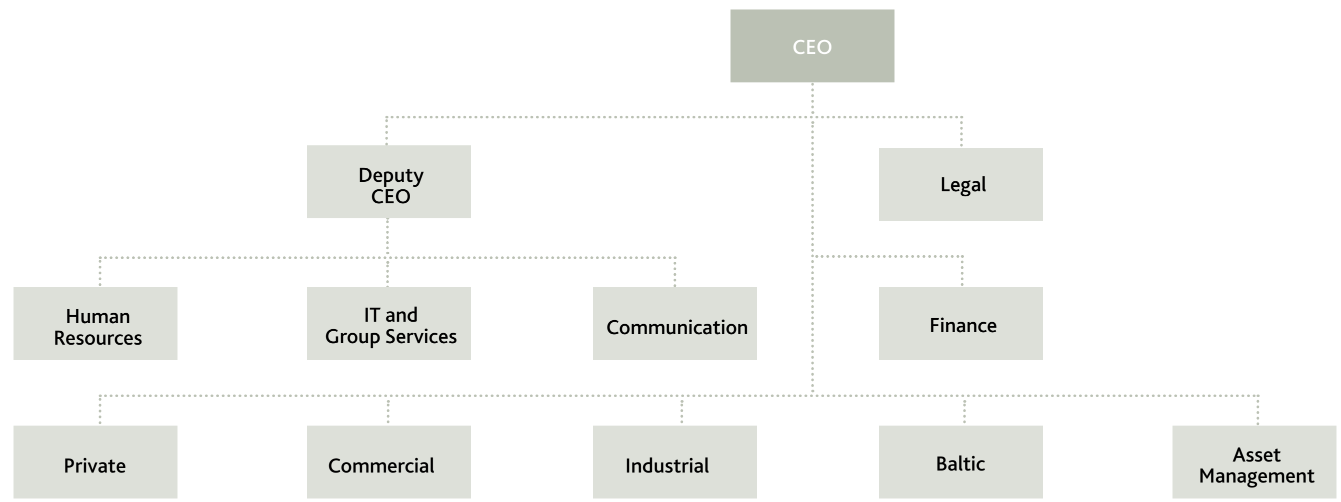
If is a Nordic Group that also conducts insurance operations in the Baltic countries. The Group's headquarter is located in Solna, Sweden.

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

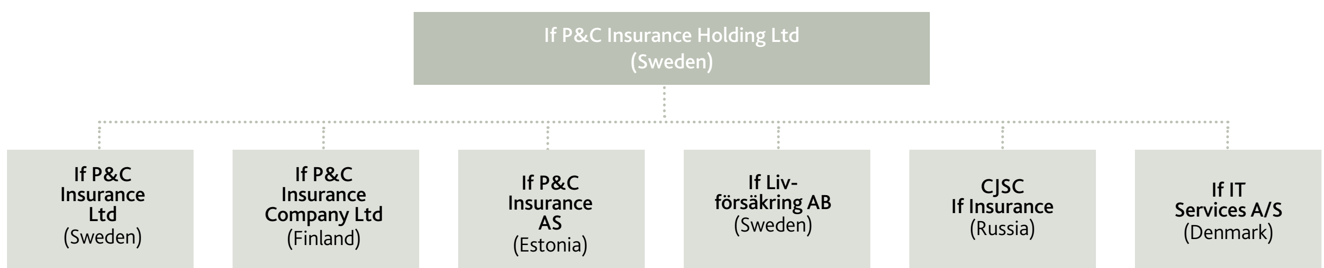
The main role of If P&C Insurance Holding Ltd (publ) is to own and manage shares in property and casualty insurance operations. The holding company owns the Swedish companies, If P&C Insurance Ltd and If Livförsäkring AB, the Finnish company If P&C Insurance Company Ltd and the Estonian company If P&C Insurance AS, as well as the Russian company CJSC If Insurance. If's operations in Denmark, Norway and partly in Finland are conducted via branches of If P&C Insurance Ltd in each country. In addition, If P&C Insurance Ltd has branch offices in France, the Netherlands, the UK and Germany to support customers with international operations. The Estonian company If P&C Insurance AS also conducts operations in Latvia and Lithuania via branches.

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

Operational structure



Legal structure, summary



RESULTS FROM OPERATIONS

Group results

The result before income taxes was MSEK 8,040 (7,511). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 5,200 (4,998). Adjusted for exchange-rate effects and a lower allocated return on capital, the technical result increased by 7.4% compared to last year.

Premiums written

Gross written premiums for the year amounted to MSEK 41,256 (40,895). Adjusted for exchange-rate effects, the underlying increase in premium volumes was 2.9%. The increase is mainly due to the two Nordic business areas Private and Commercial.

Claims incurred and operating expenses

Net claims incurred amounted to MSEK 27,821 (27,347). Adjusted for exchange-rate effects, claims expenses increased by 3.6%.

The claims ratio improved and amounted to 71.4% (72.0). A mild winter in the beginning and end of the year explains the improvement, however slightly reduced by weather-related claims due to spring floods in Norway and storms in the last quarter.

The expense ratio improved compared with the preceding year and was 16.8% (16.9). Operating expenses in the insurance operation totaled MSEK 6,536 (6,426). Adjusted for exchange-rate effects, the operating expenses in the insurance business increased 3.7%.

The combined ratio improved and amounted to 88.1% (88.9). The improvement is due to a lower claims ratio and a stable expense ratio.

Investment result

Earnings from asset management, measured at mark-to-market, amounted to MSEK 4,940 (5,975), and the return on investments was 5.0% (6.1). Net investment return amounted to MSEK 3,654 (3,617) in the income statement, and MSEK 1,286 (2,358) in other comprehensive income. The year was marked by a continued more optimistic view regarding the debt crises in several euro-countries, more and more positive signs from the U.S economy but also the concern that many of the emerging countries´ historically high growth rates were at risk of fading. Overall, this led to rising stock prices and continued historically low interest rates, albeit somewhat rising. Taking the low interest rates into account, this year's investment return is satisfactory. The lower result compared to last year is mainly due to a considerable lower result for the fixed income portfolio, while the equity portfolios once again showed a strong performance. Additional information is presented in note 6.

Net profit and tax costs

Net profit was MSEK 6,472 (5,883). The effective tax rate for the year was 19.5% (21.7). Of total taxes, current tax expenses amounted to MSEK 1,692 (1,777) and the deferred tax income was MSEK 124 (income 149).

Results per business area

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

CONSOLIDATED RESULTS PER QUARTER AND FULL-YEAR

MSEK	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2013 Jan-Dec	2012 Jan-Dec
Premiums earned, net of reinsurance	9,852	9,891	9,758	9,476	38,977	37,973
Allocated investment return transferred from the non-technical account	105	137	146	172	560	772
Other technical income	73	51	58	63	245	286
Claims paid, net of reinsurance	-6,999	-6,968	-6,850	-7,004	-27,821	-27,347
Operating expenses for insurance operations, net of reinsurance	-1,657	-1,658	-1,608	-1,613	-6,536	-6,426
Other operating expenses	-64	-51	-54	-56	-225	-260
Technical result from property and casualty insurance	**1,310**	**1,402**	**1,450**	**1,038**	**5,200**	**4,998**
Investment result	920	813	1,023	898	3,654	3,617
Allocated investment return transferred to the technical account	-225	-256	-265	-290	-1,036	-1,267
Interest expense, net pension liability	-14	-15	-14	-15	-58	-66
Interest expense, subordinated debt	-42	-40	-31	-38	-151	-174
Share of associates' result	87	66	145	133	431	403
Result before income tax	**2,036**	**1,970**	**2,308**	**1,726**	**8,040**	**7,511**
Risk ratio	65.1%	64.7%	64.2%	67.7%	65.4%	65.9%
Cost ratio	22.7%	22.5%	22.5%	23.2%	22.8%	23.0%
Combined ratio	87.9%	87.2%	86.7%	90.9%	88.1%	88.9%
Claims ratio	71.0%	70.4%	70.2%	73.9%	71.4%	72.0%
Expense ratio	16.8%	16.8%	16.5%	17.0%	16.8%	16.9%
Insurance margin	13.2%	14.2%	14.8%	10.9%	13.3%	13.1%

SOLVENCY CAPITAL AND CASH FLOW

The solvency ratio strengthened and amounted to 80.8% (74.6) at year-end. Solvency capital increased to MSEK 31,899 (28,824). Cash flow from insurance operations remained strong, amounting to MSEK 4,401 (3,268). Cash flow from investment management, in terms of flows generated from the direct investment return, amounted to MSEK 3,283 (3,851). During the year, a dividend of MSEK 4,300 (4,700) was paid.

TECHNICAL PROVISIONS (RESERVES)

Gross provisions at year-end have decreased to MSEK 84,159 (84,569). Currency effects arising from the conversion of provisions made in foreign currencies contributed to a lower provision with MSEK 1,154, mainly due to the strengthening of the Swedish krona compared to the Norwegian krona. After adjustments for exchange-rate effects, the premium reserve increased by MSEK 728 whereof the acquisition of the Tryg portfolio in Finland increased the premium reserve by MSEK 333. Correspondingly the claims reserve increased by MSEK 16 after adjustments for exchange-rate effects and include an acquired claims reserve from Tryg amounting to MSEK 530.

Reinsurers' proportion of technical provisions decreased and was MSEK 3,718 (4,951). The decrease is primarily related to a decrease of ceded Property reserves due to settlement of a number of large claims from previous years.

SIGNIFICANT ACQUISITIONS DURING THE FISCAL YEAR

The acquisition of Tryg's Finnish P&C insurance business was completed and the business has been consolidated in If's Finnish subsidiary since 1 May. The acquisition had only an insignificant effect on If's result for 2013. Significant effects on the Group's balance-sheet items are presented in the notes to the respective balance-sheet item.

OBJECTIVES AND POLICIES FOR FINANCIAL RISK MANAGEMENT

The core of the Group insurance operations is the transfer of risk from the insured clients to the insurer. 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 all risks are taken into account in pricing decisions and other business decisions.

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

PERSONNEL

During the year, the number of employees increased and amounted to 6,227 (6,205) at year-end. The average number of employees during the year was 6,237 (6,225), of whom 55% (55) were women.

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

APPLIED ACCOUNTING POLICIES AND PREPARATION OF CONSOLIDATED ACCOUNTS

As of 2005, If applies the International Financial Reporting Standards (IFRS) adopted by the EU. A new regulation for 2013 is the revised standard for pensions, IAS 19 Employee benefits (issued in 2011). The transition to the new standard is recognized as a change in accounting policies, which entails retrospective application as of the start of the 2012 fiscal year. The effect of the change has been recognized directly against shareholders' equity and all of the items covered directly or indirectly by the standard during 2012 have been recalculated as if the new policies had always been applied in the past. Previously, If recognized all pension-related costs within the technical result, but in connection with implementation of the new standard, it has decided to recognize interest expense on the net pension liability separately in the income statement. A summary of the effects that this change of policy has entailed is presented in Note 42. For the 2013 fiscal year, If's accounting was not subject to any other significant amendments or new regulations. The consolidated accounts are prepared by the Central Finance and Accounting Department, which is also responsible for control systems, accounting and reporting in accordance with generally accepted accounting principles. The Board of Directors and the President are ultimately responsible for all financial reporting.

OUTLOOK

The development of the global economy will be difficult to predict during 2014. Despite increased competition in the market, underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

The long-term objective for the Group is to achieve a combined ratio below 95% and a return on equity of at least 17.5%. For 2014, the objective is to achieve a combined ratio by a margin, below 95%.

PARENT COMPANY

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

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

The Parent Company's net profit increased to MSEK 7,556 (3,222), mainly as a result of increased dividends from subsidiaries.

The Parent Company's solvency capital at year-end amounted to MSEK 22,532 (19,276) and its total assets to MSEK 23,287 (19,953).

FIVE-YEAR SUMMARY [1)]

MSEK	2013	2012	2011	2010	2009
Condensed income statement					
Premiums earned, net of reinsurance	38,977	37,973	36,966	37,170	38,701
Allocated investment return transferred from the non-technical account	560	772	1,124	1,606	2,139
Other technical income	245	286	277	235	240
Claims incurred, net of reinsurance	-27,821	-27,347	-27,614	-28,093	-28,856
Operating expenses in insurance operations, net of reinsurance	-6,536	-6,426	-6,380	-6,402	-6,801
Other operating expenses	-225	-260	-244	-232	-239
Technical result from property and casualty insurance	**5,200**	**4,998**	**4,129**	**4,284**	**5,184**
Investment result	3,654	3,617	3,175	5,187	4,793
Allocated investment return transferred to the technical account	-1,036	-1,267	-1,632	-2,156	-2,769
Interest expense, net pension liability	-58	-66	-	-	-
Interest expense, subordinated debt	-151	-174	-158	-276	-307
Share of associates' result	431	403	58	-	-
Dissolvement of collective guarantee provision	-	-	-	-239	-
Results before income tax	**8,040**	**7,511**	**5,572**	**6,800**	**6,901**
Income taxes	-1,568	-1,628	-1,386	-1,815	-1,700
Net profit for the year	**6,472**	**5,883**	**4,186**	**4,985**	**5,201**
Balance sheet, December 31					
Assets					
Intangible assets	1,312	1,289	1,257	1,259	1,358
Investment assets	103,478	100,586	100,449	102,078	106,832
Reinsurers´share of technical provisions	3,718	4,951	4,709	4,575	4,892
Deferred tax assets	515	553	453	392	666
Debtors	11,010	10,664	10,166	9,367	9,869
Other assets, prepayments and accrued income	5,153	5,379	5,155	4,818	4,912
Total assets	**125,186**	**123,422**	**122,189**	**122,489**	**128,529**
Shareholders´equity, provisions and liabilities					
Shareholders´equity	25,948	23,264	21,563	22,818	22,542
Subordinated debt	3,087	2,776	2,881	3,714	4,240
Deferred tax liability	3,379	3,337	3,461	4,103	4,054
Technical provisions	84,159	84,569	85,085	83,733	87,993
Creditors	4,622	5,544	6,424	5,264	6,663
Provisions, accruals and deferred income	3,991	3,932	2,775	2,857	3,037
Total shareholders´equity, provisions and liabilities	**125,186**	**123,422**	**122,189**	**122,489**	**128,529**
Key data, property and casualty operations					
Claims ratio	71.4%	72.0%	74.7%	75.6%	74.6%
Expense ratio	16.8%	16.9%	17.3%	17.2%	17.6%
Combined ratio	88.1%	88.9%	92.0%	92.8%	92.1%
Risk ratio	65.4%	65.9%	68.4%	69.1%	68.0%
Cost ratio	22.8%	23.0%	23.5%	23.7%	24.1%
Insurance margin	13.3%	13.1%	11.1%	11.5%	13.4%
Key data, asset management					
Total return ratio [2)]	5.0%	6.1%	1.8%	7.4%	12.4%
Other key data					
Capital base	29,872	26,791	24,043	26,504	24,886
Solvency requirement	7,521	7,336	7,493	6,592	6,504
Solvency capital	31,899	28,824	27,452	30,243	30,171
Solvency ratio	80.8%	74.6%	72.4%	79.5%	77.3%
Return on equity	28.3%	32.0%	11.1%	27.5%	50.1%

[1)] Since January 1, 2013, If applies the revised standard IAS 19 Employee Benefits (issued in 2011), whereby all figures for 2012 have been recalculated in accordance with these policies. The figures presented for 2009-2011 are unchanged; which means that they are presented in accordance with the previously applied accounting policies.

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

Consolidated income statement

MSEK	Note	2013	2012
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	7	41,256	40,895
Premiums ceded	7	-1,800	-2,243
Change in provision for unearned premiums and unexpired risks		- 395	- 690
Reinsurers´share of change in provision for unearned premiums and unexpired risks		- 84	11
		38,977	**37,973**
Allocated investment return transferred from the non-technical account	8	560	772
Other technical income		245	286
Claims incurred, net of reinsurance			
Claims paid			
Gross		-29,331	-29,850
Reinsurers´share		1,609	1,468
Change in provision for claims outstanding			
Gross		990	732
Reinsurers´share		-1,089	303
	9	**-27,821**	**-27,347**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-6,692	-6,595
Commissions and profit participations in ceded reinsurance		156	169
		-6,536	**-6,426**
Other operating expenses		- 225	- 260
	10, 11, 12, 13	**-6,761**	**-6,686**
Technical result from property and casualty insurance	14	**5,200**	**4,998**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		3,152	3,704
Changes in value		677	49
Management costs		- 175	- 136
	15	**3,654**	**3,617**
Allocated investment return transferred to the technical account	8	-1,036	-1,267
Interest expense on net pension liability		-58	-66
Interest expense, subordinated debt	16	-151	-174
Share of associates' result	17	431	403
Result before income taxes		**8,040**	**7,511**
Taxes	18	-1,568	-1,628
Net profit for the year		**6,472**	**5,883**

Consolidated statement of comprehensive income

MSEK	Note	2013	2012
Net profit for the year		**6,472**	**5,883**
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss			
Remeasurements of the net pension liability		-190	383
Taxes related to items which will not be reclassified	18	63	- 117
		- 127	**266**
Items that will be reclassified subsequently to profit and loss when specific conditions are met			
Effects of changes in exchange rates, foreign operations		- 120	- 172
Effects of changes in exchange rates, foreign associated companies		101	- 120
Exchange rate differences at realisation of foreign operations		-	41
Remeasuring of financial assets available for sale		1,846	2,116
Value changes recognized in income statement on assets available for sale		- 560	242
Taxes related to items which will be reclassified when specific conditions are met	18	-273	-554
		994	**1,553**
Total comprehensive income		**7,339**	**7,702**

Consolidated balance sheet

ASSETS

MSEK	Note	Dec 31 2013	Dec 31 2012	Jan 1 2012
Intangible assets				
Goodwill		1,109	1,109	1,109
Other intangible assets		203	180	148
	19	**1,312**	**1,289**	**1,257**
Investment assets				
Land and buildings	20	209	257	266
Investments in associated companies	21	3,143	2,942	2,859
Loans to associated companies		35	19	7
Other financial investment assets	22, 23	100,082	97,356	97,306
Deposits with ceding undertakings		9	12	11
		103,478	**100,586**	**100,449**
Reinsurers' share of technical provisions				
Provisions for unearned premiums and unexpired risks		382	468	469
Provisions for claims outstanding		3,336	4,483	4,240
	24	**3,718**	**4,951**	**4,709**
Deferred tax assets	33	**515**	**553**	**870**
Debtors				
Debtors arising out of direct insurance operations	25	9,914	9,425	9,059
Debtors arising out of reinsurance operations	26	398	680	569
Other debtors	27	698	559	538
		11,010	**10,664**	**10,166**
Other assets				
Tangible assets	28	142	138	140
Cash and bank balances		2,211	2,243	2,002
Securities settlement claims		23	29	17
		2,376	**2,410**	**2,159**
Prepayments and accrued income				
Accrued interest and rental income		900	1,086	1,164
Deferred acquisition costs	29	1,410	1,473	1,395
Other prepayments and accrued income	30	467	410	437
		2,777	**2,969**	**2,996**
Total assets		**125,186**	**123,422**	**122,606**

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES

MSEK	Note	Dec 31 2013	Dec 31 2012	Jan 1 2012
Shareholders' equity				
Share capital		2,726	2,726	2,726
Statutory reserve		400	400	400
Other restricted reserves		-	-	613
Fair value reserve		4,182	3,121	1,242
Profit carried forward		12,168	11,134	11,316
Net profit for the year		6,472	5,883	4,186
		25,948	**23,264**	**20,483**
Subordinated debt	31	**3,087**	**2,776**	**2,881**
Technical provisions (gross)				
Provisions for unearned premiums and unexpired risks		18,292	18,083	17,570
Provisions for claims outstanding		65,867	66,486	67,515
	32	**84,159**	**84,569**	**85,085**
Provisions for other risks and charges				
Deferred tax liability	33	3,379	3,337	3,461
Other provisions	34, 35	2,243	2,221	2,697
		5,622	**5,558**	**6,158**
Deposits received from reinsurers		-	-	-
Creditors				
Creditors arising out of direct insurance operations	36	1,314	1,283	1,457
Creditors arising out of reinsurance operations		435	884	614
Derivatives	23	218	327	1,804
Other creditors	37	2,655	3,050	2,549
		4,622	**5,544**	**6,424**
Accruals and deferred income				
Reinsurers' share of deferred acquisition costs		26	30	34
Other accruals and deferred income	38	1,722	1,681	1,541
		1,748	**1,711**	1,575
Total shareholders' equity, provisions and liabilities		**125,186**	**123,422**	**122,606**
Memorandum items				
Assets and coresponding collateral pledged	39	2,759	2,837	1,704
Assets covered by policyholders' beneficiary rights	39	68,382	64,017	65,440
Contingent liabilities and other commitments	40	373	367	480

Parent Company

INCOME STATEMENT

MSEK	Note	2013	2012
Other operating income		0	0
Other operating expenses		0	0
Operating result		**0**	**0**
Result from financial investments			
Dividends from Group companies		7,500	3,239
Dividends from associated companies		1	2
Interest income and similar income items	1	64	37
Interest expense and similar expense items	2	-9	-55
		7,556	**3,223**
Result after financial items		**7,556**	**3,223**
Tax on net profit for the year	3	0	-1
Net profit for the year		**7,556**	**3,222**

BALANCE SHEET ON DECEMBER 31

MSEK ASSETS	Note	2013	2012
Financial fixed assets			
Shares in Group companies	4	17,121	17,121
Shares in associated companies	5	5,137	1,134
Loans to associated companies		35	19
Other securities and receivables		9	-
		22,302	**18,274**
Deferred tax assets		-	-
Debtors			
Debtors, Group companies		167	986
		167	**986**
Cash and bank balances		**816**	**693**
Prepayments and accrued income			
Accrued interest		2	0
		2	**0**
Total assets		**23,287**	**19,953**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Profit carried forward		11,850	12,928
Net profit for the year		7,556	3,222
		22,532	**19,276**
Provisions		-	-
Current creditors			
Creditors, Group companies		755	676
Provision for taxes		-	1
		755	**677**
Total shareholders' equity and liabilities		**23,287**	**19,953**
Memorandum items			
Contingent liabilities	6	-	17

Changes in shareholders' equity

GROUP

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserves	Restricted equity: Other restricted reserves	Unrestricted equity: Fair value reserve	Unrestricted equity: Profit brought forward	Unrestricted equity: Net profit for the year	Total equity
Equity at beginning of 2012	**2,726**	**400**	**613**	**1242**	**16,582**	**-**	**21,563**
Effects of changes in accounting principles	-	-	-	-	-1,080	-	-1,080
Adjusted equity at beginning of 2012	**2,726**	**400**	**613**	**1,242**	**15,502**	**-**	**20,483**
Transfer between restricted and unrestricted equity	-	-	-480	-	480	-	0
Total comprehensive income	-	-	-133	1,879	73	5,883	7,702
Share of associates' other changes in equity	-	-	-	-	-221	-	-221
Dividend to shareholder [1]	-	-	-	-	-4,700	-	-4,700
Equity at end of 2012	**2,726**	**400**	**-**	**3,121**	**11,134**	**5,883**	**23,264**
Equity at beginning of 2013	**2,726**	**400**	**-**	**3,121**	**17,017**	**-**	**23,264**
Transfer between restricted and unrestricted equity	-	-	124	-	-124	-	0
Total comprehensive income	-	-	-124	1,061	-70	6,472	7,339
Share of associates' other changes in equity	-	-	-	-	-355	-	-355
Dividend to shareholder [2]	-	-	-	-	-4,300	-	-4,300
Equity at end of 2013	**2,726**	**400**	**-**	**4,182**	**12,168**	**6,472**	**25,948**

PARENT COMPANY

MSEK	Restricted equity: Share capital	Restricted equity: Statutory reserves	Unrestricted equity: Profit brought forward	Unrestricted equity: Net profit for the year	Total equity
Equity at beginning of 2012	**2,726**	**400**	**17,628**	**-**	**20,754**
Dividend to shareholder [1]	-	-	-4,700	-	-4,700
Net profit for the year	-	-	-	3,222	3,222
Equity at end of 2012	**2,726**	**400**	**12,928**	**3,222**	**19,276**
Equity at beginning of 2013	**2,726**	**400**	**16,150**	**-**	**19,276**
Dividend to shareholder [2]	-	-			-4,300
Net profit for the year	-	-			-
Equity at end of 2013	**2,726**	**400**	**16,150**	**0**	**14,976**

There are a total of 136,350,000 shares with a par value of SEK 19.99 each, including 103,525,000 Series A shares carrying one vote and 32,825,000 Series B shares carrying one tenth of a vote.

The accumulated translation difference amounted to MSEK -626 (-607).

[1] During 2012, dividends paid totaled approximately SEK 34.47 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 34.47 per share.

[2] During 2013, dividends paid totaled approximately SEK 31.54 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 31.54 per share. The Board of Directors and the President propose that the 2014 Annual General Meeting resolve not to pay any dividend.

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

Cash flow statements

GROUP

MSEK	2013	2012
Cash flow from insurance operations		
Premium flows, direct insurance	40,495	40,146
Claim payments, direct insurance	-29,241	-29,804
Reinsurance flows	-343	-683
Costs of operations	-6,510	-6,391
	4,401	**3,268**
Cash flow from investment operation		
Current income/return, direct	3,283	3,851
Net investments in financial investment assets	-2,510	754
	773	**4,605**
Cash flow from other operations	**-5,138**	**-7,618**
Cash flow for the year	**36**	**255**
Cash and bank		
Cash and bank balances on January 1	2,243	2,002
Effect of exchange rate changes	-68	-14
Cash flow for the year	36	255
Cash and bank balances on December 31	**2,211**	**2,243**

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

PARENT COMPANY

MSEK	2013	2012
Net profit for the year	7,556	3,222
Realized result sale of Group company	-	24
Change in current business assets and liabilities	870	1,493
Investments		
Net investments in Group companies	-	67
Net investment in associated companies	-4,003	-24
Financing		
Dividend	-4,300	-4,700
Cash flow for the year	**123**	**82**
Change in cash and bank balances	**123**	**82**

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 5, 2014 and will be presented to the 2014 Annual Meeting for approval. The company is a Swedish limited liability company with its registered office in Stockholm and its headquarters in Solna, Sweden.

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

STATEMENT OF COMPLIANCE WITH REGULATIONS APPLIED

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

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

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

As apparent from the Report of the Board of Directors, If applies the revised standard IAS 19 Employee benefits (issued in 2011) as of the 2013 fiscal year. The transition to the new standard is recognized as a change in accounting policies, which entails retrospective application as of the start of the 2012 fiscal year. A summary of the effects that this change of policy has entailed is presented in Note 42. Other new or amended standards have only required a couple of additional disclosures.

Issued, but not yet effective, international accounting standards entail certain extended disclosure requirements but are assessed not to cause any significant additionally impact on the financial statements when first applied, except IFRS 9 Financial Instruments. As this standard is still not complete, a comprehensive assessment has not been possible to conduct.

MEASUREMENT BASES FOR THE PREPARATION OF THE ACCOUNTS

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

BASES FOR CONSOLIDATION

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

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

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

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

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

According to an agreement that Skandia and Storebrand jointly signed with Sampo during 2001, Sampo's property and casualty insurance business was transferred to If in January 2003 in return for payment in the form of shares in If P&C Insurance Holding Ltd and a small proportion of cash. In the consolidated accounts, this merger is reported in accordance with the purchase method.

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

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

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

In individual companies and branches, assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported in the income statement as

changes in value under "Investment result". Currency forward contracts used to hedge currency exposure are fair valued and these effects are reported in their entirety in the income statement as changes in value.
In the case of If's foreign Group companies and branches, the functional currency is the local currency in the country in which the company or branch is active. Translation to SEK is effected in line with IAS 21. Balance sheet items are translated using the closing date exchange rate and income statement items are translated using the average exchange rate for the period during which the item arose. The translation differences arising as a result of the use of different exchange rates for items in the balance sheet and income statement, the fact that capital contributions and dividends are translated at different exchange rates than those prevailing on the transaction date and that shareholders' equity is translated at a different exchange rate at year-end than at the beginning of the year are reported in other comprehensive income.
For If's most significant currencies, the following exchange rates were used as of December 31 to translate balance sheet items in foreign currency to SEK:

	2013	2012
US dollars	6.42	6.50
Danish kroner	1.19	1.15
Euro	8.86	8.58
Norwegian kroner	1.06	1.17
Lithuanian litas	2.57	2.49
Latvian lats	12.61	12.30

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 reported as goodwill.

Goodwill is an asset with an indefinite useful life and thus it is not subject to amortization according to plan. To ensure that goodwill is not overvalued in the balance sheet, an annual analysis is conducted of individual goodwill items to identify impairment requirements. The analysis determines the recoverable amount, defined as the higher of the value in use and the net realizable value. The value in use is calculated as the discounted value of expected future cash flows attributable to the acquired net assets. When the recoverable amount measured on the valuation date is less than the carrying amount in the Group, the carrying amount is 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 planned amortization.

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

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

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

Land and buildings/Investment properties

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

Shares in associated companies

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

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

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

Valuation of other investments assets

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

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

Shares

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

Interest-bearing securities

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

Derivatives

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

Receivables

Receivables are reported in the amounts expected to be received.

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

Tangible assets

Tangible assets consist of machinery and equipment and are valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less depreciation according to plan. These deductions are based on the historical acquisition value and the estimated economic life of the asset concerned.

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

Depreciation period

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

In the event that there is an indication at the reporting date that the scheduled value of a tangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. The recoverable amount is the higher of the asset's net realizable value and value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If, subsequently, a higher recoverable amount can be set, a revaluation or reversal of previous impairments may be undertaken.

Cash and bank

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

Deferred acquisition costs

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

Subordinated debt

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

Technical provisions

Technical provisions consist of :

- Provision for unearned premiums and unexpired risks,
- Provision for claims outstanding.

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

Provision for unearned premiums and unexpired risks

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

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

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

Provision for claims outstanding

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

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

Pension costs and pension commitments and other employee benefits

The Group's pension obligations comprise pension plans in several national systems that are regulated through local and collective bargaining agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans.

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

The reporting of funded and unfunded defined benefit pension plans complies with the regulations contained in IAS 19 Employee benefits (issued in 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 total of (1) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (2) calculated interest expense for indexing the preceding year's established net pension obligation. The calculation of pension costs during the fiscal year occurs at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on 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.

Remeasurements of the pension obligation due to actuarial gains and losses, and because the return on plan assets deviates from the calculated interest rate, is 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.

POLICIES APPLYING TO ITEMS IN THE CONSOLIDATED INCOME STATEMENT

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

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

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

Premiums written

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

Premiums earned

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

Allocated investment return transferred from the non-technical account

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

Other technical income

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

Claims incurred

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

Operating expenses

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

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

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

Investment result

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

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

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

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

Taxes

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

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

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

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

In Sweden, the tax rate during the year was 22 percent of taxable income. In Norway, the tax rate was 28%, in Denmark 25% and in Finland 24.5%. In Norway and Finland, tax rates are to be reduced as of 2014 to 27% and 20%, respectively, and in Denmark gradually during 2014-2016 to 22%. This has been taken into account when calculating deferred tax assets and liabilities as of December 31, 2013.

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

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

ACCOUNTING POLICIES IN THE PARENT COMPANY

Accounting for holdings in subsidiaries and associates

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

NOTE 2 Significant considerations and assessments affecting the financial statements

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

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2013 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

GOODWILL

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

VALUATION OF INVESTMENT ASSETS

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

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

TECHNICAL PROVISIONS

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

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

PROVISIONS FOR PENSIONS

As of 2013, If applies IAS 19 Employee benefits (issued in 2011) 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. The basis for deciding the discount rate for the Swedish obligation is liquid covered mortgage bonds issued by mortgage institutions and covered mortgage bonds are also used as the basis for the Norwegian obligation. Significant parameters are further presented in Note 34.

NOTE 3 Recognition of the effects of changed exchange rates

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

MSEK **Exchange-rate effects in the technical result**	**2013**	**2012**	**Change**	**Of whicht exchange-rate effect**
Premiums earned, net of reinsurance	38,977	37,973	1,004	-765
Allocated investment return transferred from non-technical account	560	772	-212	-20
Other technical income	245	286	-41	-3
Claims incurred, net of reinsurance	-27,821	-27,347	-474	457
Operating expenses	-6,761	-6,686	-75	40
Technical result from property and casuality insurance	**5,200**	**4,998**	**202**	**-291**

As a result of the large amount of foreign currency business operations, financial reports in SEK are continuously impacted by effects attributable to exchange-rate changes. In the income statement, transactions in foreign currency are translated into SEK using the average exchange rate during the month when the transaction was incurred or reported. Normally, the accounting of insurance contracts matches the contracted currency. 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 casuality insurance.

Technical income and operating expenses net, distributed by currency	**Premiums earned**	**Total expenses**	**Of which claims costs**	**Of whicht operating expenses**
SEK	28%	31%	26%	5%
NOK	36%	34%	27%	7%
DKK	9%	9%	7%	2%
EUR	23%	22%	18%	4%
USD	1%	1%	1%	0%
Other	3%	3%	2%	1%
Total	**100%**	**100%**	**81%**	**19%**

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

MSEK **Exchange-rate effects in the balance sheet** **Assets**	**2013**	**2012**	**Change**	**Of whicht exchange-rate effect**
Intangible assets	1,312	1,289	23	-8
Investment assets	103,478	100,586	2,892	-1,327
Reinsurers' share of technical provisions	3,718	4,951	-1,233	56
Deferred tax assets	515	553	-38	-70
Receivables	11,010	10,664	346	-209
Other assets	2,376	2,410	-34	-27
Prepaid expenses and accrued income	2,777	2,969	-192	-23
Total assets	**125,186**	**123,422**	**1,764**	**-1,608**

MSEK **Shareholders' equity, provisions and liabilities**	**2013**	**2012**	**Change**	**Of whicht exchange-rate effect**
Shareholders' equity	25,948	23,264	2,684	-379
Subordinated debt	3,087	2,776	311	93
Technical provisions	84,159	84,569	-410	1,101
Provisions for other risks	5,622	5,558	64	-108
Creditors	4,622	5,544	-922	-90
Accrued expenses and deferred income	1,748	1,711	37	-23
Total shareholders' equity, provisions and liabilities	**125,186**	**123,422**	**1,764**	**-1,608**

For 2013, a net exchange rate gain of MSEK 29 was recognized in the income statement. The gain arose as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate result may be divided into:

Conversion of items in the income statement and balance sheet	-360
Realized effects of currency derivatives	624
Unrealized effects of currency derivative	-235
Total exchange-rate gain	**29**

NOTE 4 Information about related companies

RELATIONS WITH ASSOCIATED COMPANIES

The parent company If P&C Insurance Holding Ltd (publ) owns shares in Topdanmark A/S amounting to a share of 28.0% (excluding own shares held by Topdanmark). The holding in Topdanmark A/S has been concentrated to the parent company during 2013. Previously a considerable part of the Group's holding was held by If P&C Insurance Company Ltd (Finland).

The parent company If P&C Insurance Holding Ltd (publ) owns a share of 28.6% of Urzus Group AS.

The parent company If P&C Insurance Holding Ltd (publ) owns a share of 39.6% of Watercircles Skandinavia AS. Subsidiaries to Watercircles Skandinavia AS convey insurance on behalf of If´s Swedish and Finnish P&C Insurance companies, for which they are paid commission.

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

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

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

RELATIONS WITH SAMPO

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

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

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

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

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

The subsidiary If P&C Insurance Company Ltd (Finland) issued in 2013 a subordinated loan of MEUR 90, which was fully subscribed by Sampo Abp. The loan is perpetual and is issued with fixed interest rate terms for the first five and a half years. After that period, it becomes subject to variable interest rates but it also includes terms stating the right of redemption at this point in time. Further information on this matter is provided in Note 31 Subordinated debt.

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

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

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

RELATIONS WITH NORDEA

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

Nordea distributes If's P&C insurance products through its banking offices in Sweden, Finland and the Baltics. The compensation takes the form of commission. The agreement entered into force in 2013.

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

Nordea is If's banking partner in Sweden, Finland, Denmark, Norway, Latvia and the United Kingdom and agreements have been concluded covering the management of bank accounts and related services. The Parent Company – If P&C Insurance Holding Ltd – is the primary account holder in the Nordic cash pool in Nordea. At year-end, balance on this account amounted to MSEK 816. The subsidiaries of P&C Insurance Holding Ltd (publ) also have its own accounts with Nordea. At year-end balance in those accounts amounts to MSEK 219. During the year fees were paid by MSEK 17 and interest income received by MSEK 1 and no interest was paid.

In asset management, investments are made in bonds issued by companies in the Nordea Group and Nordea is also included among the market makers used for general securities trading. Further information on this matter is provided in Note 5, table 19. During the year the coupon income was MSEK 239. Nordea is also the counterparty for transactions in interest rate and currency derivatives. At year-end, the market value for interest rate derivatives was MSEK -23 and for currency derivatives MSEK -74.

NOTE 5 Risks and risk management

DEVELOPMENTS DURING THE YEAR

If has a continued positive result that, together with a solid capital base and a stable risk profile, gives a low probability of financial distress or for depleting any solvency buffers. From a qualitative perspective the risk-management culture is assessed to remain at a high level as evidenced by the 2013 operational risk reports and internal control reports and the deviation reporting.

The global economy has been characterized by a gradual recovery along with passive inflation and low interest rates. The volatility in the capital market decreased during the year. If has a continuously cautious portfolio strategy, characterized by a low equity level and a low fixed income duration.

If continuously develops its risk management system. This work is based on internal needs and future Solvency II requirements.

OVERVIEW OF IF´S RISK MANAGEMENT

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

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

Risk Management Approach

The risk management shall ensure that If has sufficient capital in relation to its risk profile and shall limit fluctuations in the financial result.

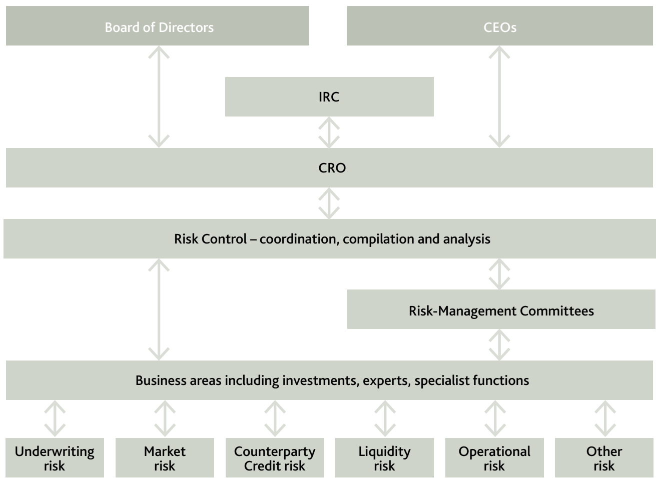
The main objectives of If's risk management are to ensure that risks are taken into account in pricing decisions as well as in other business decisions and that a sufficient return is obtained for the risks taken. This requires risks to be properly identified and monitored. The core competences in the business operations include pricing of risks and proper management of the arising risk exposures. Risk management activities are performed in the business areas as part of the normal course of day-to-day business.

Risk-taking is restricted through a system of limits decided by If's Boards of Directors.

Risk Governance and Reporting Structure

The Boards of Directors have an overall responsibility for internal control, risk control and ensuring that the company has appropriate risk management systems and processes. The main risk-steering mechanism used by the Boards of Directors is the policy framework. As part of their responsibilities, the Boards of Directors approve the Risk Management Policy and other risk-steering documents, monitor risk reports and ensure that the management and follow-up of risks is satisfactory.

FIGURE 1 If's Risk-management reporting structure



The If Risk Committee (IRC) assists the Chief Executive Officers (CEOs) and the Boards of Directors of the If Group in fulfilling their responsibilities pertaining to the risk management process. The IRC reviews, discusses and gives input on risk issues raised by relevant risk committees, experts and the line organization. Furthermore, the IRC monitors the If Group's short-term and long-term aggregated risk profile to ensure it is aligned with the risk strategy and capital adequacy requirements.

The Risk Control unit within the Risk Management department is responsible, on behalf of the Chief Risk Officer (CRO), for coordinating and analyzing the information reported to the IRC.

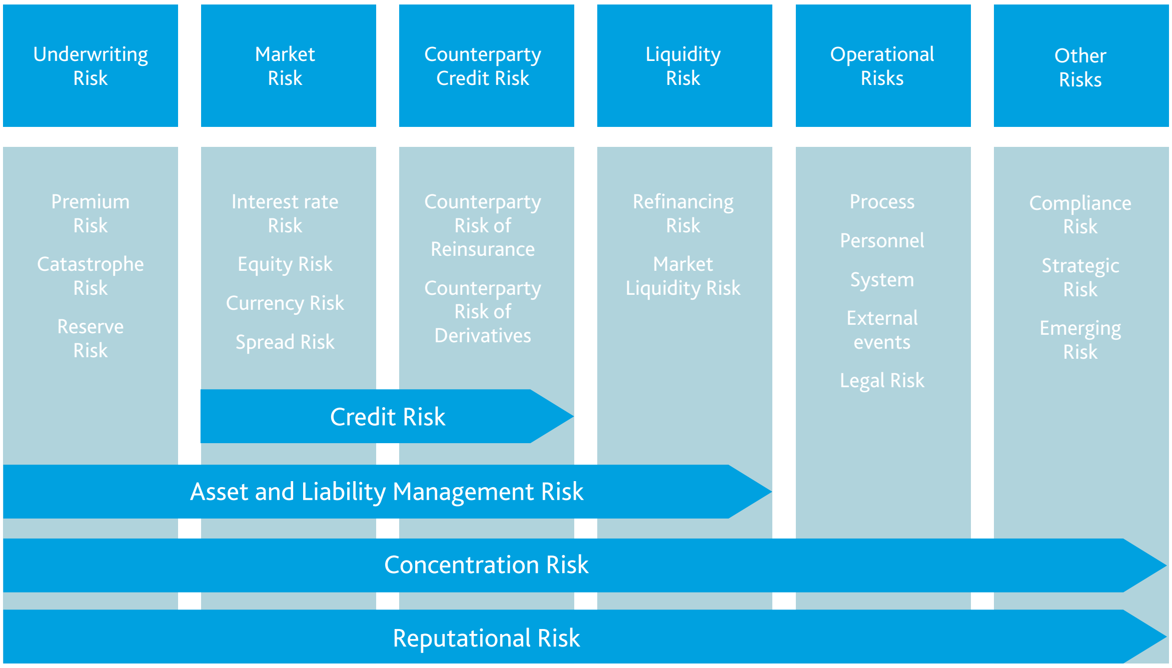
There are separate committees in place for key risk areas. These committees are responsible for monitoring the management and control of risks to ensure compliance with the instructions of the Boards of Directors. The chairmen of the committees are responsible for the reporting to IRC. The risk committees in If do not have a decision-making mandate.

Policies are in place for each risk area specifying the restrictions and limits chosen to reflect and ensure that the risk level at all times complies with If's overall Risk Appetite and Capital Adequacy constraints. The committees also monitor the effectiveness of policies and give input with respect to changes and updates, if needed.

The responsibility for identifying, evaluating, controlling and mitigating. risks lies with the line organization.

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

FIGURE 2 **Categorization of risks**



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 an A2-rating from Moody's.

Capital management is based on If's risk appetite statement, which provides further details on risk preferences and risk tolerance. These are implemented through policies decided by the Boards of Directors. If's risk profile, required capital and available capital are measured, analyzed and reported to the IRC 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 profile and capital measures 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 structure, 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.

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.

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

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

MSEK	2013	2012
Solvency requirement	7,521	7,369
Capital base	29,872	26,614
Economic capital (99.5%)	15,235	13,839
Adjusted solvency capital	32,829	26,516

REGULATORY MEASURES

Insurance is a regulated business with formal national rules for the capital requirement and available capital. The regulatory capital requirement and the regulatory solvency capital are presented in Table 1. All If companies fulfilled their regulatory capital requirements during 2013.

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 economic capital. The calculations are based on an economic, market-consistent valuation.

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

RATING AGENCY MEASURES

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

Risk and Capital Modeling

In order to assess the overall risk profile, it is necessary to incorporate the interrelationships between various risks, as some of these risks may develop in opposite directions creating diversification effects. For this purpose, If has used an internal model since 2003. Through simulations of both investment and insurance operations, the effect of, for example, alternative reinsurance structures and investment allocations is analyzed.

The economic capital for market risk and underwriting risk is calculated using If's internal model. The operational risk and others risks are quantified using the standard formula of the proposed Solvency II regulations.

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

- allocation of capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation;
- evaluation of investment policy and limits;
- evaluation of reinsurance programs;
- evaluation of the effect on the risk profile for mergers, acquisitions or divestments; and
- estimation of the risk over the business planning horizon.

Distribution of Economic Capital

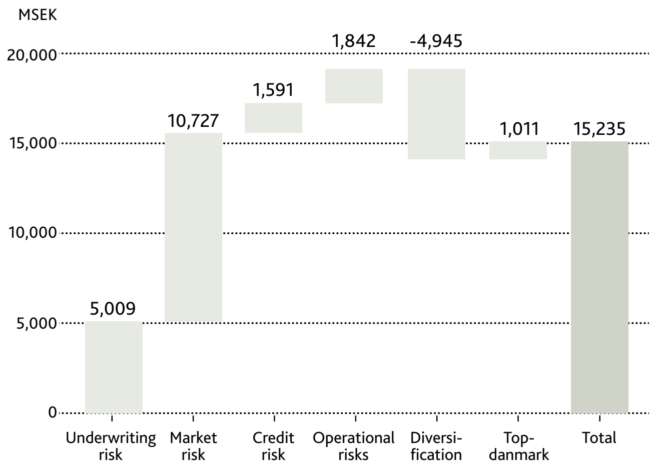
The economic capital tied up in If's operations on December 31, 2013 amounted to MSEK 15,235 compared with MSEK 13,839 on December 31, 2012 (confidence level of 99.5%). During 2013 risks were added to the calculation to fully correspond with the risks measured in the Solvency II standard formula, resulting in an increase.

The economic capital not only reflects the capital requirements for different kinds of risks, but also their mutual diversification effect and dependencies. This gives a more accurate view of the overall risk, as it is highly unlikely that all risks will materialize simultaneously.

The Danish insurance company Topdanmark is an associated company of If. If's share of Topdanmark's regulatory solvency requirement is included in the economic capital.

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

FIGURE 3 **Economic capital, Dec 31, 2013**



The amount for credit risk includes also non-credit related risks, such as concentration risk and lapse risk, calculated in accordance with the Solvency II standard formula.

UNDERWRITING RISK

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

Premium Risk and Catastrophe Risk

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

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

RISK MANAGEMENT AND CONTROL

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

The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover areas such as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits. In accordance with the Instructions for the Underwriting Committee, the Committee monitors compliance with the established underwriting principles.

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

The insurance portfolio is well diversified, given the fact that If has a large customer base and its business is underwritten in different geographical areas and across several lines of business.

Despite this diversified portfolio, risk concentrations and consequently severe claims may arise through, for example, exposures to natural catastrophes such as storms and floods. The geographical areas most exposed to such events are Denmark, Norway and Sweden. In addition, single large claims could have an impact on the insurance operation's result. The economic impact of natural disasters and single large claims is managed using reinsurance and through diversification.

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

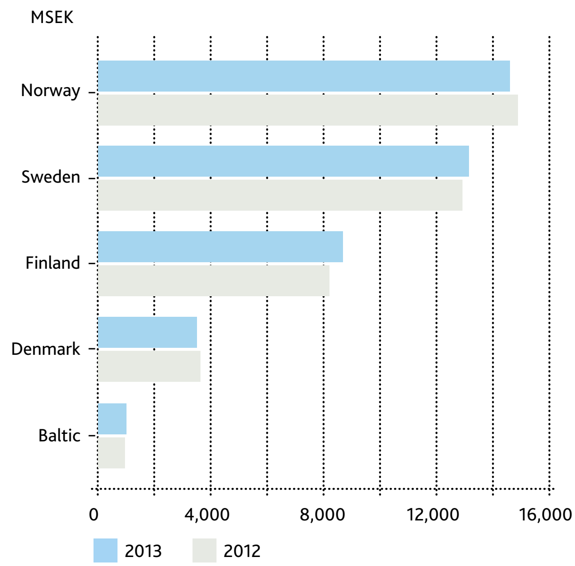
A Group-wide reinsurance program has been in place in If since 2003. In 2013, retention levels were between MSEK 100 and MSEK 250 per risk and MSEK 200 per event.

RISK PROFILE

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

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

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



An analysis of how changes in the combined ratio, premium and claims level affect the result before tax is presented in Table 2.

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

MSEK Parameter	Current level, 2013	Change	Effect on result before tax 2013	 2012
Combined ratio , Business Area Private	87.8%	+/- 1 percentage point	+/- 223	+/- 214
Combined ratio , Business Area Commercial	88.6%	+/- 1 percentage point	+/- 115	+/- 116
Combined ratio , Business Area Industrial	91.5%	+/- 1 percentage point	+/- 39	+/- 38
Combined ratio , Business Area Baltic	88.4%	+/- 1 percentage point	+/- 10	+/- 10
Premium level	38,977	+/- 1%	+/- 390	+/- 380
Claims level	27,821	+/- 1%	+/- 278	+/- 274

Reserve Risk

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

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

The technical provision for unearned premiums is intended to cover anticipated claim 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 the sum of the provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a degree of uncertainty as 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 decides on the guidelines governing the calculation of technical provisions. If's Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient. At Group level, the Chief Actuary issues a quarterly report on the adequacy of the technical provisions, which is submitted to the Boards of Directors, the CEO, the CFO and the IRC. The Chief Actuary cooperates with the legal entity Chief Actuaries.

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

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

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

The anticipated inflation trend is taken into account when calculating the technical provisions and is of the utmost importance for claims settled over a long period of time, such as MTPL and WC. 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 If's own estimation of costs for various types of claims.

RISK PROFILE

For lines of business such as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. In 2013, the proportion of technical provisions related to MTPL and WC was 68%.

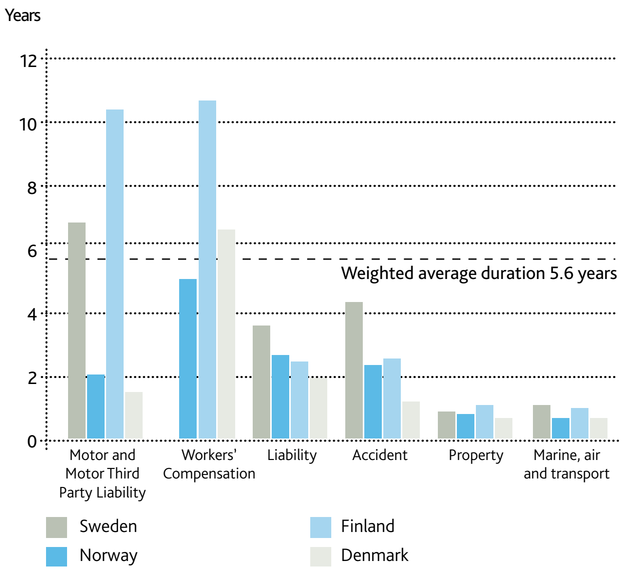
TABLE 3 Technical provisions (net) per product and country, Dec 31

	Sweden		Norway		Finland		Denmark	
MSEK	2013	2012	2013	2012	2013	2012	2013	2012
Motor and Motor Third Party Liability	23,084	23,121	6,539	7,509	8,118	7,325	1,253	1,119
Workers' compensation	-	-	3,190	3,536	9,610	8,958	2,221	2,153
Liability	2,603	2,598	1,439	1,414	1,125	1,095	670	677
Accident	2,257	1,940	3,102	3,116	1,324	1,060	672	647
Property	3,600	3,678	4,413	4,693	1,880	1,657	1,113	1,210
Marine, air and transport	243	260	363	279	51	89	131	100
Total	**31,787**	**31,597**	**19,046**	**20,547**	**22,108**	**20,184**	**6,060**	**5,906**

Excluding Baltic and other, total MSEK 1,440 (1,384).

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

FIGURE 5 Duration of technical provisions, Dec 31, 2013



The structure and duration of technical provisions are also sources of, for example, interest rate risk and inflation risk, which are described further under market risk. A sensitivity analysis of the reserve risk on December 31 is presented in Table 4.

TABLE 4 Sensitivity analysis, reserve risk, Dec 31

Portfolio	Risk	Change in risk parameter	Country	2013 Effect MSEK	2012 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,645	1,614
			Denmark	98	101
			Norway	501	576
			Finland	246	195
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	567	646
			Denmark	81	75
			Finland	1,556	1,703
Annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	106	120
			Denmark	4	3
			Finland	281	288

FINANCIAL ASSETS AND LIABILITIES

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

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

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

			Fixed income		Equity		Properties	
MSEK	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets, mandatory at fair value through profit or loss (trading)								
Derivatives [1]	44	421	8	19	0	-		
Financial assets, designated by If as at fair value through profit or loss								
Shares and participations	-	-			-	-		
Bonds and other interest-bearing securities	0	167	0	167				
Financial assets, available for sale								
Shares and participations	13,141	11,773	1,500	766	11,536	10,903	105	105
Bonds and other interest-bearing securities	84,434	83,033	84,434	83,033				
Total financial assets at fair value	**97,619**	**95,394**	**85,942**	**83,985**	**11,536**	**10,903**	**105**	**105**
Loans and receivables								
Deposits with credit institutions	289	1,247	289	1,247				
Other loans	2,174	715	1,675	216			499	499
Other assets								
Deposits with ceding undertakings	9	12						
Debtors arising out of direct insurance	9,914	9,424						
Debtors arising out of reinsurance operations	398	680						
Other debtors	698	559						
Cash and bank	2,211	2,243	2,211	2,243				
Securities settlement claims	24	29	1	1	23	28		
Accrued income	1,191	1,341	900	1,074			-	11
Total financial assets	**114,527**	**111,644**	**91,018**	**88,766**	**11,559**	**10,931**	**604**	**615**
Financial liabilities valued at fair value through profit and loss								
Derivatives [2]	217	327	43	11				
Financial liabilities valued at accrued acquisition value								
Subordinated debt	3,087	2,776						
Financial liabilities valued at the amount expected to be settled								
Creditors arising out of direct insurance	1,314	1,283						
Creditors arising out of reinsurance operations	435	884						
Securities settlement liabilities	-	0	-	0	-	0		
Other creditors	1,658	1,544						
Accrued expenses	1,708	1,666						
Total financial liabilities	**8,419**	**8,480**	**43**	**11**	**-**	**0**		
Assets allocated to asset classes			**90,975**	**88,755**	**11,559**	**10,931**	**604**	**615**
Additional properties included in the balance sheet							209	257
							813	**872**

[1] Only fixed income and equity derivatives are included in the asset classes. Excluded Currency derivatives amounted to MSEK 36 (402).

[2] Only fixed income derivatives are included in the liability classes. Excluded Currency derivatives amounted to MSEK 174 (316).

The majority of financial assets and liabilities are recognized 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. Quoted shares are valued on the basis of last bid price on stock markets and are obtained by Bloomberg. The valuation of bonds is also usually based on prices from Bloomberg.

If's financial instruments, which are measured at fair value, are classified in three different hierarchy levels depending on their liquidity and valuation methods. The control of hierarchy levels is done quarterly and 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. The valuation of financial assets and liabilities is shown in Table 6.

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

	2013				2012			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit and loss (Trading)								
Derivatives								
Interest rate swaps	8	-	-	8	18	1	-	19
Foreign exchange derivatives	-	36	-	36	-	402	-	402
Equity derivatives	-	-	-	-	-	0	-	0
	8	**36**	**-**	**44**	**18**	**403**	**-**	**421**
Financial assets, designated by If as at fair value through profit or loss								
Shares and participations	-	-	-	-	-	-	0	0
Bonds and other interest-bearing securities	-	-	0	0	-	167	0	167
	-	**-**	**0**	**0**	**-**	**167**	**0**	**167**
Financial assets, available for sale								
Shares and participations [1)]	11,310	-	1,831	13,141	10,644	-	1,129	11,773
Bonds and other interest-bearing securities [2)]	10,161	73,942	331	84,434	2,069	80,854	110	83,033
	21,471	**73,942**	**2,162**	**97,575**	**12,713**	**80,854**	**1,239**	**94,806**
Total financial assets at fair value	**21,479**	**73,978**	**2,162**	**97,619**	**12,713**	**81,424**	**1,239**	**95,394**
Financial liabilities, mandatory at fair value through profit and loss (Trading)								
Derivatives								
Other interest rate derivatives	8	35	-	43	-	11	-	11
Foreign exchange derivatives	-	174	-	174	-	316	-	316
	8	**209**	**-**	**217**	**-**	**327**	**-**	**327**
Total financial liabilities at fair value	**8**	**209**	**-**	**217**	**-**	**327**	**-**	**327**

1) Mutual equity funds recognized in the above balances totaled MSEK 3,157 (4,284) of which MSEK 2,967 (3,295) was allocated to level 1 and MSEK 190 (989) to level 3.

2) Mutual bond funds recognized in the above balances totaled MSEK 309 (-) which was allocated to level 3.

Transfers between the levels in the hierarchy can be done when there are indications that the market conditions have been changed, for example a change in liquidity. There have been no major transfers between level 1 and level 2 during 2013.

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 listed shares traded on a stock exchange, government bonds issued by G10 countries and by Finland, as well as bonds guaranteed by these countries. 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 majority of the instruments in level 2 are traded in a market with daily quoted prices and regularly occurring market transactions. 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 which are valued at level 2 include most of the interest-bearing assets, such as covered bonds, corporate bonds and municipal bonds, most OTC derivatives, standardized derivatives as well as currency derivatives.

Level 3 – Financial assets and liabilities which 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.

Level 3 comprises private equity, unlisted shares, certain high-yield assets and distressed assets encountering financial difficulties.

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.
- other assets in level 3 are normally valued at least yearly and the valuation is based either on external estimates, cash-flow analyses or last market transactions.

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

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

2013 MSEK	Carrying amount Jan 1	Net gains/losses recorded in: income-statement	Net gains/losses recorded in: 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 off period
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	-	-	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	0	-	-	-	-	-	-	0	-
	0	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**
Financial assets, available for sale									
Shares and participations	1,129	40	-	1,544	-920	-	38	1,831	0
Bonds and other interest-bearing securities	110	181	-20	823	-745	-	-18	331	124
	1,239	**221**	**-20**	**2,367**	**-1,665**	**-**	**20**	**2,162**	**124**
Total financial assets at fair value	**1,239**	**221**	**-20**	**2,367**	**-1,665**	**-**	**20**	**2,162**	**124**

2012 MSEK	Carrying amount Jan 1	Net gains/losses recorded in income-statement	Net gains/losses recorded in 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 off period
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	-	-	-	-	-	-	-	-	-
Bonds and other interest-bearing securities	0	-	-	-	-	-	-	0	-
	0	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**
Financial assets, available for sale									
Shares and participations	1,285	-1	39	3	-143	-	-54	1,129	-1
Bonds and other interest-bearing securities	359	207	-112	1	-341	-	-4	110	158
	1,644	**206**	**-73**	**4**	**-484**	**-**	**-58**	**1,239**	**157**
Total financial assets at fair value	**1,644**	**206**	**-73**	**4**	**-484**	**-**	**-58**	**1,239**	**157**

Financial assets presented in level 3 are included in financial instruments carried at fair value on the balance sheet. At December 31, 2013, the assets presented in level 3 amounted to MSEK 2,162 (1,239). These financial assets are categorized as available for sale, and unrealized market value changes are, therefore, recognized in other comprehensive income.

Table 8 shows the sensitivity of the fair value of level 3 instruments to changes in key assumptions, by category and financial instrument. Given a 1% increase in the yield curve for bonds and other interest-bearing securities as well as preference shares and a 20% decrease in prices for outher equity securities and real estate, the result of the sensitivity analysis shows an unfavorable change in the fair values of the financial instruments in level 3.

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

	2013		2012	
MSEK	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets, designated by If as at fair value through profit or loss				
Shares and participations	-	-	-	-
Bonds and other interest-bearing securities	0	0	0	0
Financial assets, available for sale				
Shares and participations [1]	1,831	-141	1,129	-93
Bonds and other interest-bearing securities [2]	331	-8	110	0
Total financial assets at fair value	**2,162**	**-149**	**1,239**	**-93**

[1] Includes holding in equity funds.

[2] Includes holding in interest bearing funds.

MARKET RISK

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

RISK MANAGEMENT AND CONTROL

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

The Boards of Directors decide on the Investment Policies on an annual basis. The structure of the companies' technical provisions, risk-bearing capacities, regulatory requirements and rating targets is taken into account when deciding limits and when setting return and liquidity targets. The Investment Policies also define mandates and authorizations, and set guidelines on the use of derivatives.

RISK PROFILE

If's investment operations generated a return of 5.0% in 2013. Investment assets amounted to MSEK 103,347. The major market risks comprise interest rate risk, equity risk, currency risk and spread 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 9 **Allocation of investment assets, Dec 31**

	2013		2012	
MSEK	Carrying amount	%	Carrying amount	%
Fixed income	90,975	88,0	88,755	88,3
Equities	11,559	11,2	10,931	10,8
Properties	813	0,8	872	0,9
Total	**103,347**	**100**	**100,558**	**100**

During the year, the proportion of equity investments increased from 10.8% to 11.2%. The proportion of fixed income investments decreased accordingly from 88.3% to 88.0%. Other investment assets amounted to 0.8% at December 31, 2013.

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

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

	2013				2012			
	Interest rate		Equity	Properties	Interest rate		Equity	Properties
MSEK	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	17	-17			14	-14		
Long-term fixed income	1,241	-1,200			1,076	-1,043		
Equity			-2,312				-2,186	
Other financial assets				-163				-174
Liabilities								
Subordinated loans	-120	113			-97	91		
Derivatives, net	174	-161			-75	69		
Total change in fair value	**1,312**	**-1,265**	**-2,312**	**-163**	**918**	**-897**	**-2,186**	**-174**

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 is managed by sensitivity limits for instruments sensitive to interest rate changes.

Since the technical provisions are predominantly stated in nominal terms in the balance sheet, If is mainly exposed to changes in future inflation. 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 in Finland, Sweden and Denmark are discounted and potential changes in the discount rates affect the level of technical provisions in the company's balance sheet.

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 are analyzed in greater detail in Figure 5 and Table 4, in the section concerning reserve risk. The cash flows of financial assets and liabilities are presented by maturities in Table 18, in the section concerning liquidity risks.

RISK PROFILE

The duration of fixed income investments was 1.3 years at year-end 2013 (1.1 years). The duration of fixed income investments is shown in Table 11.

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

	2013			2012		
MSEK	Carring amount	%	Duration	Carring amount	%	Duration
Scandinavian govt/credits	62,440	68,7	1,1	65,921	74,3	1,0
Euro govt/credits	17,754	19,5	2,4	11,297	12,7	1,5
Swedish index-linked bonds	2,215	2,4	2,0	2,232	2,5	3,0
Short-term fixed income	7,730	8,5	0,3	7,582	8,6	0,2
US govt/credits	803	0,9	0,4	1,691	1,9	0,4
Global govt/credits	33	0,0	1,3	32	0,0	0,4
Total	**90,975**	**100**	**1,3**	**88,755**	**100**	**1,1**

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

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

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

RISK PROFILE

At year-end, If's exposure amounted to MSEK 11,559 and the proportion of equities in the investment portfolio was 11.2%.

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

	2013		2012	
	Carring amount	%	Carring amount	%
Machinery	1,824	21.7	1,922	26.0
Households Durables	1,461	17.4	876	11.8
Specialty Retail	1,022	12.2	759	10.3
Telecommunication Services	771	9.2	668	9.0
Construction and Engineering	637	7.6	625	8.4
Electrical Equipment	538	6.4	424	5.7
Commercial Services and Supplies	354	4.2	217	2.9
Health Care	332	4.0	186	2.5
Oil Gas and Consumable Fuels	321	3.8	290	3.9
Others	1,141	13.5	1,443	19.5
Total	**8,401**	**100**	**7,410**	**100**

The sector allocation of equity excludes investments made through mutual equity funds of MSEK 3,158 (3,521).

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

	2013		2012	
	Carring amount	%	Carring amount	%
Scandinavia	8,394	73.8	7,410	69.2
North America	1,063	9.4	978	9.1
Western Europe	993	8.7	1,038	9.7
Far East	707	6.2	861	8.0
Latin America	212	1.9	274	2.6
Japan	-	-	146	1.4
Total	**11,369**	**100**	**10,707**	**100**

The geographical allocation of equity excludes investments made through private equity funds of MSEK 190 (224).

Currency Risk

Currency risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in 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 and by using currency derivatives. The currency exposure in the insurance operations is hedged to the base currency on a frequent basis. The currency exposure in investment assets is controlled weekly and hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size.

In addition, If is also exposed to translation risk. Translation risk refers to currency risk that arises when consolidating the financial statements of foreign operations that have a different base currency than the Parent Company into the Group financial statements. The translation risk is not hedged.

RISK PROFILE

If's currency positions against the base currency and the sensitivity of the valuation to changes in exchange rates are shown in Table 14.

TABLE 14 **Currency risk, Dec 31**

MSEK Currency	EUR	NOK	DKK	LVL	LTL	GBP	USD	JPY	Other
Open position (SEK), 2013	-285	46	-43	-2	-6	1	189	-1	53
10% depreciation of foreign currency against SEK, 2013	28	-5	4	0	1	0	-19	0	-5
10% depreciation of foreign currency against SEK, 2012	-4	-4	20	0	1	1	14	4	-1

Currency positions in the Baltic business area are excluded.

CREDIT RISK

In general, credit risk refers to losses arising from occurred defaults of debtors (issuer risk) or other counterparties (counterparty risk) or from increases in assumed probability of defaults.

In the case of issuer risk, the final loss depends on the investor's holding of the security at the time of default, mitigated by the recovery rate. In most cases, issuer risk has already been fully priced as a lower market value before the event of default has occurred. In essence, credit spread is the market price of credit risk. Therefore, spread risk in If is categorized as a market risk.

If's definition of credit risk is the risk of loss, or of adverse changes in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance undertakings are exposed to in the form of counterparty default risk, spread risk or market risk concentrations.

Credit Risk in Investment Operations

Credit risk in the investment operations can be divided into issuer risk, counterparty risk and spread risk. Issuer risk is often associated with a direct security holding, while counterparty risk is related to derivatives. The essential difference in terms of risk is that in the case of issuer risk, the entire value of the bond is at risk, while in the case of counterparty risk, only the current market value of the derivative contract is at risk.

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.

RISK MANAGEMENT AND CONTROL

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

The development of the portfolios with respect to credit risk shall be monitored at the company level, as well as at the Group level, and be reported to the Investment Control Committee on a regular basis. Credit exposures are reported by ratings, instruments and the industry sectors of issuers and counterparties.

RISK PROFILE

If's most significant credit risk exposures arise from investments in fixed income investments. The exposures are shown by sector, asset class and rating category in Table 15.

TABLE 15 Exposures by sectors, asset classes and rating, Dec 31, 2013

	Fixed income												
MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total [1]	Equities	Properties	Derivatives (Counterparty Risk)	Total [2]	Change compared to 31 dec 2012
Basic Industry				951	741		375	2,067	300			2,367	-915
Capital Goods				227			364	591	3,259			3,850	42
Consumer Products			115	1,913	97		726	2,851	3,022			5,873	-92
Covered Bonds	27,264	1,415						28,679				28,679	-3,933
Energy		57		39	805		3,212	4,113	333			4,446	-651
Financial Institutions	220	8,494	9,750	3,600	1,705		140	23,909	215		8	24,132	-4,925
Governments	3,242	5,259		33				8,534				8,534	8,224
Government Guaranteed	4,672							4,672				4,672	2,709
Health							547	547	26			573	573
Insurance							10	10				10	10
Media							169	169				169	-159
Municipal sector	2,696	567						3,263				3,263	-603
Real Estate		84					3,141	3,225		813		4,038	2,440
Services				42			95	137	29			166	-46
Technology and Electronics					102		161	263	36			299	273
Telecommunications			1,218	286			174	1,678	771			2,449	-209
Transportation		220		497	115		2,004	2,836	78			2,914	338
Utilities			1,558	873			726	3,157				3,157	83
Others								0	332			332	128
Funds							310	310	3,158			3,468	-822
Total	**38,094**	**16,096**	**12,641**	**8,461**	**3,565**	**-**	**12,154**	**91,011**	**11,559**	**813**	**8**	**103,391**	**2,465**
Change compared to Dec 31, 2012	979	6,403	-5,298	-516	-311	-	707	1,964	628	-59	-68	2,465	

[1] Total fixed income exposure differs by MSEK 36 compared to corresponding financial assets and liabilities in Table 5 due to different managing of credit default swaps and that other derivatives are excluded.

[2] Total exposure differs by MSEK 44 compared to corresponding financial assets and liabilities in Table 5 due to different managing of credit default swaps and that other derivatives are excluded except for OTC derivatives where only the counterparty risk is taken into account.

Credit Risk in Insurance 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 Security Policy that sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to determine the creditworthiness of reinsurance companies.

RISK PROFILE

The distribution of reinsurance recoverable is presented in Table 16. In the table, MSEK 1,242 (1,232) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 16 Reinsurance recoverable, Dec 31

MSEK Rating (S&P)	2013	%	2012	%
AAA	-	-	-	-
AA	1,570	60.1	2,275	57.9
A	965	37.0	1,554	39.5
BBB	39	1.5	42	1.1
BB - CCC	0	0	-	-
Not rated	37	1.4	60	1.5
Total	**2,611**	**100**	**3,931**	**100**

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

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

MSEK Rating (S&P)	2013	%	2012	%
AAA	-	-	-	-
AA	343	50.5	300	50.0
A	336	49.5	298	49.8
BBB	0	0.0	1	0.2
BB - CCC	-	-	-	-
Not rated	0	0.0	0	0.0
Total	**679**	**100**	**599**	**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 and in the volatility of market rates.

RISK MANAGEMENT AND CONTROL

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

In the accounts, the majority of the technical provisions are nominal, while a significant portion, namely the annuity and so-called 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 the regulatory discount rates.

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

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

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.

RISK MANAGEMENT AND CONTROL

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

The Cash Management function is responsible for liquidity planning. To identify liquidity risk, expected cash flows from 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 to the IRC.

RISK PROFILE

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

TABLE 18 Maturities of cash flows for financial assets and liabilities and net technical provisions, Dec 31, 2013

	Carrying amount			Cash flows						
MSEK	Carrying amount	Without maturity	With contractual maturity	2014	2015	2016	2017	2018	2019-2028	2029-
Financial assets	114,527	16,576	97,951	35,221	22,743	19,679	11,059	8,640	6,239	4
Financial liabilities	8,419	-	8,419	5,505	1,489	97	97	891	1,147	-
Net technical provisions	80,441	-	80,441	29,287	8,076	5,708	4,552	3,710	20,840	17,360

CONCENTRATION RISK

Concentration risk is all risk concentrations 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 Security Policy, limits are set for maximum exposures towards single issuers and per rating class. Risk concentrations are actively monitored and controlled by the respective committee and reported to the IRC quarterly.

RISK PROFILE

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

The ten largest individual reinsurance recoverable balances amounted to MSEK 2,488, representing 65% of the total reinsurance recoverable. If's largest reinsurer is Munich Re (AA-), which accounts for 22% of the total reinsurance recoverable.

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

TABLE 19 **Concentration of market and credit risks in individual counterparties and asset classes, Dec 31, 2013**

MSEK Fair value	Equity	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank AB	-	4,417	3,086	1,008	-	8,511
Swedbank AB	-	5,662	2,241	74	-	7,977
Svenska Handelsbanken AB	-	5,025	2,103	-	-	7,128
DnB ASA	-	1,652	2,739	0	-	4,391
Skandinaviska Enskilda Banken AB	-	2,151	1,620	94	-	3,865
Danske Bank A/S	-	922	2,055	334	-	3,311
Kingdom of the Netherlands	-	-	3,266	-	-	3,266
Landshypotek AB	-	2,675	123	-	-	2,798
Federal Republic of Germany	-	-	2,736	-	-	2,736
Swedish National Housing Finance Corporation	-	1,801	882	-	-	2,683
Total top ten exposures	**-**	**24,305**	**20,851**	**1,510**	**-**	**46,666**

OPERATIONAL RISK

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

The definition includes legal risk that can be described as the risk of loss due to unpredictable or unknown legal development or uncertain interpretations of regulations.

RISK MANAGEMENT AND CONTROL

Operational risks are identified through different processes:

- Operational Risk Assessment Process (ORA): Self-assessments to identify operational risks are performed by the line organization and corporate functions at least semi-annually, supported by an operational risk coordinator network. Identified risks are assessed from a probability and impact perspective. The control status for each risk is assessed using a traffic light system: Green – good control of risk, Yellow – attention required, Red – attention required immediately. The most severe risks with control status yellow or red are reported to the Operational Risk Committee (ORC).
- Trend analyses are performed on a yearly basis, during which the most important trends affecting the insurance industry are identified and the effects on If are assessed. In this process, the most severe external operational risks are identified.
- Incidents are reported via a web-based system. The reported incidents are forwarded to the line organization where analyses are performed.

The ORC coordinates the operational risk process and ensures its continuity. The committee's task is to provide opinions, advice and recommendations to the IRC and report the current operational risk status. The committee also proposes changes or extensions to policies and instructions.

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

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

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

OTHER RISKS

Compliance Risk

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

RISK MANAGEMENT AND CONTROL

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

A compliance risk is often the consequence of a legal or operational risk. Accordingly, one example of compliance risk is therefore the risk of not abiding by new or amended external rules, a so-called practical risk. Another is the risk of not organizing the Group's business in accordance with good practice in the insurance industry, a so-called structural risk.

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

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

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

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

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

Strategic Risk

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

The Corporate Control and Strategy unit is responsible for coordinating and facilitating strategic risk assessments within the If Group. An understanding of the competitive environment and effects of the macroeconomic climate is central for all parts of the organization. The responsibility to identify strategic risks lies with each business area. The risks are reported to the IRC.

Reputational Risk

A 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 each and every aspect of the companies' performance.

Since operational and other risks may evolve into reputational risks if not handled correctly, the Communication Department continuously works to ensure that all employees are aware of the importance of maintaining a good reputation and understand how to deal with potential reputational risks. One important part of this preventive work is to ensure that information about incidents in the organization that could lead to an increased reputational risk are forwarded to the Communication Department without delay, a so-called early-warning notification.

Emerging Risk

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

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

PREPARATIONS FOR SOLVENCY II

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

The economic risk-based solvency regime aims to deepen the integration of the insurance and reinsurance market, enhance the protection of policyholders and beneficiaries, improve international competitiveness of EU insurers and reinsurers and promote better regulation. As compared to the current regulation, the regulatory capital requirements under Solvency II will more closely reflect the specific risk profile of each company.

A separate program was introduced within If in 2007 to ensure that If is well prepared when the Solvency II regulations enter into force. The program has encompassed a thorough review of If's corporate governance and internal control structure, the risk management system, data capturing as well as development of the internal capital model. The program was finalized in 2012 and responsibilities were transferred to the line organization.

While awaiting the postponed implementation of the Solvency II regulation in the EU, common guidelines have been issued to the local supervisory authorities. The guidelines concern supervision of how the insurance companies prepare for Solvency II regarding the governance system, the forward looking risk assessment, supervisory reporting and pre-application of internal models. If is well prepared in these areas.

If aims to have a partial internal model approved when the Solvency II regulations enter into force.

Notes to the income statement

NOTE 6 Result per business area

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

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

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

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

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

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]	2013 Total	2012 Total
Premiums earned, net of reinsurance	22,336	11,522	3,903	989	-	227	-	38,977	37,973
Allocated investment return transferred from the non-technical account	375	120	44	12	-	9	-	560	772
Other technical income	135	84	20	1	-	5	-	245	286
Claims incurred, net of reinsurance	-16,070	-8,087	-2,943	-589	-	-132	-	-27,821	-27,347
Operating expenses in insurance operations, net of reinsurance	-3,537	-2,125	-629	-285	-	40	-	-6,536	-6,426
Other operating expenses	-121	-81	-19	-	-	-4	-	-225	-260
Technical result from property and casualty insurance	**3,118**	**1,433**	**376**	**128**	**-**	**145**	**-**	**5,200**	**4,998**
Investment result, net					4,940		-1,286	3,654	3,617
Allocated investment return transferred to the technical account						-1,036		-1,036	-1,267
Interest expense on net pension liability						-58		-58	-66
Interest expense, subordinated debt						-151		-151	-174
Share of associates' result						431		431	403
Result before income taxes								**8,040**	**7,511**
Assets on December 31									
Intangible assets	-	162	-	41	-	1,109	-	1,312	1,289
Investment assets	-	-	-	-	103,478	-	-	103,478	100,586
Reinsurers' share of technical provisions	276	638	2,785	19	-	0	-	3,718	4,951
Deferred tax assets	-	-	0	1	-	514	-	515	553
Debtors arising out of insurance operations	7,618	1,814	817	94	-	-31	-	10,312	10,105
Deferred acquisitions costs	783	530	27	27	-	43	-	1,410	1,473
Other assets [3]	-	-	-	-	1,838	2,603	-	4,441	4,465
Total assets	**8,677**	**3,144**	**3,629**	**182**	**105,316**	**4,238**	**-**	**125,186**	**123,422**
Shareholders' equity, provisions and liabilities on December 31									
Shareholders' equity	-	-	-	-	-	25,948	-	25,948	23,264
Subordinated debt	-	-	-	-	-	3,087	-	3,087	2,776
Technical provisions, gross	42,968	24,074	15,828	1,058	-	231	-	84,159	84,569
Provisions for other risks and charges	125	82	14	156	6	5,239	-	5,622	5,558
Deposits received from reinsurers	-	-	-	-	-	-	-	-	-
Creditors arising out of insurance operations	551	307	485	39	-	367	-	1,749	2,168
Other creditors [3]	-	-	-	-	268	4,353	-	4,621	5,087
Total shareholders' equity, provisions and liability	**43,644**	**24,463**	**16,327**	**1,253**	**274**	**39,225**	**-**	**125,186**	**123,422**

1) I 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 relalated to asset management.

OPERATIONS PER GEOGRAPHICAL AREA

Revenues per geographical area, below, are distributed among the countries in which If has companies or branches and, in all significant respects, matches the customers' geographical domicile.

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

	Sweden		Norway		Denmark		Finland		Baltic		Total	
Geographical area segment information	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Premiums earned, net of reinsurance	11,864	11,498	13,978	14,188	3,451	3,384	8,695	7,917	989	986	38,977	37,973
Non-current assets [1]	476	464	192	194	3,101	2,901	984	972	53	95	4,806	4,626

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

BUSINESS AREA PRIVATE

Business trend during the year

The technical result increased compared with the preceding year and amounted to SEK 3,118 M (3,037). The combined ratio improved to 87.8% (88.1), due to increased cost efficiency.

Premium income increased during the year and gross premiums, excluding currency effects, rose by 5.0%. Sweden, Norway and Finland noted healthy growth during 2013, while premium income in Denmark remained unchanged compared with the preceding year. Tryg's Finnish operations have been integrated into If since May and accounted for 1.3 percentage points of the total increase. Sweden and Finland were also positively impacted by the new partnership with Nordea.

The risk ratio was stable at 64.9% (64.9). Weather-related claims due to the spring flood in Norway and storms in the final quarter were largely offset by the mild winter early and late in the year.

Total operating costs in the insurance business, excluding currency effects, increased by 4.5%. The cost ratio improved to 22.9% (23.2), due to increased efficiency.

Markets and the future

Low interest rates and the resulting weaker return on capital have increased the sector's focus on profitability, with price, risk selection and cost efficiency as the key factors. Customer use of the insurance companies' online services continues to grow. Private's Internet sales grew 18% measured in terms of premiums, while the number of online claims reports continued to grow and now accounts for 35% of total claims reports in the business area.

During the year, If entered into cooperation with Nordea in Finland and Sweden, whereby Nordea sells If's products at its bank branches and via its online bank. The acquisition of Tryg's business in Finland was completed during the spring and, on May 1, If assumed responsibility for approximately 155,000 private customers with a market share of about 2%. A number of actions were taken in Sweden to strengthen competitiveness; for example, parts of the organization were adapted and new products launched.

If has entered a phase of extensive IT investments. The aims include even further development of If's digital offering, a strengthening of efficiency, in part through a higher degree of automation, and capitalizing even further on If's Nordic structure, in terms of both costs and an increased transfer of competencies. Work to further enhance the understanding of risks and the ability to set the right price continues. If continues its efforts to enhance customer satisfaction. To date, this work has led to an additional improvement in customer assessment of our claims handling from an already high level.

MSEK **Income statement and insurance-related balance sheet items**	**2013**	**2012**
Premiums earned, net of reinsurance	22,336	21,444
Allocated investment return transferred from the non-technical account	375	479
Other technical income	135	141
Claims incurred, net of reinsurance	-16,070	-15,469
Operating expenses in insurance operations, net of reinsurance	-3,537	-3,433
Other operating expenses	-121	-125
Technical result of property and casualty insurance	**3,118**	**3,037**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	7,607	7,073
Debtors arising out of reinsurance operations	11	25
Debtors arising out of insurance operations	**7,618**	**7,098**
Deferred acquisition costs	783	839
Reinsurers' share of deferred acquisition costs	3	2
Deferred acquisition costs, net	**780**	**837**
Technical provisions, gross	42,968	43,046
Reinsurers' share of technical provisions	276	314
Technical provisions, net	**42,692**	**42,732**
Creditors arising out of direct insurance operations	525	511
Creditors arising out of reinsurance operations	26	39
Creditors arising out of insurance operations	**551**	**550**

BUSINESS AREA COMMERCIAL

Business trend during the year

The technical result was slightly lower than the preceding year and amounted to SEK 1,433 million (1,461), due to low interest-rate environment resulting in a lower investment return. The underwriting result was positively affected by an improved risk ratio. The combined ratio improved to 88.6% (89.0).

Premium income increased during the year and gross premiums, excluding currency effects, rose 1.7%. In Norway and Finland, the positive trend from the preceding year continued. In Sweden, gross premiums were unchanged compared with preceding year and, in Denmark, volumes continued to decrease.

The risk ratio improved to 65.1% (65.5). An increased claims frequency as a result of spring floods and winter storms was offset by milder winter than in the preceding year. The costs for large claims were higher than normal levels, especially in Denmark. In Finland, however, the number of large claims was lower than normal. The result of prior-year claims reserves remained positive.

Total operating costs in the insurance business, excluding currency effects, increased by 2.1%. The cost ratio deteriorated slightly to 23.6% (23.5). Costs are closely monitored with a focus on continued efficiency improvements.

Markets and the future

Profitability in the commercial sector of the insurance industry remained strong during 2013. Low interest rates have led to an increased focus on insurance results and, consequently, on efficiency activities, pricing measures and risk selection.

The market situation was relatively stable during the year, with If reporting healthy premium growth and strong profitability. If's strategic focus on customer satisfaction, business quality and cost efficiency continues.

Significant steps in tool and process development were taken during the year. The strategic IT projects will continue going forward, affecting all operational areas. These efforts are key to If's long-term ambition to deliver market-leading customer service, products and claims handling, as well as to enable smart efficiency measures and further development of business processes.

MSEK **Income statement and insurance-related balance sheet items**	**2013**	**2012**
Premiums earned, net of reinsurance	11,522	11,567
Allocated investment return transferred f rom the non-technical account	120	192
Other technical income	84	108
Claims incurred, net of reinsurance	-8,087	-8,175
Operating expenses in insurance operations, net of reinsurance	-2,125	-2,124
Other operating expenses	-81	-107
Technical result of property and casualty insurance	**1,433**	**1,461**
Intangible assets	**162**	**140**
Debtors arising out of direct insurance operations	1,792	1,859
Debtors arising out of reinsurance operations	22	36
Debtors arising out of insurance operations	**1,814**	**1,895**
Deferred acquisition costs	530	549
Reinsurers' share of deferred acquisition costs	0	1
Deferred acquisition costs, net	**530**	**548**
Technical provisions, gross	24,074	24,544
Reinsurers' share of technical provisions	638	767
Technical provisions, net	**23,436**	**23,777**
Creditors arising out of direct insurance operations	276	263
Creditors arising out of reinsurance operations	31	76
Creditors arising out of insurance operations	**307**	**339**

BUSINESS AREA INDUSTRIAL

Business trend during the year

The technical result increased compared with the preceding year and amounted to SEK 376 M (240) and the combined ratio improved to 91.5% (95.8). Lower claims costs, lower reinsurance costs and reduced operating costs contributed to the improved result.

Gross written premiums decreased during the year, and gross premiums, excluding currency effects, declined by 4.4% due to negative net outflow of both new and old customers. Net premiums written grew by 3.8% due to lower reinsurance premiums.

The risk ratio improved to 70.7% (73.9) and both frequency claims and large claims decreased compared with the preceding year. However, costs for large claims were higher than normal levels, with the exception of Denmark. The result of prior-year claims reserves remained positive, but was lower than in 2012.

Total operating costs in the insurance business, excluding currency effects, declined by 1.7%, due to efficiency improvements and one-off effects. The cost ratio improved to 20.9% (22.0).

Market and the future

If retains its position as the largest player in the Nordic insurance industry, despite stiff competition. The profitability of the sector is relatively healthy.

Best customer service is a specific objective of If. High-quality claims management, leading risk-management services and broad knowledge of the insurance regulatory framework internationally are some examples of Ifs offering or strengths. Profitability remains the focus and numerous agreements were renegotiated during the year.

The industrial segment is becoming more complex, with, for example, an increased focus on coverage for natural disasters and regulatory compliance. This subjects If, as well as brokers and customers, to requirements to understand the complexity of operations and dependencies globally. If will maintain its strong focus on offering excellent quality and service to customers in order to secure a strong position in the market combined-with a satisfactory level of profitability.

MSEK **Income statement and insurance-related balance sheet items**	**2013**	**2012**
Premiums earned, net of reinsurance	3,903	3,834
Allocated investment return transferred from the non-technical account	44	77
Other technical income	20	26
Claims incurred, net of reinsurance	-2,943	-3,012
Operating expenses in insurance operations, net of reinsurance	-629	-663
Other operating expenses	-19	-22
Technical result of property and casualty insurance	**376**	**240**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	450	543
Debtors arising out of reinsurance operations	367	642
Debtors arising out of insurance operations	**817**	**1185**
Deferred acquisition costs	27	27
Reinsurers' share of deferred acquisition costs	23	26
Deferred acquisition costs, net	**4**	**1**
Technical provisions, gross	15,828	15,735
Reinsurer' share of technical provisions	2,785	3,856
Technical provisions, net	**13,043**	**11,879**
Creditors arising out of direct insurance operations	100	70
Creditors arising out of reinsurance operations	385	785
Creditors arising out of insurance operations	**485**	**855**

BUSINESS AREA BALTIC

Business trend during the year

The technical result decreased during the year and amounted to SEK 128 M (145) and the combined ratio deteriorated slightly to 88.4% (87.1), due to higher claims costs.

Premium income increased during the year and gross premiums, excluding currency effects, increased by 1.6%. Latvia showed healthy growth during the year, primarily in health insurance, and Estonia and Lithuania also showed positive growth.

The risk ratio deteriorated and was 56.2% (54.7). Higher costs for large claims early in the year and storm claims in the final quarter were partially offset by lower frequency claims than in 2012. The result of prior-year claims reserves remained positive, but was lower than last year.

Total operating costs in the insurance business, excluding currency effects, increased by 1.6%. The cost ratio improved to 32.3% (32.4).

Market and the future

The overall profitability of the market is mixed, as established players focus on profitability and newly established operators prioritize growth. If showed healthy profitability with some growth in 2013.

Car insurance has been a focus area for If, in addition to continued efforts to strengthen internal efficiency and continue to develop good customer relationships. The cooperation with Nordea has been expanded to cover all Baltic countries.

In 2014, the Baltic insurance markets are expected to grow at about the same rate as in 2013.

MSEK **Income statement and insurance-related balance sheet items**	**2013**	**2012**
Premiums earned, net of reinsurance	989	976
Allocated investment return transferred from the non-technical account	12	18
Other technical income	1	1
Claims incurred, net of reinsurance	-589	-564
Operating expenses in insurance operations, net of reinsurance	-285	-286
Other operating expenses	-	-
Technical result of property and casualty insurance	**128**	**145**
Intangible assets	**41**	**44**
Debtors arising out of direct insurance operations	91	89
Debtors arising out of reinsurance operations	3	2
Debtors arising out of insurance operations	**94**	**91**
Deferred acquisition costs	27	27
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**26**	**26**
Technical provisions, gross	1,058	993
Reinsurers' share of technical provisions	19	14
Technical provisions, net	**1,039**	**979**
Creditors arising out of direct insurance operations	30	28
Creditors arising out of reinsurance operations	9	10
Creditors arising out of insurance operations	**39**	**38**

ASSET MANAGEMENT

The marked-to-market result from asset management operations decreased to MSEK 4,940 (5,975). The investment return was 5.0% (6.1).

The year continued to be marked by a more optimistic view of the debt crisis in several euro countries and positive signs from the U.S. economy but also concern that the historically high growth rates of many of the emerging countries risked slowing down. Overall, this led to stronger stock markets in several markets and continued historically low, albeit slightly rising, interest rates. Taking the low level of interest-rates into account, the year's investment result was clearly satisfactory. The decline compared with 2012 was mainly due to significantly lower earnings for fixed income portfolios, while equity portfolios once again showed strong performance.

Most equity portfolios rose sharply during the year, except for some emerging countries that showed declines. The total return for the aggregated equity portfolio was as much as 25.1%, largely due to a rise of over 50% for Scandinavian small caps. Interest rates on risk-free investments rose slightly during the year, while credit spreads (the difference between the risk-free interest rate and the not risk-free interest rate) declined. Overall, this led to a satisfactory return on fixed income assets of 2.9%.

The total portfolio return, 5.0%, exceeded the corresponding returns for the benchmark. The fixed income portfolio outperformed its benchmark while the equity portfolio was below the corresponding benchmark indices.

The equity weight in the portfolio (including derivative instruments) varied during the year and was at its lowest, at 10.1%, during the second quarter and at its highest, at 11.3%, during the third quarter. The return was relatively stable, with the exception of the second quarter when the portfolio yielded a negative return

The duration of fixed-income assets was 1.3 years (1.1) at year-end.

The return on properties was 6.2%.

At the end of the year, the value of investment assets was MSEK 103,478 (100,586). If's assets are mainly managed by the asset management entity in the Group parent, Sampo.

The risk level in the Estonian company and the life company's portfolios remained low throughout the year.

Other operations

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

The technical result for the year amounted to profit of MSEK 146 (loss: 115).

NOTE 7 Premiums written

MSEK	2013 Gross[1])	2013 Ceded	2013 Net	2012 Gross[1])	2012 Ceded	2012 Net
Premiums written	**41,256**	**-1,800**	**39,456**	**40,895**	**-2,243**	**38,652**

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

	2013	2012
Sweden	12,637	12,387
Rest of EEA	27,782	27,544
Total	**40,419**	**39,931**

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

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

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

	2013	**2012**
Swedish kronor	1.7%	1.9%
Norwegian kroner	1.7%	2.0%
Danish kroner	0.7%	1.1%
Euro	1.0%	1.4%
Lithuanias litas	1.7%	2.5%
Latvian lats	1.7%	2.8%

NOTE 9 Claims incured

MSEK	2013 Gross	2013 Ceded	2013 Net	2012 Gross	2012 Ceded	2012 Net
Claims costs attributable to current-year operations						
Claims paid	-14,862	178	-14,684	-14,748	259	-14,489
Operating expenses for claims adjustment	-2,332	-	-2,332	-2,319	-	-2,319
Change in claims reserve for incurred and reported losses	-6,188	167	-6,021	-7,781	1,449	-6,332
Change in claims reserve for incurred but not reported losses (IBNR)	-5,478	114	-5,364	-5,414	110	-5,304
Change in provision for annuities	-62	-	-62	-78	-	-78
Claims-adjustment costs	-37	-	-37	15	-	15
Claims costs attributable to prior-year operations						
Claims paid	-11,020	1,431	-9,589	-11,674	1,206	-10,468
Annuities	-668	0	-668	-912	0	-912
Claims portfolios	-	-	-	-2	3	1
Change in claims reserve for incurred and reported losses	7,914	-1,212	6,702	8,161	-874	7,287
Change in claims reserve for incurred but not reported losses (IBNR)	4,392	-158	4,234	5,634	-382	5,252
Total insurance claims	**-28,341**	**520**	**-27,821**	**-29,118**	**1,771**	**-27,347**

MSEK	2013 Gross	2013 Ceded	2013 Net	2012 Gross	2012 Ceded	2012 Net
Paid insurance claims						
Claims paid	-25,862	1,609	-24,253	-26,422	1,465	-24,957
Annuities paid	-1,137	-	-1,137	-1,107	-	-1,107
Claims portfolio	-	-	0	-2	3	1
Operating expenses for claims adjustment	-2,332	-	-2,332	-2,319	-	-2,319
	-29,331	**1,609**	**-27,722**	**-29,850**	**1,468**	**-28,382**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	1,726	-1,045	681	380	575	955
Change in claims reserve for incurred but not reported losses (IBNR)	-1,086	-44	-1,130	220	-272	-52
Change in claims provision for annuities	387	0	387	117	0	117
Claims-adjustment costs	-37	-	-37	15	-	15
	990	**-1,089**	**-99**	**732**	**303**	**1,035**
Total claims incurred	**-28,341**	**520**	**-27,821**	**-29,118**	**1,771**	**-27,347**

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 approximately MSEK 2,507 (2,476). The non-discounted value was MSEK 4,014 (4,401). The currency effect on the discounted reserves was an increase of MSEK 82. The effect due to acquired business was an increase of MSEK 80 and real decrease amounted to MSEK 130. The real decrease is partly explained by model adjustments for Motor Third Party liability insurance and Workers' Compensation insurance.

NOTE 10 Operating expenses

MSEK,3	2013	2012
Specification of income statement item operating expenses		
External acquisition costs [1)]	-1,559	-1,601
Internal acquisition costs	-2,983	-2,997
Change in deferred acquisition costs, gross	-26	88
Administrative expenses, insurance	-2,124	-2,085
Total operating expenses in property and casualty insurance, gross	**-6,692**	**-6,595**
Reinsurance commission and profit participation in ceded reinsurance	153	167
Change in deferred acquisition costs, ceded	3	2
Total reinsurance commission and profit participation in ceded reinsurance	**156**	**169**
Other operating expenses	-225	-260
Total	**-6,761**	**-6,686**
1) Of which, provisions in direct insurance	-1,502	-1,545
Summary of total operating expenses		
Salaries and remuneration	-3,568	-3,449
Social costs	-682	-639
Pension costs	-576	-377
Other personnel costs	-184	-206
Total personnel costs	**-5,010**	**-4,671**
Premises costs	-453	-452
Depreciation/amorization	-92	-82
External acquisition costs	-1,559	-1,601
Other administrative costs	-2,237	-2,553
Total	**-9,351**	**-9,359**

MSEK	2013	2012
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in Claims paid	-2,332	-2,318
External and internal acquisition costs included in Operating expenses in insurance operations	-4,542	-4,598
Joint administrative costs for insurance operations included in Operating expenses in insurance operations	-2,124	-2,085
Administrative costs pertaining to other technical operations included in Other operating expenses	-225	-260
Asset-management costs included in Investment costs	-128	-98
Total	**-9,351**	**-9,359**

NOTE 11 Average number of employees

	2013 Average number of employees	Of whom women %	2012 Average number of employees	Of whom women %
Parent Company				
Sweden	1	0	1	0
Total in Parent Company	**1**	**0**	**1**	**0**
Subsidiaries				
Sweden [1]	1,803	49	1,815	49
Denmark	537	48	555	49
Estonia	300	76	291	74
Finland	1,799	63	1,724	63
France	6	34	6	33
Latvia	152	64	137	66
Lithuania	140	62	140	61
Netherlands	5	62	4	75
Norway	1,462	48	1,492	48
Russia	20	47	45	58
United Kingdom	6	53	8	50
Germany	6	51	7	57
Total in subsidiaries	**6,236**	**55**	**6,224**	**55**
Group total	**6,237**	**55**	**6,225**	**55**

[1] Agents are not included. If has 83 (76) spare-time agents in Sweden.

Percentage of women in executive management	Parent Company 2013	2012	Group total 2013	2012
Board of Directors	0%	0%	7%	13%
Other senior executives	0%	0%	9%	10%

NOTE 12 Salaries and remuneration for senior executives and other employees

MSEK **Provision expensed salaries, remuneration, pension and social security fees**	2013 Salaries and remuneration	Pension costs	Social fees	2012 Salaries and remuneration	Pension costs	Social fees
Parent Company	27	2	6	21	2	4
Subsidiaries	3,541	574	676	3,428	484	648
Group total	**3,568**	**576**	**682**	**3,449**	**486**	**652**

MSEK **Provision expensed salaries and remuneration**	2013 Senior executives [1]	Of which incentive programs and other variable compensation [2]	Other employees	2012 Senior executives [1]	Of which incentive programs and other variable compensation [2]	Other employees
Parent Company	27	20	-	21	15	-
Subsidiaries and branches in Sweden	81	66	967	56	42	942
Subsidiaries and branches outside Sweden	72	52	2,421	56	36	2,374
Group total	**180**	**138**	**3,388**	**133**	**93**	**3,316**

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

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

PRINCIPLES FOR DETERMINING REMUNERATION OF SENIOR EXECUTIVES

Director fees are not paid to board members employed in If or other companies within the Sampo Group. Remuneration of the CEO and other members of Group Management consist of a basic salary, a yearly variable compensation, shares in multiyear incentive programs, pensions and other benefits. The maximum yearly variable compensation payable to the CEO is 75 % of the basic salary. The maximum yearly variable compensation payable to other members of Group Management is 50-75 % of the basic salary. The yearly variable compensation is based on the If Group results, unit results and individual results. For senior executives who are members of the Sampo Group Executive Committee, the yearly variable compensation is also based on Sampo Group results. The majorities of payments from variable compensation programs granted from 2010 and onwards are deferred for at least three years. Thereafter, the Board shall evaluate and risk adjust the deferred compensation before any payment is made.

KSEK Remuneration paid and otherbenefits during the year	Basic salary	Variable payments	Payment pertaining to incentive programs [1]	Other benefits	Pension cost	Total
Chairman of the Board	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO	5,820	1,407	10,519	216	2,210	20,172
Deputy CEO	3,531	869	8,265	258	1,360	14,283
Other members of Group Management (9 individuals)	20,089	3,956	52,688	1,481	6,086	84,300
Total	**29,440**	**6,232**	**71,472**	**1,955**	**9,656**	**118,755**

[1] For more information, refer to Long-term incentive programs below.

KSEK Provisions expensed during the year for disbursement during future years	Variable compensation	Incentive programs	Total
Chairman of the Board	-	-	-
Other Members of the Board	-	-	-
President/CEO	3,506	6,357	9,863
Deputy CEO	2,167	4,115	6,282
Other members of Group Management (9 individuals)	8,816	29,621	38,437
Total	**14,489**	**40,093**	**54,582**

PENSIONS AND SEVERANCE PAY

Alongside statutory retirement pension benefits, the Swedish and Norwegian members of Group Management are covered by local occupational retirement pension plans. Swedish members are entitled to temporary or lifetime defined contribution pension. The premium corresponds to 38 % of the fixed annual salary and the age of retirement is 60. Norwegian members are covered by both a defined benefit pension and a pension according to the company's allocation pension scheme. From age 67 the pension benefit corresponds on full vesting to 70 % of the pensionable salary up to 12 G (G = National Insurance basic amount) together with estimated statutory retirement pension benefits. The Norwegian pension legislation allows for a flexible retirement age between 62 and 75. For pensionable salary exceeding 12 G the Norwegian members are covered by a temporary pension between age 67 and 82 according to the company's allocation pension scheme where the annual allocation is 24 %.

No retirement pension is paid to the Finnish member besides statutory earnings-based retirement pension. The Finnish pension legislation allows a flexible age of retirement between 63 and 68.

In the event of early termination of employment by the company, the CEO will be entitled to salary during a 12-month period of notice and severance pay amounting to 24 months' salary.

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

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LONG-TERM INCENTIVE PROGRAMS

A number of senior executives at If are covered by incentive programs issued by the Sampo Group. In August 2009 and September 2011 programs covering a little more than 70 employees each were issued. In September 2012 an allocation of remaining units from the 2011 program was made. These incentive programs are multiyear variable compensation programs. The outcome of the programs is determined by Sampo's share-price trend over a period of approximately three years starting from the issue of the respective program. Each participant in the respective programs is issued a number of incentive units, each of which carries entitlement to a payment that is equal to the value appreciation of the Sampo share from one of three specified payment dates. The programs are subject to both thresholds, which mean that no variable compensation is paid unless the company achieves a significant degree of profitability, and ceilings that maximize the size of the payment. During 2013 the last payment was made from the program that was issued in 2009 and the program was thereby terminated.

KSEK

Outstanding units and values	Number of units	Maximum amount	Reserved amount
President/CEO	210,000	32,650	16,823
Deputy CEO	165,000	25,654	11,746
Other members of Group Management (9 individuals)	1,010,000	157,032	80,911
Others covered by the incentive programs	1,079,000	166,205	83,985
Total	**2,464,000**	**381,541**	**193,465**

NOTE 13 Auditors' fees

MSEK	2013	2012
Audit fees		
Ernst & Young	16	16
Other	-	1
Total auditors' fees	**16**	**17**
Audit fees outside assignment		
Ernst & Young	0	1
Total auditors' fees outside assignment	**0**	**1**
Tax consultancy fees		
Ernst & Young	1	1
Total tax consultancy fees	**1**	**1**
Other consultancy fees		
Ernst & Young	1	1
Total other consultancy fees	**1**	**1**

NOTE 14 Performance analysis per class of insurance

2013 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	6,675	5,957	11,540	1,283	11,827	1,870	22
Premiums earned, gross	6,553	6,011	11,314	1,270	11,762	1,823	20
Claims incurred, gross	-4,842	-4,398	-7,941	-808	-8,361	-912	-9
Operating expenses, gross [1]	-1,171	-1,247	-1,688	-222	-1,794	-272	-2
Profit/loss from ceded reinsurance	-20	-15	-18	-88	-703	-279	0
Technical result before investment income transferred from the non-technical account	**520**	**351**	**1,667**	**152**	**904**	**360**	**9**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	345	-	972	40,491	815	-50	41,256
Premiums earned, gross	336	-	980	40,069	842	-50	40,861
Claims incurred, gross	-222	-	-416	-27,909	-484	52	-28,341
Operating expenses, gross [1]	-58	-	-125	-6,579	-206	113	-6,672
Profit/loss from ceded reinsurance	0	-	-121	-1,244	-15	51	-1,208
Technical result before investment income transferred from the non-technical account	**56**	**-**	**318**	**4,337**	**137**	**166**	**4,640**
Investment income transferred from the non-technical account							**560**
Technical result of insurance operations							**5,200**

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

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	300	-	1,019	40,003	947	-55	40 895
Premiums earned, gross	294	-	1,008	39,331	927	-53	40 205
Claims incurred, gross	-213	-	-1,477	-28,286	-871	39	-29 118
Operating expenses, gross [1]	-53	-	-89	-6,457	-224	112	-6 569
Profit/loss from ceded reinsurance	0	-	858	-399	56	51	-292
Technical result before investment income transferred from the non-technical account	**28**	**-**	**300**	**4,189**	**-112**	**149**	**4,226**
Investment income transferred from the non-technical account							**772**
Technical result of insurance operations							**4,998**

[1] The item Operating expenses, gross includes other technical income of MSEK 245 (286) and other technical expense of MSEK -225 (-260).

NOTE 15 Investment result

MSEK	Direct income 2013	Direct income 2012	Value changes 2013	Value changes 2012	Total 2013	Total 2012
Financial assets, mandatory at fair value through profit or loss (Trading)						
Derivatives	-112	-128	42	32	-70	-96
Financial assets, designated by If as at fair value throug profit or loss						
Properties	4	5	-7	3	-3	8
Interest-bearing securities	23	51	-1	32	22	83
Shares	-	-	-	-	-	-
Financial assets, available for sale						
Interest bearing securities						
Interest income	2,747	3,298	-	-	2,747	3,298
Realized gains and losses	-	-	110	91	110	91
Impairment losses	-	-	-2	29	-2	29
Shares						
Dividends	321	349	-	-	321	349
Realized gains and losses	-	-	544	108	544	108
Impairment losses	-	-	-38	-235	-38	-235
Loans and receivables						
Interest income	124	81	-	-	124	81
Total from financial assets	**3,107**	**3,657**	**648**	**60**	**3,755**	**3,717**
Other assets						
Interest income	45	47	-	-	45	47
Currency result	-	-	29	-11	29	-11
Investment income	**3,152**	**3,704**	**677**	**49**	**3,829**	**3,753**
Investment costs						
Allocated operating expenses					-126	-97
Other financial expenses					-49	-39
Investment result					**3,654**	**3,617**

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

MSEK **Reconcilation of financial assets available for sale**	**2013**	**2012**
Opening balance, financial assets available for sale	4,027	1,680
Changes in value during the year	1,846	2,116
Recognized in income statement	-560	242
Translation difference	29	-11
Closing balance, financial assets available for sale	**5,342**	**4,027**
Net change, financial assets available for sale	1,315	2,347

Return on investment assets [1]	Fair value Dec 31, 2013 MSEK	%	Fair value Dec 31, 2012 MSEK	%	Return 2013 MSEK	%	Return 2012 MSEK	%
Interest-bearing securities	90,975	88	88,755	88	2,522	2.9	4,664	5.3
Shares	11,559	11	10,931	11	2,499	25.1	1,469	14.7
Currency (active positions)	-1	0	4	0	65	-	-9	-
Currency (other) [2]	-137	0	82	0	-36	-	-2	-
Properties	813	1	872	1	50	6.2	51	6.0
Other	9	0	12	0	-160	-	-198	-
Total investment assets excl. associated companies	**103,218**	**100**	**100,656**	**100**	**4,940**	**5.0**	**5,975**	**6.1**

[1] The table above has the same format and is based on the same calculation methods as those used internally by If for the valuation of investment operations. The valuation does not include associated companies. The return on active investments has been calculated using a daily time-weighted calculation method. Properties and Other have been calculated using a monthly time-weighted calculation method. The investment operations' bank balances are reported above as part of interest-bearing securities. Derivatives and securities settlement claims/liabilities have been reported under the relevant asset category above. The return on investment assets according to the comprehensive income statement amounts to MSEK 4,940 in 2013.

[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.

NOTE 16 Interest expense subordinated debt

MSEK Interest expense	Interest rate	2013	2012
Subordinated loan, issued in 2002	8.98%	-8	-50
Subordinated loan, issued in 2005	4.94%	-66	-66
Subordinated loan, issued in 2011	6.00%	-58	-58
Subordinated loan, issued in 2013	4.70%	-19	-
Total		**-151**	**-174**

NOTE 17 Share of associates' result

MSEK	2013	2012
Topdanmark A/S		
Share of result	504	507
Amortization of customer relations	-94	-95
Change in deferred tax	39	24
Net	**449**	**436**
Other associates	-18	-33
Total	**431**	**403**

NOTE 18 Taxes

MSEK	2013	2012
Current tax	-1,692	-1,777
Deferred tax	124	149
Total tax in the income statement	**-1,568**	**-1,628**
Specification of current taxes		
Swedish entities	-293	-417
Non-Swedish entities	-1,394	-1,378
Current taxes pertaining to prior years	-5	18
Total current tax	**-1,692**	**-1,777**

For specification of deferred tax, see Note 33.

Specification of taxes related to other comprehensive income		
Related to remeasurements of net pension liability	63	-117
Related to financial assets, avaliable-for-sale	-247	-585
Other	-26	31
Total current and deferred tax	**-210**	**-671**

MSEK	2013	2012
Difference between reported tax and tax based on current Swedish tax rate:		
Profit before taxes	8,040	7,511
Tax according to current tax rate, 22% (26.3)	-1,769	-1,975
Currency related tax effects	0	0
Permanent differences, net	2	-15
Share of associates' result after tax	95	106
Prior-year adjustments	-2	2
Reassessments of deferred tax assets/liabilities	0	85
Tax on eliminated internal sale	-41	-
Different tax rates in foreign units	-35	36
Changes in tax rates	182	133
Reported tax in the income statement	**-1,568**	**-1,628**

Notes to the balance sheet

NOTE 19 Intangible assets

MSEK	Consolidated goodwill 2013	Consolidated goodwill 2012	Other goodwill 2013	Other goodwill 2012	Other intangible assets 2013	Other intangible assets 2012
Accumulated acquisition value, opening balance	**715**	**866**	**394**	**394**	**230**	**195**
Investments	-	-	-	-	56	54
Sales and scrappage	-	-	-	-	-6	-5
Disposed companies	-	-151	-	-	-	-12
Translation differences	-	0	-	-	-3	-2
Closing accumulated acquisition value	**715**	**715**	**394**	**394**	**277**	**230**
Opening accumulated amortization and impairments	**-**	**-151**	**-**	**-**	**-50**	**-47**
Sales and scrappage	-	-	-	-	6	5
Disposed companies	-	151	-	-	-	4
Amortization and impairments during the year	-	-	-	-	-27	-14
Translation differences	-	0	-	-	-3	2
Closing accumulated amortization and impairments	**-**	**-**	**-**	**-**	**-74**	**-50**
Closing planned residual value	**715**	**715**	**394**	**394**	**203**	**180**

Consolidated goodwill MSEK 715 pertains to the goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations. To ensure that this item is not booked at an excessive carrying amount, an impairment test was conducted to determine the item's recoverable amount in December 2013. 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 2014-2016. For subsequent years, the calculationis based on normalized earnings, with a combined ratio established at 95%.

In the calculation, the following parameters were used:

Long-term premium growth	2.0%
Return on investment assets	3.2%
Discount interest rate (CAPM)	7.0%

Other goodwill, MSEK 394, pertains to the portfolio goodwill attributable to the acquisition of Volvia's motor insurance operations in 2001. To ascertain the carrying amount of this item, an impairment test was conducted to determine the item's recoverable amount in December 2013. The calculation was based on financial plans for the years 2014-2015 and the earnings from the portfolio did not reveal any need for impairment of the carrying amount of this goodwill item.

Other intangible assets include capitalized costs for the development of various insurance systems. During 2013, MSEK 56 (54) was capitalized. Amortization according to plan amounted to MSEK 27 (14).

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	186	5,880	31,630	41.9%	3.1%
Industrial properties and warehouses	3	1,099	2,890	0.0%	0.0%
Other properties	20	14,931	1,351	5.7%	-3.7%
Total	**209**	**5,836**	**35,871**	**37.2%**	**2.4%**
Preceding year	257	5,892	43,671	29.4%	2.8%

MSEK Geographical distribution, carrying amount	2013	2012
Finland	200	198
Estonia	6	49
Norway	3	4
Sweden	-	6
Total	**209**	**257**

MSEK	2013	2012
Carrying amount, opening balance	**257**	**266**
Supplementary capitalizations	1	-
Sales and scrappage	-51	-2
Net changes in current value	-6	2
Translation differences	8	-9
Carrying amount, closing balance	**209**	**257**

MSEK	2013	2012
Rental income during the fiscal year	**24**	**27**
Costs pertaining to land and buildings		
Operating expenses pertaining to premises that generated income during the fiscal year	13	17
Operating expenses pertaining to premises that did not generate income during the fiscal year	7	7

Future rental income from land and buildings

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

NOTE 21 Investments in associated companies

MSEK	Country	Number of shares	Holding, %	Assets	Liabilities	Net Sales	Profit/ loss	Carrying amount 2013	2012
Consulting AB Lennermark & Andersson	Sweden	1,209	22,0	99	53	147	12	13	9
Topdanmark A/S	Denmark	31,476,920	28,0	70,695	64,477	10,270	1,445	3,048	2,854
Autovahinkokeskus Oy	Finland	2,559	35,5	77	11	79	4	23	23
Urzus Group AS	Norway	142,648	28,6	93	89	68	-36	16	27
Watercircles Skandinavia AS	Norway	81,864	39,6	64	90	51	-34	32	18
Svithun Assuranse AS	Norway	33	33,0	8	7	15	3	11	11
Total								**3,143**	**2,942**

As of December 31, 2013, the carrying amount of investments in associates included goodwill MSEK 1,091 (1,040), including goodwill from Topdanmark A/S aquisition MSEK 1 004 (973).

As of December 31, 2013, the market value for the Topdanmark holding amounts to MSEK 5,338. Presented value of the company's assets and liabilities refers to September 30, 2013 (latest available public information). Net sales and profit refers to the period January 1, 2013, to September 30, 2013.

The other holdings are not publically quoted and stated amounts of the companies' assets and liabilities as well as net sales and profit/loss refer to latest available public information (december 2012).

Changes during the year

MSEK	Topdanmark A/S	Other associates'	Total
Opening balance	**2,854**	**88**	**2,942**
Investments	-	27	27
Share of associates' result [1)]	449	-18	431
Dividends from associated companies	-	-3	-3
Effects of exchange rates, foreign associates	100	1	101
Share of associates' other changes in equity	-355	-	-355
Closing balance	**3,048**	**95**	**3,143**

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

NOTE 22 Other financial investment assets

MSEK	Acquisition value 2013	Acquisition value 2012	Fair value 2013	Fair value 2012	Carrying amount 2013	Carrying amount 2012
Financial assets, mandatory at fair value through profit or loss (trading)						
Derivatives (Note 23)	0	0	44	421	44	421
Financial assets, designated by If as atfair value through profit or loss						
Shares and participations	-	-	-	-	-	-
Bonds and other interest-bearing securities	5	172	0	167	0	167
Financial assets available for sale						
Shares and participations	11,473	12,083	13,141	11,773	13,141	11,773
Bonds and other interest-bearing securities	83,062	81,471	84,434	83,033	84,434	83,033
Total financial assets, at fair value	**94,540**	**93,726**	**97,619**	**95,394**	**97,619**	**95,394**
Loans and receivables						
Deposits with credit institutions	289	1,247			289	1,247
Other loans	2,174	715			2,174	715
Total	**97,003**	**95,687**			**100,082**	**97,356**

MSEK **Bonds and other interest-bearing securities**	Nominal value		Fair value		Carrying amount	
Swedish government	463	0%	498	0%	498	0%
Swedish municipal sector	4,385	5%	4,425	5%	4,425	5%
Swedish mortgage companies	15,511	19%	15,943	19%	15,943	19%
Swedish finance companies	12,348	15%	12,664	15%	12,664	15%
Other Swedish companies	4,767	6%	5,202	6%	5,202	6%
Foreign governments	9871	12%	9,909	12%	9,909	12%
Foreign municipal sector	1510	2%	1,561	2%	1,561	2%
Foreign finance companies	20,763	25%	20,910	25%	20,910	25%
Other foreign companies	13,187	16%	13,322	16%	13,322	16%
Total	**82,805**	**100%**	**84,434**	**100%**	**84,434**	**100%**

Years to maturity [1]	<1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-15	15-30	**Total**
Fair value %	26	25	21	12	9	3	2	1	0	1	0	0	100

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

MSEK **Investments by currency, carrying amount**	SEK	NOK	DKK	EUR	GBP	USD	RUB	Total
Land and buildings	-	3	-	206	-	-	-	**209**
Associated companies	3,120	35	-	23	-	-	-	**3,178**
Shares and participations	8,761	1,212	81	1,268	-	1,819	-	**13,141**
Bonds and other interest-bearing securities	36,322	19,268	10	25,809	-	2,992	33	**84,434**
Other loans	1,638	157	-	379	0	-	-	**2,174**
Deposits with credit institutions	-	-	-	238	-	-	51	**289**
Derivatives	31	1	-	12	-	-	-	**44**
Deposits with ceding undertakings	-	9	-	-	-	-	-	**9**
Total	**49,872**	**20,685**	**91**	**27,935**	**0**	**4,811**	**84**	**103,478**
Share	**48%**	**20%**	**0%**	**27%**	**0%**	**5%**	**0%**	**100%**

NOTE 23 Derivatives

MSEK EQUITY DERIVATIVES	2013 Fair value	2013 Carrying amount	2013 Nominal amount	2012 Fair value	2012 Carrying amount	2012 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet	-	-	-	-	-	-
FIXED INCOME DERIVATIVES						
Contracts with a positive value recognized in balance sheet						
Futures	8	8	354	18	18	600
Swaps	-	-	-	1	1	300
Total	**8**	**8**	**354**	**19**	**19**	**900**
Of which, cleared	*8*	*8*	*354*	*18*	*18*	*600*
Contracts with a negative value recognized in balance sheet						
Futures	8	8	400	-	-	-
Swaps	35	35	10,321	11	11	129
Total	**43**	**43**	**10,721**	**11**	**11**	**129**
Of which, cleared	*8*	*8*	*400*	-	-	-
CURRENCY DERIVATIVES						
Contracts with a positive value recognized in balance sheet						
Options	0	0	370	4	4	453
Futures	36	36	6,564	398	398	42,644
Total	**36**	**36**	**6,934**	**402**	**402**	**43,097**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	-	-	-
Futures	174	174	12,458	316	316	45,109
Total	**174**	**174**	**12,458**	**316**	**316**	**45,109**
Of which, cleared	-	-	-	-	-	-
Total positive values	44	44		421	421	
Total negative values	217	217		327	327	

Derivatives subject to offsetting, enforcable master netting arrangement or similar agreements

MSEK ASSETS	Gross amount of recognised assets	Gross amounts of recognised liabilities offset against assets	Net amount presented in the balance sheet	Related amounts not offset in the balance sheetl [1] Financial instruments	Related amounts not offset in the balance sheetl [1] Cash collateral received	Net amount
2013	44	-	44	-8	-	36
2012	421	-	421	-18	-	403

MSEK LIABILITIES	Gross amount of recognised liabilities	Gross amounts of recognised assets offset against liabilities	Net amount presented in the balance sheet	Related amounts not offset in the balance sheet [1] Financial instruments	Related amounts not offset in the balance sheet [1] Cash collateral pledged	Net amount
2013	217	-	217	-8	-	209
2012	327	-	327	-	-	327

[1] Subject to a legally binding agreement of offsetting, enforcable master netting arrangement or similar agreements. Offsetting take place in case of the counterparty's bancruptcy but not in running business.

NOTE 24 Reinsurers' share of technical provisions

MSEK CHANGE DURING THE YEAR	2013 Provision for unearned premiums and unexpired risks	2013 Provision for claims outstanding	2012 Provision for unearned premiums and unexpired risks	2012 Provision for claims outstandingr
Opening balance	**468**	**4,483**	**469**	**4,240**
Increased/decreased provisions related to acquired/sold business	-	3	-	0
Translation differences	-2	-61	-12	-60
Change in provision	-84	-1,089	11	303
Closing balance	**382**	**3,336**	**468**	**4,483**

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

NOTE 25 Debtors arising out of direct insurance

MSEK	2013	2012
Receivables from policyholders	10,229	9,697
Receivables from insurance brokers	22	20
Receivables from insurance companies	28	26
Bad-debt provision	-365	-318
Total [1]	**9,914**	**9,425**

1) Of which, nothing is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	9,735	544	10,279
Of which, provision	-20	-345	-365
Total	**9,715**	**199**	**9,914**

MSEK Specification of change in bad-debt provisions	2013	2012
Opening balance [1]	**-318**	**-319**
Individual provisions utilized during the fiscal year	17	16
Individual unutilized provisions reversed during the fiscal year	7	8
Individual provisions posted during the fiscal year	-22	-19
Change in standard computation based provision during the fiscal year	-57	-7
Translation difference	8	3
Closing balance [2]	**-365**	**-318**

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

2) Of which, MSEK -10 (-11) is individual provisions.

NOTE 26 Debtors arising out of reinsurance

MSEK	2013	2012
Receivables from reinsurers	490	746
Bad-debt provisions	-92	-66
Total [1]	**398**	**680**

1) Of which, nothing is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	362	128	490
Of which, provision	-1	-91	-92
Total	**361**	**37**	**398**

MSEK Specification of change in bad-debt provisions	2013	2012
Opening balance [1]	**-66**	**-53**
Individual provisions utilized during the fiscal year	12	0
Individual unutilized provisions reversed during the fiscal year	-36	2
Individual provisions recohnized during the fiscal year	-2	-18
Change in standard computation based during the fiscal year	1	2
Translation difference	-1	1
Closing balance [2]	**-92**	**-66**

1) Of which, MSEK -66 (-52) is individual provisions.

2) Of which, MSEK -92 (-67) is individual provisions.

NOTE 27 Other debtors

MSEK	2013	2012
Debtor, patient-insurance pool for the public sector	614	478
Bad-debt provisions	-3	0
Other debtors	87	81
Total [1]	**698**	**559**

1) Of which, MSEK 627 (470) is expected to be received later than 12 months.

NOTE 28 Tangible assets

MSEK	Office equipment 2013	Office equipment 2012	Computer equipment 2013	Computer equipment 2012	Motor vehicles 2013	Motor vehicles 2012	Other fixed assets 2013	Other fixed assets 2012
Opening accumulated acquisition value	**504**	**519**	**185**	**202**	**72**	**73**	**13**	**14**
Investments	26	15	30	40	17	25	6	0
Sales and scrappage	-193	-23	-49	-51	-22	-25	-4	-1
Disposed companies	-	-2	-	-4	-	0	-	-
Reclassifications	5	-	-5	-	0	-	-	-
Translation differences	-13	-5	-2	-2	1	-1	0	0
Closing accumulated acquisition value	**329**	**504**	**159**	**185**	**68**	**72**	**15**	**13**
Opening accumulated depreciation	**-467**	**-469**	**-135**	**-164**	**-27**	**-28**	**-7**	**-7**
Sales and scrappage	192	23	49	52	14	15	3	1
Reclassifications	-1	-	1	-	0	-	-	-
Disposed companies	-	1	-	2	-	0	-	-
Depreciation during the year	-21	-27	-30	-26	-13	-14	-1	-1
Translation differences	13	5	1	1	0	0	0	0
Closing accumulated depreciation	**-284**	**-467**	**-114**	**-135**	**-26**	**-27**	**-5**	**-7**
Closing planned residual value	**45**	**37**	**45**	**50**	**42**	**45**	**10**	**6**

MSEK Operational leasing agreements (lessee) Due dates	Total future minimum lease payments 2013	Total future minimum lease payments 2012
< 1 year	286	308
1–5 years	878	941
> 5 years	688	865
Total	**1,852**	**2,114**
Total lease payments during the period	**316**	**385**
Of which, minimum lease payments	*217*	*383*
Of which, contingent rents	*99*	*2*

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

MSEK Operational leasing agreements (lessor) Due dates	Total future minimum lease payments 2013	Total future minimum lease payments 2012
< 1 year	10	13
1–5 years	5	10
> 5 years	0	0
Total	**15**	**23**
Total lease payments during the period	**23**	**27**
Of which, minimum lease payments	*19*	*21*
Of which, contingent rents	*4*	*6*

Operational leasing where If acts as lessor pertains to income from the leasing out of premises. The carrying amount of leased-out land and buildings is MSEK 193 (205).

NOTE 29 Deferred acquisition costs

MSEK	2013	2012
Opening balance	**1,473**	**1,395**
Net change during the year	-15	88
Translation difference	-48	-10
Closing balance	**1,410**	**1,473**

Acquisition expenditure during the year amounted to MSEK 4,542 (4,598). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

NOTE 30 Other deferred costs and accrued income

MSEK	2013	2012
Accrued income	291	255
Deferred costs	176	155
Total	**467**	**410**

NOTE 31 Subordinated debt

MSEK	Original nominal value	Maturity	Interest rate	2013	2012
Subordinated loan, issued in 2002	MEUR 65	20 years	8.98%	-	558
Subordinated loan, issued in 2005	MEUR 150	Perpetual	4.94%	1,326	1,283
Subordinated loan, issued in 2011	MEUR 110	30 years	6.00%	966	935
Subordinated loan, issued in 2013	MEUR 90	Perpetual	4.70%	795	-
Total				**3,087**	**2,776**

The loan issued in 2002 was was repaid in April 2013.

The loans issued 2005 and 2011 are issued with fixed interest rate terms for the first ten years. After that period, they become subject to variable interest rates but they also include terms stating the right of redemption at this point in time.

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

A new loan was issued in June 2013. The loan is issued with fixed interest rate terms for the first five and a half years. After that period, it becomes subject to variable interest rates but it also include terms stating the right of redemption at this point in time.

All of the notes in the loan issued 2011 and 2013 were placed with Sampo Abp.

All loans and loan terms are approved by supervisory authorities to be utilized for solvency purposes.

NOTE 32 Technical provisions, gross

MSEK CHANGES DURING THE YEAR	2013 Provision for unearned premiums and unexpired risks	2013 Provisions for claims outstanding	2012 Provision for unearned premiums and unexpired risks	2012 Provisions for claims outstanding
Opening balance	**18,083**	**66,486**	**17,570**	**67,515**
Increased/decreased provisions related to acquired/sold business	333	530	0	-5
Unwinding of discounted annuities	-	476	-	495
Change in provision	395	-990	690	-732
Translation differences	-519	-635	-177	-787
Closing balance	**18,292**	**65,867**	**18,083**	**66,486**

MSEK TECHNICAL PROVISIONS AND REINSURERS' SHARE	2013	2012
Technical provisions, gross		
Unearned premiums and unexpired risks	18,292	18,083
Provision for incurred and reported claims	15,679	17,591
Provision for incurred but not reported claims	31,342	30,666
Provision for annuities	16,442	15,869
Provision for claims-settlement costs	2,404	2,360
Total	**84,159**	**84,569**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	382	468
Provision for incurred and reported claims	2,388	3,442
Provision for incurred but not reported claims	947	1,040
Provision for annuities	1	1
Provision for claims-settlement costs	-	-
Total	**3,718**	**4,951**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	17,910	17,615
Provision for incurred and reported claims	13,291	14,149
Provision for incurred but not reported claims	30,395	29,626
Provision for annuities	16,441	15,868
Provision for claims-settlement costs	2,404	2,360
Total	**80,441**	**79,618**

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 not settled claims. The provisions for unearned premiums pertains to current contracts for which the contractual period has not expired. The dominant component, provisions for not settled 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 not settled 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 not settled 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 not settled claims are not discounted. Provisions for claims-related annuities are discounted in accordance with current practice, taking into account inflation and mortality

DESCRIPTION OF METHOD

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

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

ASSUMPTIONS AND SENSITIVITY

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

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

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

- inflation;
- discount rate;
- mortality and
- effect of legislative amendments and court practices.

Inflation

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

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

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

Discount rate

With the exception of the compensation to be paid in the form of vested annuities, provisions for claims and premium reserves are presented as nominal values (undiscounted). In Sweden, the method to calculate the discount rates has changed and is now tied to adjusted swap rates. The rate given below is the weighted average for If's annuities. The discount rate was lowered from 3.0% to 2.5% in Finland in 2013, which increased the annuity reserve with MSEK 650.

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

Denmark	
Amount vested annuities	MSEK 783
Discount rate	2.0% (real interest-rate discounting)

Finland	
Amount vested annuities	MSEK 11,303
Amount IBNR	MSEK 2,507
Discount rate	2.5%

Sweden	
Amount vested annuities	MSEK 4,299
Discount rate	1.19% (real interest-rate discounting)

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

Mortality

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

Effects of legislative amendments and court practices

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

CHANGES IN 2013

No significant changes in methods were implemented during the year.

During the year, the reported decrease in the gross claims provision amounted to SEK 0.6 billion. Effects of exchange rate changes amounted to a decrease of SEK 0.6 billion and the acquisition of the Tryg portfolio in Finland increased the gross claims reserve by SEK 0.5 billion. The real change in gross claims reserves adjusted for currency effects and portfolio acquisitions was a decrease of SEK 0.9 billion. Changes in claims reserve can be broadly broken down by geographical area as follows:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, decreased by SEK 0.7 billion, mainly through a decrease in Property reserves of SEK 0.8 billion. Reserves for Accident insurance increased by SEK 0.3 billion while reserves for Motor Third party Liability decreased by SEK 0.1 billion and reserves for Motor Other also decreased by SEK 0.1 billion.
- Claims provisions in the Norwegian operation increased by SEK 0.1 billion. This overall change is a sum of decreases of SEK 0.2 billion in reserves for Motor Third party Liability and SEK 0.1 billion for Workers' Compensation, while reserves for Accident insurance increased by SEK 0.2 billion and by about SEK 0.1 billion for Property, Marine, and Liability insurance.
- Claims provisions in the Danish operation decreased by SEK 0.2 billion mostly due to decreases in Property reserves.
- Claims provisions in the Finnish operation increased by SEK 0.9 billion due to increases in Motor Third Party liability insurance, Workers' Compensation insurance and Accident insurance. Taking the Tryg acquisition into account, the increase was SEK 0.3 billion and is mostly due to an increase in annuity reserves due to a change in the discount rate.
- Claims reserves in the Baltic countries showed only minor changes.

The reinsured share of the claims provision decreased by SEK 1.1 billion, which was also the real effect since the currency effect was minor. This change is mostly due to a decrease of ceded property reserves of more than SEK 0.9 billion, due to settlement of a number of large claims from previous years. Ceded reserves also decreased in Marine, Workers' Compensation and Motor Third Party liability insurance. Ceded reserves in the Baltics operation showed only negligible changes.

SIGNIFICANT EVENTS

This year's outcome for large claims was close to expected on a Nordic level as well as on an individual country level. The largest single claims in 2013 were a fire in an industrial facility in Norway and the flooding of a factory in France, both estimated at slightly above 0.1 billion SEK.

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 2004-2013, before and after reinsurance. For claims years 2003 and earlier, the information is aggregated to one column. The time periods have been selected against the background of If introducing a Group-wide reinsurance program and joint detailed accounting routines as of 2003. The column for claims years 2003 and earlier only includes payments made after 2003, i.e. the starting point is the closing balance for claims provisions in 2003.

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, 2013. 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	2003 and prior years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimated claims cost												
at the close of the claims year	68,345	21,867	23,295	23,377	23,942	25,218	25,271	26,290	27,031	27,334	26,391	
one year later	68,834	21,566	22,816	23,219	23,918	24,813	24,815	26,655	28,087	27,209		
two years later	68,820	21,003	22,331	22,963	23,597	24,281	24,552	26,164	28,067			
three years later	69,554	20,950	22,079	22,939	23,299	24,029	24,172	26,155				
four years later	69,733	20,808	21,775	22,571	22,880	23,811	24,001					
five years later	69,573	20,569	21,466	22,130	22,654	23,685						
six years later	70,233	20,208	20,984	21,852	22,564							
seven years later	71,198	19,902	20,774	21,754								
eight years later	71,551	19,570	20,618									
nine years later	71,413	19,440										
ten years later	71,727											
Current estimate of total claims costs	71,727	19,440	20,618	21,754	22,564	23,685	24,001	26,155	28,067	27,209	26,391	
Total disbursed	49,491	17,499	18,563	19,459	19,937	20,885	20,697	22,259	23,381	21,326	14,651	
Provisions reported in the balance sheet	22,236	1,941	2,055	2,295	2,627	2,800	3,304	3,896	4,686	5,883	11,740	63,463
Of which annuities	*11,655*	*472*	*618*	*652*	*621*	*588*	*490*	*556*	*429*	*299*	*62*	*16,442*
Provisions for claims-settlement costs												2,404
Total provisions reported in the balance sheet												**65,867**

MSEK CLAIMS COST, NET OF REINSURANCE Claims year	2003 and prior years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimated claims cost												
at the close of the claims year	61,958	21,241	21,992	22,415	23,048	24,120	24,213	24,992	25,553	25,518	25,931	
one year later	52,429	20,932	21,455	22,168	22,965	23,837	23,913	25,418	26,226	25,384		
two years later	62,280	20,380	20,963	21,911	22,726	23,333	23,634	25,035	26,115			
three years later	62,873	20,320	20,777	21,941	22,429	23,092	23,382	24,976				
four years later	62,986	20,204	20,492	21,598	22,034	22,906	23,223					
five years later	62,816	19,964	20,186	21,211	21,812	22,796						
six years later	63,042	19,597	19,823	20,947	21,742							
seven years later	64,159	19,309	19,623	20,863								
eight years later	64,524	18,987	19,477									
nine years later	64,510	18,874										
ten years later	64,829											
Current estimate oftotal claims costs	64,829	18,874	19,477	20,863	21,742	22,796	23,223	24,976	26,115	25,384	25,788	
Total disbursed	43,192	17,016	17,488	18,634	19,167	20,045	19,985	21,746	22,080	20,259	14,328	
Provisions reported in the balance sheet	21,637	1,858	1,989	2,229	2,575	2,751	3,238	3,230	4,035	5,125	11,460	60,127
Of which annuities	*11,654*	*472*	*618*	*652*	*621*	*588*	*490*	*556*	*429*	*299*	*62*	*16,441*
Provisions for claims-settlement costs												2,404
Total provisions reported in the balance sheet												**62,531**

Comments

In 2013, If had reinsurance with self-retention of MSEK 200 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 16,441 MSEK 11,654 applies to 2003 and previous years.

NOTE 33 Deferred tax

MSEK CHANGES IN DEFERRED TAX 2013	Opening balance 2013	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2013
Deferred tax assets					
Tax losses carried forward	0	0	0	-	0
Provisions	555	-7	-28	63	583
Goodwill [1]	122	-30	-36	35	91
Accumulated depreciation	15	5	0	-	20
Other temporary differences	7	0	-1	-	6
Total deferred tax asset	**699**	**-32**	**-65**	**98**	**700**
Netted deferred tax asset against deferred tax liability	**-146**				**-185**
Deferred tax asset according to balance sheet	**553**				**515**
Deferred tax liability					
Equalization reserve and other similar provisions	2,749	-222	-51	-	2,476
Valuation of investment assets at fair value	391	-25	8	275	649
Accumulated depreciation	87	0	0	-	87
Other temporary differences	256	91	5	-	352
Total deferred tax liability	**3,483**	**-156**	**-38**	**275**	**3,564**
Netted deferred tax liability against deferred tax asset	**-146**				**-185**
Deferred tax liability according to balance sheet	**3,337**				**3,379**
Deferred tax income according to income statement 2013		**124**			

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

MSEK CHANGES IN DEFERRED TAX 2012	Opening balance 2012	Effects of changes in accounting principles	Adjusted opening balance 2012	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Decreased balance related to disposed companies	Closing balance 2012
Deferred tax assets								
Tax losses carried forward	5	-	5	-5	0	-	-	0
Provisions	327	417	744	-83	11	-117	-	555
Goodwill [1]	194	-	194	-101	10	19	-	122
Accumulated depreciation	26	-	26	-11	0	-	-	15
Other temporary differences	7	-	7	0	0	-	-	7
Total deferred tax asset	**559**	**417**	**976**	**-200**	**21**	**-98**	**-**	**699**
Netted deferred tax asset against deferred tax liability	**-106**		**-106**					**-146**
Deferred tax asset according to balance sheet	**453**		**870**					**553**
Deferred tax liability								
Equalization reserve and other similar provisions	3,013	-	3,013	-238	-25	-	-1	2,749
Valuation of investment assets at fair value	103	-	103	-11	-8	307	-	391
Accumulated depreciation	104	-	104	-17	0	-	-	87
Other temporary differences	347	-	347	-83	-8	-	-	256
Total deferred tax liability	**3,567**	**-**	**3,567**	**-349**	**-41**	**307**	**-1**	**3,483**
Netted deferred tax liability against deferred tax asset	**-106**		**-106**					**-146**
Deferred tax liability according to balance sheet	**3,461**		**3,461**					**3,337**
Deferred tax expense according to income statement 2012				**149**				

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

NOTE 34 Provision for pensions and similar obligations

MSEK	Dec 31 2013	Dec 31 2012	Jan 1 2012
Estimated present value of obligation, including social costs	5,137	5,105	5 457
Fair value of plan assets	3,412	3,361	3 090
Net liability recognized in balance sheet	**1,725**	**1,744**	**2 367**

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.

Since January 1, 2008, the main Swedish pension plan has been closed to new employees born in 1972 or later and the corresponding Norwegian pension plan has been closed to new employees since January 1, 2007 regardless of age. The pension benefits referred to are old-age pension and survivors' pension in Sweden and old-age pension, survivors' pension and disability pension in Norway. A common feature of all of the pension 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 premature 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% percent 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 approximately 70% percent 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 approximately 10 percent of the pensionable salary between 0 and 7.5 income base amounts, 65 percent of salary between 7.5 and 20 income base amounts and 32.5 percent 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 approximately 70 percent of the pensionable salary up to 12 Norwegian 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 of fall. Pension payments from the Norwegian plans are indexed upwards in an amount corresponding to the change in the consumer price index.

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 continuously in order to diversify the asset portfolios with a view to optimizing 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, 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 obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated debt is discounted to the present value using an interest rate based on current market interest rates adjusted to take into account the duration of the company's pension obligations. As a basis for determining the discount interest rate for the Swedish obligation, If uses liquid covered mortgage bonds issued by a mortgage institution. Covered mortgage bonds are also used for the Norwegian obligation. After a deduction for the plan assets, a net asset or 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%). Note 42 contains a description of the accounting effects resulting from the transition from the previous standard IAS 19 Employee Benefits (issued in 1998) to the current standard.

MSEK DISTRIBUTION BY COUNTRY	2013 Sweden	 Norway	 Total	2012 Sweden	 Norway	 Total
Income statement and other comprehensive income						
Current service cost	49	90	139	45	138	183
Past service cost	1	-	1	16	-202	-186
Total cost (income), defined benefit pensions in technical result	**50**	**90**	**140**	**61**	**-64**	**-3**
Interest expense on net pension liability	15	43	58	14	52	66
Remeasurements of the net pension liability	-167	357	190	155	-537	-382
Net cost (income), defined benefit pensions in comprehensive income	**-102**	**490**	**388**	**230**	**-549**	**-319**
In addition, defined contribution pension cost excl. social costs			**455**			**385**
Balance sheet						
Estimated present value of obligation, including social costs	1,365	3,772	5,137	1,497	3,608	5,105
Fair value of plan assets	1,098	2,314	3,412	1,018	2,343	3,361
Net liability recognized in balance sheet	**267**	**1,458**	**1,725**	**479**	**1,265**	**1,744**
Distribution by asset class						
Bonds, level 1	34%	49%		40%	53%	
Bonds, level 2	3%	12%				
Equities, level 1	31%	8%		29%	18%	
Equities, level 3	0%	3%				
Properties, level 3	10%	11%		10%	15%	
Other, level 1	11%	13%		21%	14%	
Other, level 2	0%	1%				
Other, level 3	11%	3%				
Significant actuarial assumptions, etc.						
Discount rate	4.00%	4.00%		3.50%	4.00%	
Future salary increases	3.00%	3.75%		3.00%	3.75%	
Price inflation	2.00%	2.25%		2.00%	2.25%	
Mortality table	FFFS 2007:31+1 year	K2013		FFFS 2007:31	K2005	
Average duration of pension liabilities	20 years	16 years		20 years	15 years	
Expected contributions to the defined benefit plans during 2014	78	136				
Sensitivity analysis						
Discount rate, +0,50%	-152	-298	-450			
Discount rate, -0,50%	176	337	513			
Future salary increases, +0,25%	54	65	119			
Future salary increases, -0,25%	-48	-62	-110			
Expected longevity, +1 year	45	113	158			

MSEK DISTRIBUTION OF OBLIGATIONS ON FUNDED UNFUNDED PLANS	Funded plans 2013	 2012	Unfunded plans 2013	 2012
Estimated present value of obligation, including social costs	4,716	4,615	421	490
Fair value of plan assets	3,412	3,361	-	-
Net liability recognized in balance sheet	**1,304**	**1,254**	**421**	**490**

MSEK SPECIFICATION OF CHANGE IN NET LIABILITY	2013	2012
Pension obligations		
On Jan 1	5,105	5,457
Current service cost	139	183
Past service cost	1	-186
Interest expense	185	163
Actuarial gains (-)/losses (+) on financial assumptions	-187	-645
Actuarial gains (-)/losses (+) on demographic assumptions	582	-
Actuarial gains (-)/losses (+), experience adjustments	-132	283
Exchange-rate differences on foreign plans	-334	73
Benefits paid and social costs paid	-222	-223
Present value of obligations on Dec 31	**5,137**	**5,105**

	2013	2012
Fair value of plan assets		
On Jan 1	3,361	3,090
Interest income	127	97
Difference between actual return and calculated interest income	73	20
Contributions paid	209	247
Exchange-rate differences on foreign plans	-223	35
Benefits paid	-135	-128
Fair value of plan assets on Dec 31	**3,412**	**3,361**

NOTE 35 Other provisions

MSEK CHANGE IN OTHER PROVISIONS	2013	2012
Opening balance	**477**	**330**
Provisions utilized during the fiscal year	-59	-58
Unutilized provisions reversed during the fiscal year	-8	-23
Provisions added during the fiscal year	114	227
Translation difference	-6	1
Closing balance [1]	**518**	**477**

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

Other provisions consist of funds amounting to MSEK 191 (168) reserved for future expenses attributable to previously implemented or planned future organizational changes. The development of more efficient administrative and claims-adjustment processes and structural changes in distribution channels is resulting in organizational changes affecting all business areas. In addition to the provisions attributable to restructuring measures, the item includes among other things employer contributions of MSEK 22 (18) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 295 (280).

NOTE 36 Creditors arising out of direct insurance

MSEK	2013	2012
Payables to policyholders	1,154	1,178
Payables to insurance brokers	105	88
Payables to insurance companies	55	17
Total [1]	**1,314**	**1,283**

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

NOTE 37 Other creditors

MSEK	2013	2012
Tax debt (current)	997	1,506
Accounts payable	180	194
Securities settlement liabilities	0	0
Creditor, patient-insurance pool for the public sector	603	469
Other creditors	875	881
Total [1]	**2,655**	**3,050**

[1] Of which MSEK 509 (390) matures later than 12 months after the balance-sheet date.

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

NOTE 38 Other accruals and deferred income

MSEK	2013	2012
Accrued interest expense, subordinated debt	43	88
Other accrued expense	1,665	1,578
Deferred income	14	15
Total	**1,722**	**1,681**

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	2013	2012
Other financial investment assets	2,749	2,788
Cash and bank balances	10	49
Total	**2,759**	**2,837**

MSEK PLEDGED ASSETS AND THE PLEDGING PURPOSES WERE DISTRIBUATED AS FOLLOWS:	2013	2012
Financial investment assets		
Collateral for insurance undertakings	2,391	2,442
Collateral for futures trading	358	346
Total	**2,749**	**2,788**
Cash and bank balances		
Collateral for insurance undertakings	8	47
Collateral for permission to conduct insurance operations	0	0
Security for rent	2	2
Total	**10**	**49**
Total	**2,759**	**2,837**

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

MSEK ASSETS COVERED BY POLICYHOLDERS´ BENIFICIARY RIGHTS	2013	2012
Bonds, risk-free	11,812	9,875
Bonds, other	42,908	43,832
Equities in public companies	10,794	9,685
Property related assets	2,868	625
Total	**68,382**	**64,017**
Technical provisions, net	57,211	58,443
Surplus of registered securities	11,171	5,574
Total	**68,382**	**64,017**

NOTE 40 Contingent liabilities and other commitments

MSEK	2013	2012
Surety and guarantee undertakings	252	316
Other commitments	121	51
Total	**373**	**367**

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

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

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

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

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

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totalling MEUR 14, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments.

NOTE 41 Comments on the consolidated cash flow statement

DESCRIPTION OF METHOD

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

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

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

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

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

OUTCOME 2013

Cash flow from insurance operations during the year increased, amounting to an inflow of MSEK 4,401 (inflow: 3,268) while cash flow from investment operations, measured as the investment return received decreased to an inflow of MSEK 3,283 (inflow: 3,851). Cash flow for the year generated from operations totaled MSEK 7,684 (7,119). The cash surplus generated by operations that is not required to maintain short-term access to funds is transferred to asset management on a continuous basis.

Cash flow from insurance operations

Cash flow from premiums increased during the year and amounted to an inflow of MSEK 40,495 (inflow: 40,146). The strengthening of the SEK against primarily NOK resulted in a net outflow of cash from premiums, amounting to MSEK 1,002. Adjusted for the currency effect, the increase in premium payments amounted to MSEK 1,352.

Claims payments

Claims payments during the year decreased and amounted to an outflow of MSEK 29,241 (outflow: 29,804). The currency effect based on the strengthened SEK reduced the amount and resulted in a net inflow of MSEK 611. Adjusted for the currency effect, the increase in claims payments amounted to MSEK 48.

Reinsurance flow

The reinsurance flow for the year was an outflow of MSEK 343 (outflow: 683). In the income statement reinsurance is accounted for as a net outflow of MSEK 1,364 (that is, net outflow of premiums for ceded reinsurance of MSEK 1,884 and the reinsurer's share of paid claims payments inflow of MSEK 520). Changes in receivables/liabilities in reinsurance operations had a positive impact on the flow.

Cost of operations

Cash flow for cost of operations, which is netted with the cash flow from other technical income, increased during the year and amounted to MSEK 6,510 (6,391). Operating expenses in the consolidated income statement totaled MSEK 6,761 and other technical income totaled MSEK 245. The primary adjustments to items in the income statement pertain to depreciation and changes in provisions for operating expenses.

Cash flow from investment operations

Cash flow representing direct return on investment assets totaled to an inflow of MSEK 3,283 (inflow: 3,851) and comprised the return received during the year in the form of dividends on shares, inflow of MSEK 333, coupon interest income amounted to an inflow of MSEK 2,946 and an inflow in yield of MSEK 4 from property.

Net investments in investment assets

Net investments during the year in investment assets were an investment of MSEK 2,510 (divestment: 754). Investment assets may be reconfigured based on allocation changes in the Group's investment policy or changes in market assessments. The cash flows per asset class that arose during the year were primary as follows:

- Net divestments in the equities portfolio amounted to MSEK 866, primarily equities in EUR and USD while investments were made in SEK.
- Net investments in interest-bearing securities amounted to MSEK 3,426.

Cash flow from other operations

Cash flow from other operations was an outflow of MSEK 5,138 (outflow: 7,618). The item include dividend outflows of MSEK 4,300 (outflow: 4,700), purchase of net assets of a business, inflow of MSEK 670, investments in associated companies, outflow of MSEK 27 (outflow: 24), realized gains of currency forwards in the amount of MSEK 624 (loss: 1,049), interest payment and net issuance of subordinated loans, an inflow of MSEK 57 (outflow: 175) and tax payments, an outflow of MSEK 2,133 (outflow: 1,481).

NOT 42 Effects of changed accounting policies

IAS 19 Employee benefits (revised June 2011) is applied as of the 2013 fiscal year. The transition to the new standard is recognized as a change in accounting policies, which entails retrospective application as of the start of the 2012 fiscal year. The change affects the reporting of If's defined-benefit pension plans and has entailed the following changes for items in the opening balance sheet, income statement, comprehensive income and the closing balance sheet:

	Deferred tax liability	Other provisions	Earnings brought forward
Opening balance, 2012 fiscal year	**453**	**1,200**	**16,582**
Effects of changed accounting policies	417	1,497	-1,080
Adjusted opening balance, 2012 fiscal year	**870**	**2,697**	**15,502**

	Insurance compensation disbursed before ceded reinsurance	Operating expenses in insurance operations before ceded reinsurance	Interest expense, net pension liability	Tax	Net profit for the year
Amount recognized in annual accounts for 2012	**-29,889**	**-6,677**	**-**	**-1,609**	**5,847**
Effects of changed accounting policies	39	82	-66	-19	36
Adjusted amount, 2012 fiscal year	**-29,850**	**-6,595**	**-66**	**-1,628**	**5,883**

	Net profit for the year	Revaluation of net pension liability	Tax attributable to items that will not be reclassified	Translation difference on foreign operations	Total comprehensive income
Amount recognized in annual accounts for 2012	**5,847**	**-**	**-**	**-152**	**7,420**
Effects of changed accounting policies	36	383	-117	-20	282
Adjusted amount, 2012 fiscal year	**5,883**	**383**	**-117**	**-172**	**7,702**

	Deferred tax asset	Other provisions	Earnings brought forward	Net profit for the year
Closing balance in annual accounts for 2012	**263**	**1,133**	**11,968**	**5,847**
Effects of changed accounting policies as above, excl. translation effects	281	1,059	-814	36
Translation effects due to revised accounting policies	9	29	-20	-
Adjusted closing balance, 2012 fiscal year	**553**	**2,221**	**11,134**	**5,883**

NOTE 1 Interest income and similar income items

MSEK	2013	2012
Currency result	-	0
Dividend	-	2
Capital gain	54	-
Interest income, Group companies	2	28
Other interest income	8	7
Total	**64**	**37**

NOTE 2 Interest expense and similar expense items

MSEK	2013	2012
Capital loss	-	-24
Interest expense, Group companies	-6	-31
Currency result	-3	-
Total	**-9**	**-55**

NOTE 3 Taxes

MSEK	2013	2012
Current tax	0	-1
Deferred tax	-	-
Total tax in the income statement	**0**	**-1**

MSEK	2013	2012
Difference between reported tax and tax based on current Swedish tax rate:		
Profit before taxes	7,556	3,223
Tax according to current tax rate, 22% (26.3%)	-1,662	-848
Non-taxable dividend from Group companies, associated companies and other holdings	1,650	853
Non-taxable/non-deductible capital gain/loss	12	-6
Reported tax in the income statement	**0**	**-1**

NOTE 4 Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2013	2012
If P&C Insurance Ltd (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	12,080	12,080
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
If IT Services A/S	Denmark	501	100	1	1
If Vahinkovakuutusyhtiö Oy/If P&C Insurance Company Ltd	Finland	960,000	100	4,435	4,435
If P&C Insurance AS	Estonia	6,391 165	100	442	442
CJSC If Insurance	Russia	1,000	100	90	90
Total				**17,121**	**17,121**

NOTE 5 Shares in associated companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2013	2012
Consulting AB Lennermark & Andersson, corp.reg.no. 556131-2223	Sweden	1,209	22.0	7	7
Topdanmark A/S	Denmark	31,476,920	28.0	5,008	1,032
Urzus Group AS	Norway	142,648	28.6	50	50
Watercircles Skandinavia AS [1]	Norway	81,864	39.6	62	35
Svithun Assuranse AS	Norway	33	33.0	10	10
Total				**5,137**	**1,134**

[1] If has a direct holding of 39.6%, as well as an indirect holding via Urzus Group AS, owner of 48.4% of the company.

NOTE 6 Contingent liabilities

MSEK	2013	2012
Surety and guarantee undertakings	-	17
On behalf of Group companies	*-*	*17*

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

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

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

Proposed appropriation of earnings

Funds available for appropriation by the Annual Meeting in accordance with the balance sheet amount to MSEK 19,406, including the net profit for the year of MSEK 7,556.

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

MSEK	
To be distributed as dividends to shareholders	0
To be carried forward	19,406
	19,406

Stockholm, March 5, 2014

Kari Stadigh
Chairman of the Board

Peter Johansson
Board member

Patrick Lapveteläinen
Board member

Torbjörn Magnusson
Board member, President and CEO

Our audit report was issued on March 5, 2014
Ernst & Young AB

Peter Strandh
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of If P&C Insurance Holding Ltd (publ) for the year 2013.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of If P&C Insurance Holding Ltd (publ) for the year 2013.

Responsibilities of the Board of Directors and the President

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, March 5, 2014

Ernst & Young AB

Peter Strandh

Authorized Public Accountant

Group Management

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

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

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

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

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

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

Morten Thorsrud
Born 1971
Head of Private business area
Employed 2002
Resident in Nesbru

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

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

Niclas Ward
Born 1971
Head of Industrial business area
Employed 2001
Resident in Stockholm

Ricard Wennerklint
Born 1969
Vice President and deputy Chief executive Officer
Employed 1999
Resident in Stockholm

Glossary and definitions

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT
Net return on average technical provisions, with deductions for deferred acquisition costs, the technical result before allocated interest and average outstanding balances. The allocated investment return is based on risk-free interest.

ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT
Allocated investment return transferred from the non-technical account excluding the part excluding the part added to the annuity result by means of a reduction of costs for the upward adjustment of the annuity provision.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

main part of unrealized value changes on shares and participations and interest-bearing securities in other comprehensive income.

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

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

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

NET PREMIUMS WRITTEN
Gross premiums written less ceded reinsurance premiums.

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

OPERATING RESULT
Profit/loss before appropriations and taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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