

# Annual Report 2008

IF P&C INSURANCE



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# Comments by the President and CEO

## Stability and belief in the future despite turbulent times

The year 2008 will go down in history as a dramatic year for the global economy, with an extremely sharp recessionary dip during the autumn. The recession, rapidly increasing global unemployment and world-leading groups of companies approaching collapse in several industries are forcing governments and companies to take unique measures at the time this message was written.

The crisis began in the financial sector, with many banks experiencing acute capital problems and having been either nationalized or received government support. Generally, property and casualty insurance companies have managed significantly better than banks. Insurance companies receive advance payments from customers; accordingly, they usually have favorable liquidity and a positive cash flow, which has been of great value during the crisis. However, the industry is not completely unscathed. Insurance companies with banking operations included in their groups have been drawn into the recession. AIG, the world's largest insurance company, is the primary example. In addition, we have seen somewhat weaker average profit from insurance operations in the Nordic sector following several years of high insurance margins.

Obviously, we are humbled as we face the continued recession. The global financial situation continues to be very uncertain. No one can safely predict what will happen in 2009, but a look back at history shows that strong insurance companies have managed previous recessions well. Basic security in the form of insurance is even more important during uncertain times, and it now appears that inflation, which can impact negatively on profit from insurance operations, is about to decline to a very low level.

In terms of profit, 2008 was a very strong year, with profit from insurance operations amounting to SEK 5.3 billion (5.2). This is our fifth consecutive year with a combined ratio that was comfortably below the target of 95%, ending up at 91.8% (90.6) in 2008. In comparison with our Nordic competitors, the combined ratio appears favorable. Internal calculations show that, if full discounting of technical reserves were applied, the ratio would improve by approximately 5 percentage points, based on the interest rates prevailing during 2008. If's investments were affected to some extent by the decline in financial markets, even though we kept the proportion of equities in the portfolio low during the entire year. Solvency ratio amounted to 66% (71), and we retained our strong ratings at Standard & Poor's and Moody's throughout the year. Solvency ratio is calculated on the basis of market-valued assets. Profit before taxes amounted to SEK 5.3 billion (5.0).

These figures are the result of continued systematic efforts to develop If's Nordic business culture and to realize economies of scale. During the year, we introduced the successful Norwegian/Swedish loyalty concept, If Plus, in Finland with excellent results. In addition, between 2006 and 2008 we developed a new business system for corporate customers in Sweden, which is now being implemented elsewhere, first in Norway and then in the other Nordic countries. The system enables us to provide more flexible products, implement price changes more rapidly and use a more effective work method in our claims and sales organizations. In addition, our new Nordic payment system has replaced 16 old payment systems throughout the Group since 2008.

In 2008, we also noted the success of our increased Nordic focus on alliances and partnerships, such as our agreement with



the market-leading S-gruppen in Finland, the Swedish Trade Federation and a number of new auto brand agreements in Denmark. All of these are multi-year agreements and will contribute to our growth in years ahead.

I am also very pleased that we acquired the insurance company Region in the Russian market in 2008. This acquisition entails that we are now establishing ourselves in the private market in large parts of Russia and in the domestic Russian commercial market. We are already the market leader for Nordic companies with operations in Russia. In the long term, Russia is a very interesting insurance market, which currently has very few insurance products, and their distribution is undeveloped. Naturally, the financial crisis has entailed that growth has come to a halt in recent months, but in the medium and long term, the opportunities are favorable and the rules and regulations in Russia are well formulated for significant growth.

The future of the Internet as a sales and service channel was discussed extensively in the insurance industry in 2008. If has continued to make substantial investments, and is in the process of completely renewing the technology and processes we use for Internet advertising, information, service, sales and, particularly, interaction with other channels. The goal, which we are already close to achieving, is to be the market leader on the Internet in all countries where we are active.

Economic historians will return to the year 2008 many times. Although If was not entirely unaffected by the dramatic developments, 2008 was a year that in many ways confirmed our business model and financial strength, and a year that was actually characterized by a belief in the future, a willingness to take initiative and entrepreneurship. I would like to warmly thank all If employees for this, and I am convinced that it is exactly these qualities, in combination with our Nordic platform, that will create new successes for If in 2009.

Torbjörn Magnusson  
President and CEO

# Board of Directors' Report

The Board of Directors and the President of If P&C Insurance Holding Ltd, corporate reg.no.556241-7559, hereby issue their annual report for the 2008 fiscal year.

## Organization

If is a Nordic group that also conducts insurance operations in the Baltic countries and Russia. The Group's headquarters is in Solna just outside Stockholm, Sweden, which is the company's registered office.

## Ownership structure

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

## Operations

If's business operations are conducted on a pan-Nordic basis and are mainly divided into various customer segments within the Private, Commercial and Industrial business areas. The Baltic countries and Russia constitute a separate business area. Support functions, such as IT, Human Resources and Corporate Communications, are organized in accordance with the pan-Nordic structure.

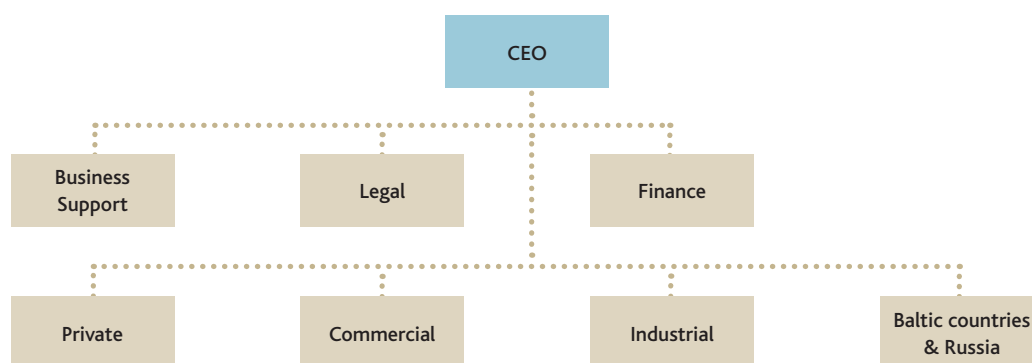
If P&C Insurance Holding Ltd (publ) is the Parent Company of the If Group. The main objective of the company is to own

and manage shares in property and casualty insurance operations. The holding company owns the Swedish companies, If P&C Insurance Ltd and If Life Insurance Ltd, the latter company acquired from Sampo in 2008, the Finnish company If P&C Insurance Company Ltd, the Baltic companies AAS If Latvia (Latvia), UAB If Draudimas (Lithuania) and AS If Eesti Kindlustus (Estonia), as well as the Russian companies CJSC If Insurance and IPSC Region, the latter company acquired in spring 2008. The business operations are conducted within subsidiaries. If's operations in Denmark and Norway are conducted via branches of If P&C Insurance Ltd in the relevant 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. A branch office is also located in Finland.

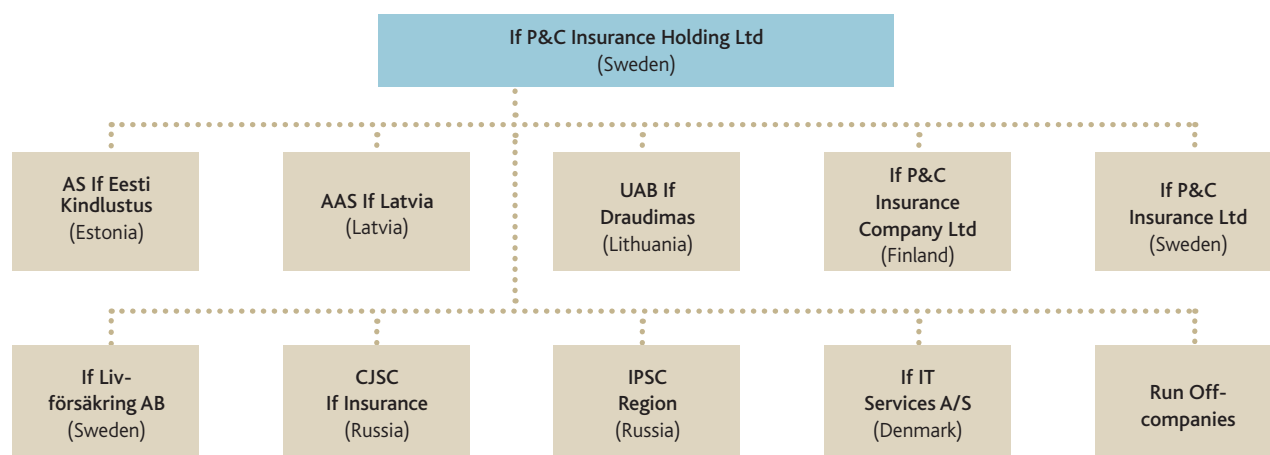
If's business operations also include run-off activities. During the year, the US Capital Assurance companies were divested, which entailed a substantial reduction in run-off activities.

To increase the efficiency of the operational structure of the Baltic Countries and Russia business area, If intends to merge the Baltic companies. As a first step in the process, the companies AAS Latvia and UAB Draudimas were transferred to If Esti Kindlustus as of January 1, 2009. A merger application was sent to the Estonian authorities and, after their approval, the operations in Latvia and Lithuania will be managed through branches of the Estonian company.

### Operational organization



### Legal structure, summary



## RESULTS FROM OPERATIONS

### Group results

The operating result was MSEK 5,337 (5,009). The technical result of property and casualty insurance operations remained strong and improved somewhat compared with the preceding year.

Declining stock markets and increasing interest rates affected the return from asset management which, measured as marked to market, amounted to a loss of MSEK 3,011 (gain 2,461). Applying the changed classification rules for investment assets (see more below under Applied accounting principles), the net investment return reported in the income statement amounted to MSEK 3,162 (2,461).

### Premiums earned

Gross written premiums increased by MSEK 1,246 to MSEK 39,038 (37,792). Adjusted for exchange-rate effects, the increase was slightly more than 1%. The trend of premium volumes in the Baltic Countries and Russian business area remained positive. The Private and Commercial business areas also reported slightly higher volumes. The Industrial business area reported a reduction in premium volume during the year.

### Claims and operating expenses

Claims, including claims-adjustment expenses, rose MSEK 1,474 to MSEK 27,269 (25,795), or by slightly more than 4% after adjustments for the effect of exchange-rate changes. The

risk ratio, meaning excluding claims-adjustment expenses, deteriorated during 2008 and amounted to 68.1% (67.0). The deterioration in the risk ratio was due mainly to large claims, which were higher than expected. For frequent claims, a rising trend in cost inflation was noted. As an effect of a mild winter, however, the number of frequent claims decreased somewhat compared with a normal year.

Operating expenses in the insurance operation totaled MSEK 6,372 (6,045), excluding claims-adjustment expenses of MSEK 2,326 (2,287). Continuous efforts to create more cost-effective processes within claims handling and distribution had a favorable impact on total costs. The cost ratio was unchanged compared with the preceding year at 23.7% (23.7).

Consequently, the deterioration in the combined ratio to 91.8% (90.6) was primarily due to increased claims expenses. All business areas reported favorable earnings, but it was primarily the Industrial business area that improved its results compared with 2007.

### Assets management

Earnings from asset management, measured at marked to market, declined to a loss of MSEK 3,011 (gain 2,461), and return on investments was a negative 3.1% (2.6). The turmoil in financial markets worsened throughout the year, resulting in a sharply negative trend in equity markets combined with an increased expectation of credit defaults, which made interest rates rise. Overall, this resulted in earnings from investments in 2008 being considerably weaker than in 2007.

### Consolidated results per quarter and full-year

MSEK	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2008 Jan-Dec	2007 Jan-Dec
Premiums written	9,498	9,207	8,997	8,933	36,635	35,128
Allocated investment income transferred from the non-technical account	563	628	550	501	2,242	1,894
Other technical income	65	54	54	76	249	272
Claims paid	-7,004	-6,768	-6,625	-6,872	-27,269	-25,795
Operating expenses for insurance operations, net of reinsurance	-1,728	-1,572	-1,549	-1,523	-6,372	-6,045
Other operating expenses	-63	-50	-50	-49	-212	-228
<b>Technical result from property and casualty insurance</b>	<b>1,331</b>	<b>1,499</b>	<b>1,377</b>	<b>1,066</b>	<b>5,273</b>	<b>5,226</b>
<b>Investment income</b>	<b>1,038</b>	<b>1,365</b>	<b>500</b>	<b>259</b>	<b>3,162</b>	<b>2,461</b>
Allocated investment income transferred to the technical account	-716	-773	-691	-639	-2,819	-2,411
Interest expense, subordinated loans	-75	-69	-67	-68	-279	-267
<b>Result before income tax</b>	<b>1,578</b>	<b>2,022</b>	<b>1,119</b>	<b>618</b>	<b>5,337</b>	<b>5,009</b>
Risk ratio	67.4%	67.3%	67.2%	70.5%	68.1%	67.0%
Cost ratio	24.5%	23.3%	23.6%	23.5%	23.7%	23.7%
Combined ratio	91.9%	90.6%	90.8%	94.0%	91.8%	90.6%
Claims ratio	73.7%	73.5%	73.6%	76.9%	74.4%	73.4%
Expense ratio	18.2%	17.1%	17.2%	17.0%	17.4%	17.2%
Insurance margin	14.0%	16.2%	15.3%	11.6%	14.3%	14.7%
Capital base	-	-	-	-	21,890	23,426
Solvency margin	-	-	-	-	6,199	6,094
Solvency capital	-	-	-	-	24,143	25,316
Solvency ratio	-	-	-	-	65.7%	71.3%
Return on equity	-	-	-	-	-3.3%	17.8%

## Net profit and tax costs

Net profit improved to MSEK 3,886 (3,688). The effective tax rate for the year was 27.2% (26.4). Of total taxes, current tax costs accounted for MSEK 1,208 (1,159) and the deferred tax cost for MSEK 243 (162).

## SOLVENCY CAPITAL AND CASH FLOW

The solvency ratio at year-end was 65.7% (71.3). Towards the end of the year, a dividend of MSEK 2,000 was paid. Solvency capital decreased to MSEK 24,143, compared with MSEK 25,316 in 2007. Cash flow from insurance operations remained strong, amounting to MSEK 4,117 (5,988). Cash flow from investment management, in terms of flows generated from the direct investment return, amounted to MSEK 4,075 (3,936).

## TECHNICAL PROVISIONS (RESERVES)

Gross provisions at December 31, 2008 rose to MSEK 85,749 (80,506). Exchange-rate effects attributable to the weakened SEK (mainly against EUR) increased gross provisions by SEK 3.4 billion. After adjustments for exchange-rate effects and changes in the composition of the Group, the premium reserve increased by SEK 0.1 billion and the claims reserve by SEK 1.8 billion. The largest increase in claims reserves occurred for motor third party liability. The trend for older claims years was favorable.

## RESULTS PER BUSINESS AREA

Group operations are primarily controlled and reported in accordance with If's customer groups, which comprise private individuals, small companies and large-scale companies with operations in the Nordic region and the Baltic countries and Russia. Information concerning operations and the earnings trend in the Group's business areas is presented in Note 5.

## RISK IN OPERATIONS

Risk comprises an essential part of If's operations and is managed using clearly defined strategies and responsibilities, in addition to a strong commitment to risk management processes. The main risks within insurance operations are underwriting risks and provision risks. Furthermore, market risks (such as changes in interest rates, exchange rates and equity and commodity prices as well as in their volatility) and credit risks affect the market values of financial assets and liabilities. The company's risks and risk management are described in Note 3.

## PERSONNEL

On December 31, 2008, the number of employees was 6,924 (6,425). The average number of employees in 2008 was 6,655 (6,405), of whom 56% (56) were women.

If recruits approximately 600 employees annually, in order to replace people who have retired or left the company and to add new competencies to the company.

## APPLIED ACCOUNTING PRINCIPLES

As of 2005, If P&C Insurance Ltd applies the International Financial Reporting Standards (IFRS) adopted by the EU. For the 2008 fiscal year, If's accounting was not subject to any significant amendments or new regulations. If has, however, changed its application of the classification requirements within IAS 39 in relation to previous years. The main part of the financial assets that are not derivatives acquired from the beginning of the year has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognised directly in equity until being realized.

## OUTLOOK

2009 is likely to be a difficult year for the global economy. The volatility of capital markets makes it impossible to estimate the return on investments. The macroeconomic situation will have a slight negative impact on premium growth. 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 enhancements work is important in order to maintain sustainable profitability.

The long term objective for the Group is to achieve a combined ratio of less than 95% and return on equity of at least 17.5%. For 2009, our objective is to achieve a combined ratio of less than 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. In 2008, If Life Insurance Ltd and IPSC Region have been acquired and the Capital Assurance-companies were sold.

The Parent Company is also the main account holder for a Group cash pool account system comprising the flows of liquid funds from the Scandinavian Group units. 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 declined to MSEK 2,838 (4,015), mainly as a result of reduced dividends from subsidiaries.

The Parent Company's solvency capital at December 31, 2008 amounted to MSEK 19,454 (18,619) and its total assets to MSEK 20,070 (18,874).

## FIVE YEAR SUMMARY <sup>1)</sup>

MSEK	2008	2007	2006	2005	2004
<b>Condensed income statement</b>					
Premiums earned, net of reinsurance	36,635	35,128	34,837	34,426	32,764
Claims incurred, net of reinsurance	-27,269	-25,795	-25,252	-25,028	-24,105
Operating expenses in insurance operations, net of reinsurance	-6,372	-6,045	-6,063	-6,135	-6,233
Allocated investment income transferred from the non-technical account	2,242	1,894	1,602	1,537	1,816
Other technical income	249	272	210	164	406
Other operating expenses	-212	-228	-210	-179	-178
<b>Technical result</b>	<b>5,273</b>	<b>5,226</b>	<b>5,124</b>	<b>4,785</b>	<b>4,470</b>
Investment income and other items	64	-217	1,702	2,708	849
<b>Results before income tax</b>	<b>5,337</b>	<b>5,009</b>	<b>6,826</b>	<b>7,493</b>	<b>5,319</b>
Income taxes	-1,451	-1,321	-1,955	-2,015	-1,290
<b>Net profit for the year</b>	<b>3,886</b>	<b>3,688</b>	<b>4,871</b>	<b>5,478</b>	<b>4,029</b>
<b>Balance sheet, December 31</b>					
<b>Assets</b>					
Intangible assets	1,335	1,138	1,228	1,324	1,359
Investment assets	98,036	94,307	89,796	92,283	80,815
Reinsurers' share of technical provisions	4,686	4,573	4,711	5,192	6,129
Deferred tax assets	1,497	721	947	1,113	1,643
Debtors	9,750	9,069	8,087	7,901	7,230
Other assets, prepayments and accrued income	4,935	4,297	6,982	5,066	4,296
<b>Total assets</b>	<b>120,239</b>	<b>114,105</b>	<b>111,751</b>	<b>112,879</b>	<b>101,472</b>
<b>Shareholders' equity, provisions and liabilities</b>					
Shareholders' equity	17,140	18,504	19,304	24,363	20,822
Subordinated debt	4,489	3,893	3,721	3,859	2,362
Deferred tax liability	4,011	3,640	3,603	3,087	1,921
Technical provisions	85,749	80,506	74,554	74,027	68,554
Creditors	6,109	4,655	7,705	4,645	5,013
Provisions, accruals and deferred income	2,741	2,907	2,864	2,898	2,800
<b>Total shareholders' equity, provisions and liabilities</b>	<b>120,239</b>	<b>114,105</b>	<b>111,751</b>	<b>112,879</b>	<b>101,472</b>
<b>Key data, property and casualty operations</b>					
Claims ratio	74.4%	73.4%	72.5%	72.7%	73.6%
Expense ratio	17.4%	17.2%	17.4%	17.8%	19.0%
Combined ratio	91.8%	90.6%	89.9%	90.5%	92.6%
Cost ratio	23.7%	23.7%	24.0%	24.3%	25.6%
<b>Key data, asset management</b>					
Total return ratio <sup>2)</sup>	-3.1%	2.6%	4.3%	5.8%	4.3%
<b>Other key data</b>					
Capital base	21,890	23,426	25,400	25,985	21,482
Solvency margin	6,199	6,094	5,868	5,938	6,368
Solvency capital	24,143	25,316	25,681	30,196	23,462
Solvency ratio	65.7%	71.3%	73.6%	87.5%	69.8%

<sup>1)</sup> Since January 1, 2005, If applies the international Financial Reporting Standards (IFRS), whereby all figures for 2004 have been recalculated in accordance with these principles and taking into account the stipulations contained in IFRS 1 First Timed Adoption of IFRS.

<sup>2)</sup> The calculations are based on the principles used internally by If for the valuations of investment operations. Refer to Note 10.

# Consolidated income statement

MSEK	Note	2008	2007
<b>TECHNICAL ACCOUNT INSURANCE OPERATIONS</b>			
<b>Premiums earned, net of reinsurance</b>			
Premiums written, gross	6	39,038	37,792
Premiums ceded	6	-2,273	-2,266
Change in provision for unearned premiums and unexpired risks		-112	-398
Reinsurers' share of change in provision for unearned premiums and unexpired risks		-18	0
		<b>36,635</b>	<b>35,128</b>
Allocated investment income transferred from the non-technical account	7	2,242	1,894
Other technical income		249	272
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross		-27,172	-24,380
Reinsurers' share		1,178	1,241
Change in provision for claims outstanding			
Gross		-1,225	-2,513
Reinsurers' share		-50	-143
	8	<b>-27,269</b>	<b>-25,795</b>
<b>Operating expenses</b>			
<b>Operating expenses in insurance operations, net of reinsurance</b>			
Gross		-6,559	-6,223
Commissions and profit participations in ceded reinsurance		187	178
		<b>-6,372</b>	<b>-6,045</b>
Other operating expenses		-212	-228
	9	<b>-6,584</b>	<b>-6,273</b>
<b>Technical result of insurance operations</b>		<b>5,273</b>	<b>5,226</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Investment result</b>			
Direct investment income		5,501	4,115
Changes in value		-2,051	-1,527
Management costs		-288	-127
	10	<b>3,162</b>	<b>2,461</b>
Investment income transferred to the technical account	7	-2,819	-2,411
Interest expense, subordinated loans		-279	-267
<b>Result before income taxes</b>		<b>5,337</b>	<b>5,009</b>
Taxes	11	-1,451	-1,321
<b>Net profit for the year</b>		<b>3,886</b>	<b>3,688</b>

# Consolidated balance sheet

## ASSETS, DECEMBER 31

MSEK	Note	2008	2007
<b>Intangible assets</b>			
Goodwill		1,296	1,109
Other intangible assets		39	29
	12	<b>1,335</b>	<b>1,138</b>
<b>Investment assets</b>			
Land and buildings	13	343	415
Investments in associated companies	14	34	38
Other financial investment assets	15,16	97,646	93,837
Deposits with ceding undertakings		13	17
		<b>98,036</b>	<b>94,307</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums and unexpired risks		586	519
Provisions for claims outstanding		4,100	4,054
	17	<b>4,686</b>	<b>4,573</b>
<b>Deferred tax assets</b>	18	<b>1,497</b>	<b>721</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	19	8,338	7,981
Debtors arising out of reinsurance operations	20	482	381
Other debtors	21	930	707
		<b>9,750</b>	<b>9,069</b>
<b>Other assets</b>			
Tangible assets	22	291	273
Cash and bank balances		1,615	1,536
Securities settlement claims		183	21
		<b>2,089</b>	<b>1,830</b>
<b>Prepayments and accrued income</b>			
Accrued interest and rent		1,512	1,290
Deferred acquisition costs	23	1,080	976
Other prepayments and accrued income	24	254	201
		<b>2,846</b>	<b>2,467</b>
<b>Total assets</b>		<b>120,239</b>	<b>114,105</b>

## SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES, DECEMBER 31

MSEK	Not	2008	2007
<b>Shareholders' equity</b>			
Share capital		2,726	2,726
Statutory reserve		400	400
Other restricted reserves		1,416	332
Fair value reserve		-4,498	-
Profit carried forward		13,210	11,358
Net profit for the year		3,886	3,688
		<b>17,140</b>	<b>18,504</b>
<b>Subordinated debt</b>			
	25	<b>4,489</b>	<b>3,893</b>
<b>Technical provisions (gross)</b>			
Provisions for unearned premiums and unexpired risks		16,535	15,969
Provisions for claims outstanding		69,214	64,537
	26	<b>85,749</b>	<b>80,506</b>
<b>Provisions for other risks and charges</b>			
Deferred tax liability	18	4,011	3,640
Other provisions	27	1,292	1,443
		<b>5,303</b>	<b>5,083</b>
<b>Deposits received from reinsurers</b>			
		-	-
<b>Creditors</b>			
Creditors arising out of direct insurance operations	28	1,025	1,029
Creditors arising out of reinsurance operations		417	339
Derivatives	16	2,732	846
Other creditors	29	1,935	2,441
		<b>6,109</b>	<b>4,655</b>
<b>Accruals and deferred income</b>			
Reinsurers' share of deferred acquisition costs		23	20
Other accruals and deferred income	30	1,426	1,444
		<b>1,449</b>	<b>1,464</b>
<b>Total shareholders' equity, provisions and liabilities</b>		<b>120,239</b>	<b>114,105</b>
<b>Memorandum items</b>			
Assets and corresponding collateral pledged	31	1,688	2,681
Assets covered by policyholders' beneficiary rights	31	59,302	64,003
Contingent liabilities	32	319	384

# Parent Company

## INCOME STATEMENT

MSEK	Note	2008	2007
Other operating income		0	0
Other operating expenses		0	0
<b>Operating result</b>		<b>0</b>	<b>0</b>
<b>Result from financial investments</b>			
Dividends from Group companies		2,845	4,000
Interest income and similar income items	1	32	59
Interest expense and similar income statement items	2	-38	-37
		<b>2,839</b>	<b>4,022</b>
<b>Result from financial items</b>		<b>2,839</b>	<b>4,022</b>
Tax on net profit for the year		-1	-7
<b>Net profit for the year</b>		<b>2,838</b>	<b>4,015</b>

## BALANCE SHEET ON DECEMBER 31

MSEK	Note	2008	2007
<b>Assets</b>			
<b>Financial fixed assets</b>			
Shares in Group companies	3	18,264	17,856
		<b>18,264</b>	<b>17,856</b>
<b>Deferred tax assets</b>			
		-	-
<b>Debtors</b>			
Debtors Group companies		1,240	674
		<b>1,240</b>	<b>674</b>
<b>Cash and bank balances</b>			
		<b>566</b>	<b>344</b>
<b>Total assets</b>		<b>20,070</b>	<b>18,874</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		2,726	2,726
Statutory reserve		400	400
Profit carried forward		13,490	11,478
Net profit for the year		2,838	4,015
		<b>19,454</b>	<b>18,619</b>
<b>Current creditors</b>			
Creditors Group companies		609	248
Provision for taxes		7	7
		<b>616</b>	<b>255</b>
<b>Total shareholders' equity and liabilities</b>		<b>20,070</b>	<b>18,874</b>
<b>Memorandum items</b>			
Assets and corresponding collateral pledged		-	-
Contingent liabilities	4	262	286

# Changes in shareholders' equity

## GROUP

MSEK	Restricted equity			Unrestricted equity			Total equity
	Share capital	Statutory reserves	Other restricted reserves	Fair value reserve	Profit/loss brought forward	Net profit for the year	
<b>Equity at beginning of 2007</b>	<b>2,726</b>	<b>400</b>	<b>111</b>	-	<b>16,067</b>	-	<b>19,304</b>
Transfer between restricted and unrestricted equity	-	-	-146	-	146	-	-
Translation differences <sup>1)</sup>	-	-	367	-	64	-	431
Accumulated exchange differences recognized in Income Statement at disposal of subsidiary	-	-	-	-	-29	-	-29
IFRS 2 adjustment	-	-	-	-	0	-	0
Net profit for the year	-	-	-	-	-	3,688	3,688
<b>Total changes excluding transactions involving owner</b>	<b>2,726</b>	<b>400</b>	<b>332</b>	-	<b>16,248</b>	<b>3,688</b>	<b>23,394</b>
Dividend to shareholder <sup>2)</sup>	-	-	-	-	-4,890	-	-4,890
<b>Equity at end of 2007</b>	<b>2,726</b>	<b>400</b>	<b>332</b>	-	<b>11,358</b>	<b>3,688</b>	<b>18,504</b>
<b>Equity at beginning of 2008</b>	<b>2,726</b>	<b>400</b>	<b>332</b>	-	<b>15,046</b>	-	<b>18,504</b>
Transfer between restricted and unrestricted equity	-	-	384	-	-384	-	-
Translation differences <sup>1)</sup>	-	-	700	-	529	-	1,229
Accumulated exchange differences recognized in Income Statement at disposal of subsidiary	-	-	-	-	13	-	13
Financial assets available-for-sale recognised in equity	-	-	-	-6,817	-	-	-6,817
recognised in profit or loss	-	-	-	644	-	-	644
Income tax related to items recognised in equity or transferred to profit or loss	-	-	-	1,675	-	-	1,675
IFRS 2 adjustment	-	-	-	-	6	-	6
Net profit for the year	-	-	-	-	-	3,886	3,886
<b>Total changes excluding transactions involving owner</b>	<b>2,726</b>	<b>400</b>	<b>1,416</b>	<b>-4,498</b>	<b>15,210</b>	<b>3,886</b>	<b>19,140</b>
Dividend to shareholder <sup>3)</sup>	-	-	-	-	-2,000	-	-2,000
<b>Equity at end of 2008</b>	<b>2,726</b>	<b>400</b>	<b>1,416</b>	<b>-4,498</b>	<b>13,210</b>	<b>3,886</b>	<b>17,140</b>

## PARENT COMPANY

MSEK	Restricted equity		Unrestricted equity			Total equity
	Share capital	Statutory reserves	Profit/loss brought forward	Net profit for the year		
<b>Equity at beginning of 2007</b>	<b>2,726</b>	<b>400</b>	<b>16,368</b>	-	-	<b>19,494</b>
Dividend to shareholder <sup>2)</sup>	-	-	-4,890	-	-	-4,890
Net profit for the year	-	-	-	4,015	-	4,015
<b>Equity at end of 2007</b>	<b>2,726</b>	<b>400</b>	<b>11,478</b>	<b>4,015</b>	-	<b>18,619</b>
<b>Equity at beginning of 2008</b>	<b>2,726</b>	<b>400</b>	<b>15,493</b>	-	-	<b>18,619</b>
Dividend to shareholder <sup>2)</sup>	-	-	-2,000	-	-	-2,000
Group contribution to If P&C Insurance Ltd	-	-	-4	-	-	-4
Tax effect of Group contribution	-	-	1	-	-	1
Net profit for the year	-	-	-	2,838	-	2,838
<b>Equity at end of 2008</b>	<b>2,726</b>	<b>400</b>	<b>13,490</b>	<b>2,838</b>	-	<b>19,454</b>

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.

<sup>1)</sup> The accumulated translation difference at the end of the year was MSEK 1,562 (320).

<sup>2)</sup> During 2007, dividends paid totaled approximately SEK 35.86 per share, of which resolved by Extraordinary General Meetings for about SEK 35.86 per share.

<sup>3)</sup> During 2008, dividends paid totaled approximately SEK 14.67 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 14.67 per share. The Board of Directors and the President propose that the 2009 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	2008	2007
<b>Cash flow from insurance operations</b>		
Premium flows, direct insurance	39,916	37,918
Claim payments, direct insurance	-27,854	-24,848
Reinsurance flows	-1,171	-866
Costs of operations	-6,774	-6,216
	<b>4,117</b>	<b>5,988</b>
<b>Cash flow from investment operation</b>		
Current income/return, direct	4,075	3,936
Net investments in financial investment assets	-2,761	-5,494
	<b>1,314</b>	<b>-1,558</b>
<b>Cash flow from other operations</b>	<b>-5,397</b>	<b>-4,404</b>
<b>Cash flow for the year</b>	<b>34</b>	<b>26</b>
<b>Cash and bank</b>		
Cash and bank balances on January 1	1,536	1,483
Effect of exchange rate changes	45	27
Cash flow during the period	34	26
Cash and bank balances on December 31	1,615	1,536

The Group's total overdraft facility amounts to MSEK 206 (195). The utilized portion amounts to 0 (0).  
Supplementary information on the Group's cash flow is presented in Note 33.

## PARENT COMPANY

MSEK	2008	2007
Net profit for the year	2,838	4,015
Reported capital gains, Group companies	1	3
Unrealized result, investments	-	-2
Change in current business assets and liabilities	-204	26
<b>Investments</b>		
Investments in Group companies	-408	-456
Investment in short-term investments	-	1,037
<b>Financing</b>		
Group contributions	-5	-
Dividend	-2,000	-4,890
<b>Cash flow for the year</b>	<b>222</b>	<b>-267</b>
<b>Change in cash and bank balances</b>	<b>222</b>	<b>-267</b>

# Notes to the consolidated financial statements

## NOTE 1 Accounting principles

### 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 9, 2009 and will be presented to the 2009 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 2.1 (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.

In this context, If has elected to prepare 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 Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2006:17) and, in appropriate parts, the Swedish Financial Reporting Board's Recommendation RFR 1.1 (Supplementary Accounting rules for Groups).

Issued, but not yet effective, international accounting standards are assessed not to cause any significant impact on the financial statements when first applied.

### 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 com-

pleted as of January 1, 2004. In line with the exemption rules in IFRS 1, no recalculation was made of acquisitions and mergers prior to his date.

In consolidating foreign subsidiaries, locally prepared income statements and balance sheets are recompiled to eliminate differences between local accounting principles and the accounting principles applied in the consolidated accounts. These re-compilations 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 2008 at a rate of 26,3 percent of the non-amortized goodwill amount in the subsidiary, which represents deferred tax asset.

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

Sampo's acquisition in 2004 of all of the shares outstanding in If P&C Insurance Holding Ltd did not give rise to any change in the accounting principles 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 effect-

ed 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 directly against shareholders' equity.

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:

	2008	2007
US dollars	7.81	6.41
Danish kroner	1.46	1.27
Euro	10.87	9.44
Norwegian kroner	1.12	1.19
Estonian kroner	0.70	0.60
Lithuanian litas	3.17	2,73
Latvian lats	15.75	13.56

## Principles applied to items in the consolidated balance sheet

### GOODWILL

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

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 value, defined as the higher of the value in use and the net realizable value. If calculates the recoverable value as the discounted value in use of future cash flows attributable to the acquired net assets. When the value in use calculated in this manner on the valuation date is less than the carrying amount in the Group, the carrying amount is impaired to the value in use. If, subsequently, a higher value in use can be set, this does not result in revaluation or reversing of previous impairments.

### OTHER INTANGIBLE ASSETS

Other intangible assets consist of externally acquired and internally developed intangible assets. Intangible assets are valued at their acquisition value less deductions for accumulated planned amortization. In the case of internally developed intangible assets, the acquisition value is 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 major system changes decided in a special procedure by the Board are capitalized. Capitalized development expenses are amortized from the date the asset is put into production and 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 value, a calculation is made of the asset's recoverable value. Recoverable value refers to the higher of the asset's net realizable value and its value in use. If the set recoverable value is less than the carrying amount, the carrying amount of the asset is impaired to its recoverable value. If, subsequently, a higher value in use can be set, a revaluation or reversal of previous impairments may be undertaken.

### LAND AND BUILDINGS/INVESTMENT PROPERTIES

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

### SHARES IN ASSOCIATED COMPANIES

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

### 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 recognised directly in equity until being realized. In previous years, the Group applied a 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. This classification/reporting is still applied for financial investment assets acquired before the end of 2007 and also for later acquisitions in certain small Group companies. The presentation below describes the detailed valuation for each type of asset.

The purchase and sale of money 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 ex-

change or marketplace, the sales value normally refers to the latest bid price on the closing date. Unlisted securities included in private equity investments are valued using established valuation models.

#### INTEREST-BEARING SECURITIES

Interest-bearing securities are fair valued and accounted for separating accrued acquisition value and 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 curves 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 previous 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 value, a calculation is made of the asset's recoverable value. The recoverable value is the higher of the asset's net realizable value and value in use. If the established recoverable value is less than the carrying amount, the asset is impaired to its value in use. If, at a later date, a higher value is established, a previous impairment may be reversed.

#### CASH AND BANK

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

#### DEFERRED ACQUISITION COSTS

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

#### SUBORDINATED LOANS

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 income.

#### 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 normally calculated on a strictly proportional basis over time, 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 pension obligations within the If Group 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. According to these rules, the amounts reported as pension costs during a fiscal year consists of the sum total of (1) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (2) calculated interest expense for appreciating the preceding year’s established pension obligations less (3) calculated revenues from the plan assets covered by the plan. The calculation of pension costs during the fiscal year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the anticipated return on plan assets and the market interest rate on the obligation during the fiscal year.

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

Provision is also made for the calculated value of other remuneration to employees paid after the end of the fiscal year, such as performance-based bonuses and multi-year incentive programs. Refer to Note 35 for information regarding these provisions.

### Principles 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 for 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. In the case of property and casualty insurance and reinsurance, premiums written are reported according to the maturity principle. This entails that premiums written are reported in the income statement when the annual premium or – in the event of the division of the contractual insurance period’s premiums into several amounts – the first partial premium falls due for payment.

### 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.

### 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.

### ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

Total investment income is reported in the non-technical result. Part of the income is transferred from investment income to the technical result for insurance operations based on the net of the insurance operations’ average technical provisions and out-standing net receivables. When calculating this income, an interest rate that reflects the return on medium-term government bonds is usually applied, taking into consideration the insurance operations’ cash flow over the period.

### 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 such write-downs of Available-for-sale financial assets that were deemed necessary. However, realized as well as unrealized value changes on investment assets acquired before the end of 2007, and also on later acquisitions in certain small Group companies, are reported in the income statement. 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.

For companies in Sweden, income tax rates during the year amounted to 28% of taxable income. For branches and companies in Norway the tax rate was 28%, with 25% in Denmark and 26% in Finland. The tax rate in Sweden is reduced to 26,3% from 2009, which has been considered when calculating deferred tax assets and liabilities as of December 31, 2008.

**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. 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 is provided in the section Bases for consolidation above.

## Accounting principles in the Parent Company

### ACCOUNTING FOR HOLDINGS IN SUBSIDIARIES

Shares in subsidiaries 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.

## NOTE 2 Significant considerations and assessments affecting the accounts

Preparing financial reports in accordance with IFRS requires that the Board and executive management make judgments and assumptions that affect the application of the accounting principles 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 reports for 2008 and assessments that may cause material adjustments in the financial reports in subsequent years are commented on below.

### GOODWILL

If reports goodwill attributable to the acquisition of Sampo's Finnish property and casualty operations, the acquisition of Volvia's motor insurance operation and to the acquisition of the Russian company IPSC Region. In line with IFRS 3, good-

will 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 and so forth are made in Note 12.

### 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. In the prevailing financial instability, this valuation causes a degree of uncertainty.

The main part of the financial assets that are not derivatives acquired from January 2008 has been classified as available-for-sale financial assets. Value changes on these assets are therefore

normally recognised directly in equity 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. In this assessment, If has chosen to use criteria related to default in the companies whose securities If holds. Other possible criteria have been judged as being too subjective. Additional information is provided in Note 3, 10 and 15.

#### 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 3 and an account of the company's prior-year results in recent years is available in Note 26.

### NOTE 3 Risks and risk management

#### DEVELOPMENTS IN 2008

The year 2008 was characterized by the financial crisis which affected If's business and operating environment. The level of risk related to financial investments is at an unusually high level. The values of our investment assets have decreased due to the fall in equity prices and widened spreads in the fixed income securities. At year end, the relative weight of equities in the investment portfolio of If is at a historically low level. During the year If has faced the economic downturn by holding large part of its investments in fixed income instruments. The shift in investment allocation means that the relative importance of credit risk has increased and has also resulted in an increased focus on credit and liquidity risk management.

If's business risk profile has however remained stable. Our continued growth in the Russian market exposes us to new economic and political risks but the relative importance of these risks is still limited.

During the year we also continued to develop our risk and capital management systems and processes as we prepare for Solvency II.

#### OVERVIEW OF IF'S MAIN RISKS

The core of P&C insurance is the transfer of risk from insured clients to the insurer. If collects insurance premiums from a large group of policyholders and commits itself to compensate them if an insured event occurs. For If, the result depends on both the underwriting result and the return on investment assets.

In order to make a profit, If takes business, insurance, market and credit risks. As a result, If is also exposed to liquidity risk and various operational risks.

#### Risk management approach

If believes that sound risk management is a decisive competitive advantage. Sound risk management increases the attractiveness of If from the perspective of investors, customers, regulators and potential business partners.

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. The provision is normally 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 3.

#### PROVISIONS FOR PENSIONS

If applies what is referred to as the corridor model in IAS 19 for reporting pensions expenses and outstanding pension commitments. According to this standard, the company should determine a number of parameters that are significant in the calculation of, for example, the company's net obligations and the amounts that are to be reported in the income statement and balance sheet. Due to the financial instability, interest rate related parameters have been determined using an expected long term development. Significant parameters are presented in Note 27.

Our approach in risk management is to ensure that sufficient return is obtained for the risks taken in all business transactions. All risks are taken into account in risk-return considerations and pricing decisions.

The key objectives for risk management are to ensure capital adequacy in relation to the risks inherent in business activities, and to limit fluctuations in financial results. This requires all risks to be properly identified and monitored.

The acceptable level of risk is determined by the availability of capital and the selected risk tolerance. Risk management activities are performed in the business units as part of the normal course of day-to-day business. Risk taking is restricted through a system of risk limits that are set by If's group management and delegated throughout the organization.

#### Risk governance and reporting structure

This section describes If's governance framework regarding risk control.

FIGURE 1 Risk management governance framework



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

If Risk Control Committee (IRCC) assists the CEO and the Board of Directors in fulfilling their responsibilities relating to

the risk management process. IRCC monitors reports from the committees as well as the risk position in relation to limits given by the Board. IRCC also reviews the major risk management activities that influence the overall risk position. The Risk Management department is the responsible function for coordinating risk management work on behalf of the IRCC.

The separate risk committees reporting to the IRCC are:

- Underwriting Committee (UWC) is responsible for maintaining the Underwriting Policy and for reporting all deviations from the Underwriting Policy to IRCC
- Investment Control Committee (ICC) is responsible for the organization and control of investment activities, ensuring compliance with the principles and limits specified in the Investment Policy and for reporting deviations to IRCC
- Actuarial Committee (AC) monitors the technical provisions and technical calculations and reports on provision risk to the IRCC on a quarterly basis
- Reinsurance Committee (RC) is responsible for approving on deviations from Reinsurance Security Policy and reporting all deviations to IRCC
- Operational Risk Committee (ORC) considers various policies and monitors deviations from these policies. Moreover, the committee is responsible for follow-up of operational risks identified in the operational risk assessment process.

## CAPITAL MANAGEMENT

The Risk Management department focuses on both capital efficiency and sound risk management while keeping the capital resources at an appropriate level in relation to the risks taken. At a minimum, this means ensuring that available capital exceeds the capital requirements according to the internal measure as well as the measures of external stakeholders such as regulators and rating agencies.

### Capital management approach

A role of capital is to act as a buffer against future losses. It is therefore convenient to define risk in terms of capital. The starting point for capital management is the risk appetite which is implemented through a system of risk limits, policies and authorizations, approved by the Board of Directors. Based on the exposure resulting from risk taking decisions within this framework, risks are monitored and the implications on the available capital are assessed. The risk and available capital is reported on at least a quarterly basis, or more often if the situation, such as the latest financial crisis, so requires.

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

- Support growth in profitable business by allocating capital
- Manage the debt to equity structure in order to enhance returns to shareholders while maintaining reasonable financial flexibility
- Retain at least a single A rating (S&P and Moody's)
- Assure sustainable dividend capacity.

### Capital position and solvency

The capital position is the relationship between available capital and required capital. To fulfil requirements of different stakeholders, If uses different measures to describe the capital position: regulatory measures, internal economic measures and rating agency measures.

## REGULATORY MEASURES

Insurance is a highly regulated business with formal rules for minimum capital and capital structure. The capital base is a measure used to assess an insurance company's ability in fulfilling its liabilities to the policyholders. The capital base tells us the size of the capital that can be used to cover unexpected losses arising from the insurance or investment operations.

The supervising authorities set the solvency margin – the minimum requirements for the capital base. Solvency is reported quarterly to the supervisory authorities monitoring If and to the local supervisors of subsidiaries on the basis of the prevailing regulatory requirements.

The regulatory measures solvency margin and capital base are presented in Table 1. All If companies fulfilled their regulatory minimum capital requirements during 2008.

## INTERNAL ECONOMIC MEASURES

Economic Capital is an internal measure which describes the capital required in If in order to bear different kinds of risks. 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 99,97%. Economic Capital accounts for market, credit, insurance and operational risks, as well as the diversification effect between these risks.

Adjusted solvency capital is If's internal measure of available capital. Adjusted solvency capital is estimated by adding an adjustment to the regulatory capital base. The adjustment is the difference between book value and market value of technical provisions. The market value of technical provisions is the sum of the discounted value of future cash flows and a risk margin.

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

**TABLE 1** Minimum requirement for own funds, own funds, economic capital and adjusted solvency capital, Dec 31

SEK billions	2008	2007
Solvency margin	6.2	6.1
Capital Base	21.9	23.4
Economic capital	14.5	15.7
Adjusted solvency capital	25.5	26.4

### Rating agency measures

The rating agencies have proprietary models to assess the capital position as part of their rating criteria. Due to If's rating objective (A-rating), the capital measures from these models are key drivers of the capital requirements.

### Risk and capital modelling

The Economic Capital for market risk, insurance risk and credit risk relating to reinsurance assets is calculated using If's internal stochastic models. For credit risks related to investment assets and for operational risks, Economic Capital is estimated based on the standard model used in the fourth Quantitative Impact Study ('QIS 4') of the Solvency 2 framework and calibrated to the confidence level used in If's internal models.

In order to assess the overall risk profile, it is necessary to incorporate the interrelationships between the various risk types, as some of the risks may develop in opposite directions creating natural hedges. For this purpose, If has used an internal Dynamic Financial Analysis (DFA) model for several years. Through

simulations of both investment and insurance operations, the effect of for example reinsurance structures and investment allocations, can be analyzed simultaneously.

In addition to the calculation of Economic Capital, the DFA model is also used for making decisions on:

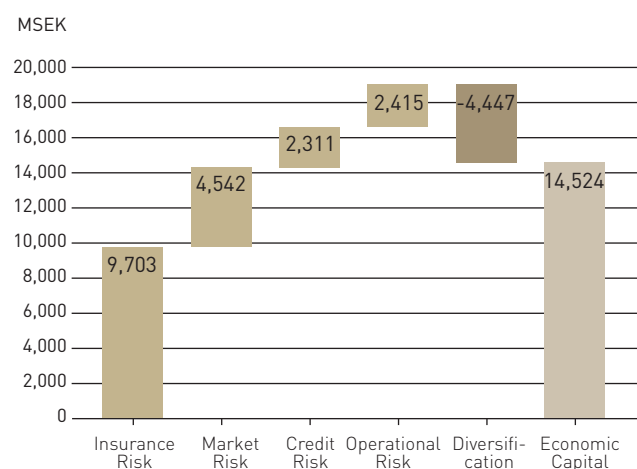
- Overall capital need for If and its subsidiaries
- Allocation of capital to the various business areas in order to achieve consistent profit targets throughout the organization
- Investment policy reference, minimum and maximum weights for each investment class
- Reinsurance retention levels.

### Distribution of economic capital

Economic capital tied up in If's operations on Dec 31, 2008 was MSEK 14,524 compared to MSEK 15,678 on Dec 31, 2007.

Economic capital does not only reflect the capital need for different kinds of risks, but also their mutual diversification effect. This gives a more accurate view of the overall capital need as it is very unlikely that all risks will materialize simultaneously. Figure 2 shows the distribution of economic capital in If between different risk areas.

FIGURE 2 Economic capital, Dec 31, 2008



### INSURANCE RISKS

Insurance risk is the risk that the cost of future insurance claims will be higher than anticipated. Insurance risk is one of the main risks in If's business and the assessment and management of insurance risks forms the foundation for all insurance operations.

Insurance risk is divided into underwriting risk and provision risk. Underwriting risk is the risk of losses due to e.g. inadequate pricing, risk concentration, improper reinsurance coverage or random fluctuations in frequency and/or size of claims. Provision risk is the risk of loss due to technical provisions not being sufficient to cover the cost of claims from insurance business already written, e.g. due to higher inflation than expected.

### Underwriting Risk

A crucial factor contributing to the profitability of P&C insurance operations is the ability to accurately estimate claims and administrative costs and thereby correctly price the insurance contracts.

As a rule, If only write insurance in the Nordic and Baltic countries and in Russia, unless the risk is otherwise clearly related to the Nordic countries.

Given the uncertainty of P&C insurance there is a risk that the losses due to claims are unexpectedly high. Examples are: large industrial fires, natural catastrophes such as severe windstorms and unforeseen increases in the frequency or the average size of small and medium-sized claims.

A sensitivity analysis of the aggregated underwriting risk on Dec 31, is presented in Table 2.

TABLE 2 Sensitivity test, underwriting risk, Dec 31

MSEK Parameter	Current level, 2008	Change	Effect on pretax profit, MSEK	
			2008	2007
Private's combined ratio	91,3%	+/- 1%	+/- 195	+/- 186
Commercial's combined ratio	92,4%	+/- 1%	+/- 114	+/- 111
Industrial's combined ratio	93,4%	+/- 1%	+/- 41	+/- 42
Baltic and Russia's combined ratio	92,6%	+/- 1%	+/- 16	+/- 12
Premium level	36 635	+/- 1%	+/- 366	+/- 351
Claims level	27 269	+/- 1%	+/- 273	+/- 258

## GOVERNANCE

The Underwriting Committee is responsible for the monitoring of compliance of the Underwriting principles as defined by the Underwriting Policy ('UW Policy'). The UW Policy is the principal document for underwriting and sets general principles, restrictions, limits and directions for the organization of underwriting activities. The Board of Directors approves the UW Policy at least annually.

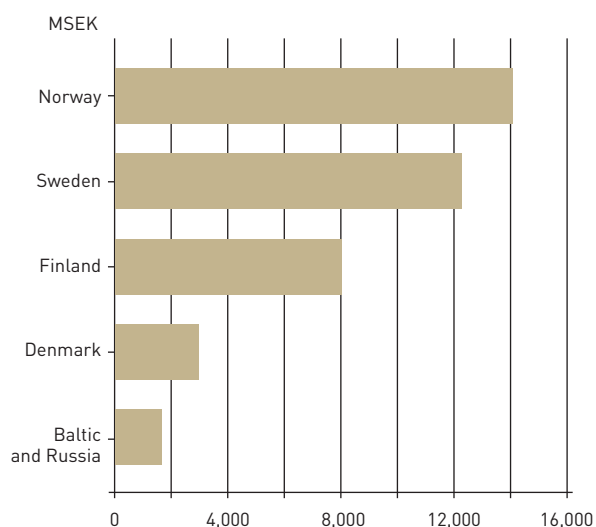
The UW Policy is supplemented with detailed Underwriting guidelines which outline in more detail how to conduct underwriting within each business area. These guidelines cover, among other things, tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as underwriting authorities, underwriting limits such as sums insured and lists risks that are not acceptable to undertake.

## RISK MANAGEMENT AND CONTROL

The Business Areas manage the underwriting risk on a day-to-day basis. For private lines insurance and smaller commercial risks, separate underwriting and pricing units within each Business Area are responsible for the tariffs and pricing of insurance contracts. For industrial risks and more complex commercial risks, the underwriting is based more on general principles and individual underwriting than strict tariffs. In general the pricing is based on statistical analyses of historical claims data and assessments of future developments of for instance claims frequency and claims inflation.

Given the large number of customers and the fact that business is underwritten in different geographical areas and across several classes of insurance, the portfolio is assessed to be well diversified. The geographical distribution of premium income is shown in Figure 3.

FIGURE 3 Premium income per country, Dec 31, 2008



However, underwriting risk concentrations may still arise through for example exposures to natural disasters, such as winter storms and floods. The geographical areas most exposed to such disasters are Denmark, Norway and Sweden. In addition, single large claims can potentially have a big impact on the result. The risk of severe outcomes is therefore mitigated by purchasing reinsurance. Since 2003, a Nordic-wide reinsurance program has been in place within If. In 2008, the retention levels were between MSEK 100 and MSEK 200 per risk and MSEK 200 per event.

## REINSURANCE

If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated through statistical analysis. The remaining net exposure is subject to the capital requirements (regulatory, economic and rating) and the cost of reinsurance must be favourable compared to the cost of capital.

To analyze the exposure to natural catastrophes, the probability of major losses and the need for reinsurance, If cooperates with external advisors. Two different approaches are used for these analyses:

- Statistical models in which historical losses are used to estimate distributions for the frequency and size of losses
- Technical or catastrophe models in which catastrophes are simulated based on historical and meteorological data. Subsequently, insurance losses can be calculated, taking into account vulnerability, exposure and policy terms.

## Provision Risk

Claims are generally incurred after premiums are paid, so it is necessary to set provisions for premiums not yet earned. In addition, claims are paid after they have occurred, so it is also necessary to set provisions for claims not yet paid. The sum of premium and claim provisions is known as technical provisions.

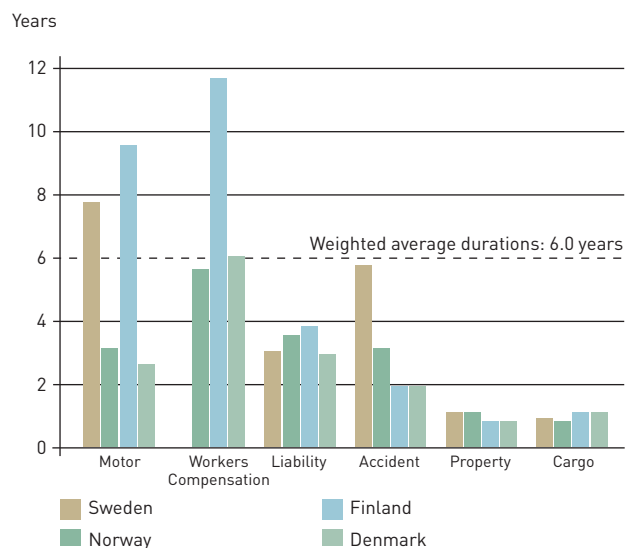
Technical provisions, which represent the best current estimate, always include an element of uncertainty as the size and the frequency of future claim payments are not known. Claims are usually reported to If with some delay and in many cases it takes additional time to adjust the claim and determine the actual indemnity.

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

For insurance lines such as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish provisions for these lines include annuities which are sensitive to changes in mortality assumptions and discount rates. The proportion of the technical provisions for claims related to MTPL and WC is 69 per cent.

The durations of technical provisions for different products are shown in Figure 4 and the amount of technical provisions broken down by product and country is shown in Table 4.

**FIGURE 4 Durations of technical provisions, Dec 31, 2008**



**TABLE 4 Technical provisions per product and country, Dec 31, 2008**

SEK billions	Sweden	Norway	Finland	Denmark	Total
Motor	21.0	7.5	8.4	1.2	38.1
Workers' Compensation		3.2	10.7	2.7	16.6
Liability	2.5	1.4	1.0	0.8	5.7
Accident	1.9	2.5	0.8	0.5	5.7
Property	3.7	5.2	2.4	0.9	12.2
Cargo	0.4	0.2	0.3	0.3	1.2
<b>Total</b>	<b>29.5</b>	<b>20.0</b>	<b>23.6</b>	<b>6.4</b>	<b>79.5</b>

The technical provisions for many lines of business are sensitive to changes in inflation. The sensitivity of the inflation assumptions differ between countries due to the different national rules. A sensitivity analysis of the provision risk on Dec 31 is presented in Table 3.

**TABLE 3 Sensitivity test, provision risk, Dec 31**

Portfolio	Risk	Change in risk parameter	Country	2008	2007
				Effect MSEK	Effect MSEK
Nominal reserves	Inflation increase	Increase by 1%-point	Sweden	1,707	1,673
			Denmark	156	81
			Norway	709	406
			Finland	241	141
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1%-point	Sweden	474	435
			Denmark	88	81
			Finland	1,589	1,352
Annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	82	74
			Denmark	4	<10
			Finland	179	154

## GOVERNANCE

The Board of Directors approves 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 overall level of provisions are sufficient. The Chief Actuary issues a quarterly report on the adequacy of technical provisions, which is submitted to the Board of Directors, If's Risk Control Committee and If's CEO and CFO.

The Actuarial Committee is a preparatory and advisory board for If's Chief Actuary. The committee makes recommendations on policies and guidelines for technical calculations, including the actuarial sections of the Guiding Technical Principles. It also monitors technical provisions and gives advice to If's Chief Actuary regarding their adequacy.

## RISK MANAGEMENT AND CONTROL

Analyses of the uncertainty in technical provisions are made by If's actuaries. The actuaries monitor the levels of technical provisions on a continuous basis in order 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 are for example, loss development trends, the level of unpaid claims, changes in legislation, legal cases and economic conditions. The methods used in general are the Chain Ladder and the Bornhuetter-Fergusson methods combined with projections of the number of claims and average claim costs.

The anticipated inflation trend is observed in all provisions and is of highest importance for claims settled over a long period of time. For long-tailed business, such as MTPL and WC, assessments are made regarding the expected claims inflation. This is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of compensation.

Inflation risk in the technical provisions is an important consideration underlying the investment strategy of If.

## FINANCIAL ASSETS AND LIABILITIES

The accounting treatment of financial assets and liabilities depends on their classification. The analysis of assets and liabilities into their categories in accordance with IAS 39 is shown in Table 5.

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

MSEK	2008	2007
<b>Financial assets, mandatory at fair value through profit or loss (trading)</b>		
Derivatives	3,934	1,721
<b>Financial assets, designated by If as at fair value through profit or loss</b>		
Shares and participation	222	9,543
Bonds and other interest-bearing securities	3,621	78,099
<b>Financial assets, available for sale</b>		
Shares and participation	5,283	-
Bonds and other interest-bearing securities	83,385	-
<b>Total financial assets at fair value</b>	<b>96,445</b>	<b>89,363</b>
<b>Loans and receivables</b>		
Deposits with credit institutions	1,200	4,473
Other loans	1	1
<b>Other assets</b>		
Deposits with ceding undertakings	13	17
Debtors arising out of direct insurance	8,338	7,981
Debtors arising out of reinsurance operations	482	381
Other debtors	930	707
Cash and bank	1,615	1,536
Securities settlement claims	183	21
Accrued income	1,712	1,440
<b>Total financial assets</b>	<b>110,919</b>	<b>105,920</b>
<b>Financial liabilities valued at fair value through profit and loss</b>		
Derivatives	2,732	846
<b>Financial liabilities valued at accrued acquisition value</b>		
Subordinated loans	4,489	3,893
<b>Financial liabilities valued to the amount expected to be settled</b>		
Creditors arising out of direct insurance	1,025	1,029
Creditors arising out of reinsurance operations	417	339
Other creditors	1,824	1,643
Accrued expenses	1,399	1,412
<b>Total financial liabilities</b>	<b>11,886</b>	<b>9,162</b>

Most of If's investment assets are valued at market value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of instruments the value needs to be determined using other techniques. The valuation methods of financial assets are shown in table 6.

**TABLE 6** Valuation methods of financial assets at fair value, Dec 31, 2008

MSEK	Published price quotations in an active market <sup>1)</sup>	Valuation technique – based on market observable inputs <sup>2)</sup>	Valuation technique – not based on market observable inputs <sup>3)</sup>	2008 Total
<b>Financial assets</b>				
Available for sale assets	81,367	7,278	22	88,667
Financial assets at fair value through profit or loss	3,234	546	64	3,844
Derivatives	3,726	208		3,934
	<b>88,327</b>	<b>8,032</b>	<b>86</b>	<b>96,445</b>

- <sup>1)</sup> Included in this category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- <sup>2)</sup> Included in this category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument type or based on available market data.
- <sup>3)</sup> Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument type nor are they based on available market data.

## MARKET RISKS

Market risk is defined as the risk of loss, or of adverse change in the financial position, resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets and liabilities. Loss in the investment portfolio might occur due to adverse changes in the levels or volatility of interest rates, equity prices, currencies, commodities and real estate.

### Market risk management and control

The investment operations of If aim at achieving the highest possible returns at acceptable levels of risk, and to ensure that If, under all circumstances, will exceed the required solvency ratio. The structure of the investment assets should be in line with regulations and they should cover the company's technical provisions.

The Board of Directors annually approves the company's Investment Policy, which defines target allocation of the investment portfolio, limits for the allocations, the organization of investment activities as well as mandates and authorities. When making asset allocation decisions and setting return and liquidity targets, the structure and requirements of the companies' technical provisions, their risk-bearing capacities, regulatory requirements, rating targets and risk tolerance are taken into account. The Investment Policies also include guidelines on the use of derivatives.

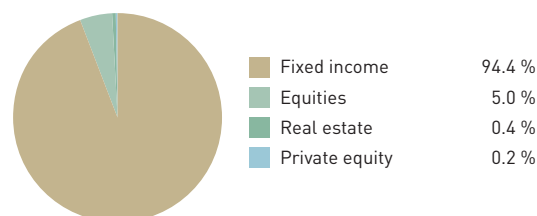
Market risk management in If is based on matching the composition of the investments with the characteristics of the insurance liabilities as well as on maintaining a good diversification among various asset classes and within each asset class. The principle is that insurance liabilities are matched with fixed income investments of corresponding duration and the surplus capital is invested in a diversified portfolio of financial assets with the objective of enhancing the total return.

The target allocations are based on an asset-liability-management (ALM) analysis, which defines the neutral allocation for the investments in terms of a reference portfolio. In order to increase the returns of the investment operations, deviations can be made from the neutral reference portfolio allocations. These deviations are done within the specific limits defined in the Investment Policy.

## Quantification of market risks

The investment allocations of If are shown in Figure 5.

**FIGURE 5** Allocation of investment assets, 31 Dec, 2008



During the year, the proportion of equity investments was reduced from 10 per cent to 5 per cent. The proportion of fixed income investments was correspondingly increased from 89 per cent to 94.4 per cent and 0.6 per cent other investment assets.

If's investment operations generated a return of -3.1 per cent in 2008. The investment assets amounted to MSEK 95,731. The major market risks are thus interest rate risk and equity risk. The investment allocation at year-end was close to the neutral asset allocation defined in If's Investment Policy, i.e. deviation from the reference weights was at a low level.

The values of financial assets and liabilities are subject to changes in the underlying market variables. Table 7 shows the sensitivity analysis of the fair values of financial assets and financial liabilities to different market scenarios in different segments. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on Dec 31, 2008.

**TABLE 7** Sensitivity analysis of the fair values of financial assets and liabilities, Dec 31

MSEK	2008				2007			
	Interest rate		Other financial Equity investments		Interest rate		Other financial Equity investments	
	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
<b>Assets</b>								
Short-term fixed income	4	-4			32	-32		
Long-term fixed income	2,880	-2,691			2,439	-2,242		
Equity			-955				-1,834	
Other financial assets				-114				-167
<b>Liabilities</b>								
Subordinated bonds	-89	91			-171	161		
Derivatives, net	114	-109	0		-206	186	-82	
<b>Total change in fair value</b>	<b>2,909</b>	<b>-2,713</b>	<b>-955</b>	<b>-114</b>	<b>2,093</b>	<b>-1,927</b>	<b>-1,916</b>	<b>-167</b>

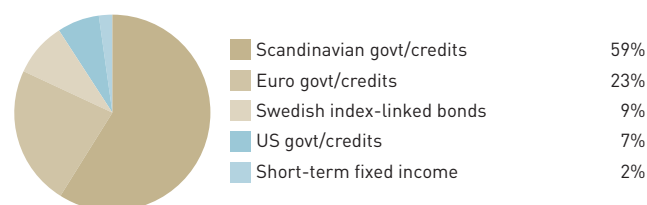
The changes of interest rates have a strong effect on the reinvestment risk of insurance companies. The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

### Interest rate Risk

Interest rate risk refers to the uncertainty in the values of assets and liabilities as well as interest income and expenses resulting from changes in market interest rates. When market interest rates rise, the balance sheet value of fixed income securities falls and this has a direct impact on the company's equity capital and earnings. On the other hand, higher interest rates mean increased interest income, which improves profitability and the economic capital position.

According to the Investment Policy, the composition of investments assets shall take into account the nature of the insurance commitments with respect to interest rate risk and inflation risk. The interest rate risk is limited by duration restrictions. The principle is that insurance liabilities are matched with fixed income investments of corresponding duration and the duration gap between assets and liabilities is constantly monitored.

**FIGURE 6** Fixed income investments by type of instrument, Dec 31, 2008



The breakdown of fixed income instruments excludes fixed income investments and deposits in business area Baltic and Russia with a value of MSEK 269 and credit default swaps with a market value of MSEK -45.

Both financial assets and technical provisions are exposed to changes in interest rates. The duration of fixed income investments was 3.1 years at the end of 2008 (2.2 years in 2007).

The interest rate sensitivity of fixed income investments in If is shown in Table 8.

**TABLE 8** Duration of fixed income investments, 31 Dec, 2008

	MSEK	Years
Short-term fixed income	1,629	0.2
Scandinavian govt/credits	52,743	2.3
Euro govt/credits	20,693	3.2
US govt/credits	6,575	2.5
Global govt/credits	79	1.8
Swedish index-linked bonds	8,394	8.5
<b>Total</b>	<b>90,112</b>	<b>3.1</b>

The breakdown of fixed income instruments excludes fixed income investments and deposits in business area Baltic and Russia with a value of MSEK 269.

A major part of the technical provisions is stated in the balance sheet in nominal terms. Hence, from an accounting perspective, the company is mainly exposed to changes in future inflation. The economic value of these reserves, i.e. the present value of future claims payments is, however, exposed to changes in interest rates. Furthermore, the reserves for annuities in Finland, Sweden and Denmark are discounted, and potential changes in the discount rates will affect the level of technical provisions in the company's balance sheet. Discount rates vary between countries mainly due to differences in legislation, but they are at least indirectly impacted by the prevailing interest rate environment. The duration of reserves and thus the sensitivity to changes in interest rates is analyzed in more detail in Figure 4 and Table 3 in the section concerning insurance risk. The maturities of financial assets and liabilities are presented in Table 13 in the section concerning liquidity risks.

## Equity Risk

Equity price risk is the risk of losses due to changes in share prices. If is exposed to changes in the prices of equities through its investment operations. The equity risk is reduced by diversifying the investments across industry sectors and geographical regions.

If's equity portfolio is actively managed with a long term investment horizon and at year end the exposure was MSEK 4,775. The proportion of equities in If's investment portfolio was 5 per cent at year-end. The maximum proportion of equity investment is defined in If's Investment Policy as 20 per cent. The equity portfolio consists of Nordic small cap stocks as well as a diversified global fund portfolio. Mandates for investments are given in the Investment Policy.

## Currency Risk

Currency risk is the risk of economic losses due to changes in foreign currency exchange rates. If writes insurance policies that are mostly denominated in Scandinavian currencies and in Euros. The currency risk is reduced by matching technical provisions with investments in the corresponding currencies or by using derivatives.

The currency positions of If against the home currency and the exchange rate risk are shown in Table 9.

TABLE 9 Currency risks, Dec 31, 2008

MSEK	HOME CCY	EUR	NOK	DKK	EK	LVL	LTL	GBP	USD	JPY	OTHER
CURRENCY RISK	SEK	6,924	-1,635	-7,913	0	0	0	138	-1,907	-126	-98
OPEN POSITION											
10% depreciation of foreign currency against SEK, 2008		-692	163	791	0	0	0	-14	191	13	10
10% depreciation of foreign currency against SEK, 2007		-12	-60	1	0	0	0	0	5	-6	66

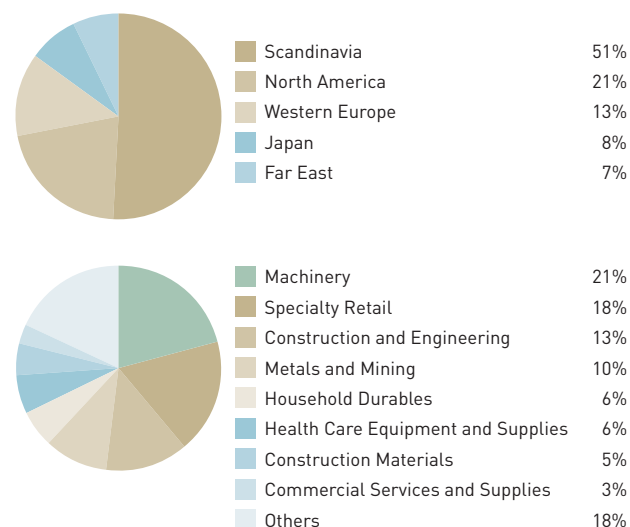
## CREDIT RISKS

Credit risk is the risk of loss, or of adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and other debtors. Credit risk arises both from investment, insurance and reinsurance operations.

Credit risk in the investment operations includes the risk that a government or corporate issuer will not fulfil its obligations or otherwise obstruct the remittance of funds by debtors, particularly in the context of fixed income securities. The credit risk in investment operations can be divided into issuer risk, counterparty risk and spread risk. Issuer risk is often associated with a direct holding in a security, 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, whereas in the case of counterparty risk, it is only the current market value of the derivative contract that is at risk. Spread risk relates mainly to changes in the credit spreads of fixed income investments issued by banks and corporations.

In addition to the credit risk associated with investment assets, credit risk arises from insurance operations through reinsurance contracts. Credit risk related to reinsurers arises through rein-

FIGURE 7 Breakdown of equity investments by geographical regions and industry sectors, Dec 31, 2008



The sector allocation of equity excludes investments made through mutual equity funds of MSEK 2,316.

insurance receivables and through the reinsurers' portion of outstanding claims. Credit risk exposure towards policyholders is very limited, because non-payment of premiums generally results in the cancellation of insurance policies.

## Credit risk management and control

Credit risk is controlled by specific limits given in the Investment Policy. Limits and restrictions are assigned to maximum exposures towards single issuers or per rating class. Before investing in a new instrument, the credit standing of the issuer is thoroughly assessed as well as 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'. The portfolio development and the counterparties credit standing is followed up continuously.

Credit risks are reported to the Investment Control Committee (ICC). The committee's decisions-making shall follow the limits defined in the Investment Policy. Credit risks arising out of the investment operations are reported in connection with market risk reporting. Credit risks are taken actively in the investment allocation to enhance investment returns, and should therefore be seen in connection with the risk reporting of market risks.

Credit risk reporting is based primarily on the rating of the issuer, but instrument ratings are also used.

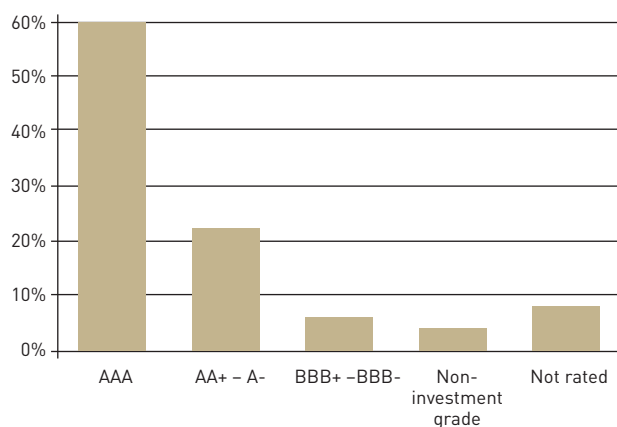
In order to limit and control credit risk associated with reinsurance, If has a Reinsurance Security Policy which sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to judge the creditworthiness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

### Quantification of credit risks

#### CREDIT RISKS RELATED TO INVESTMENT COUNTERPARTIES

The most significant credit risk exposures in If arise from investments into fixed income investments. The allocation of fixed income investments per rating category is shown in Figure 8.

FIGURE 8 Ratings of fixed income investments, Dec 31, 2008

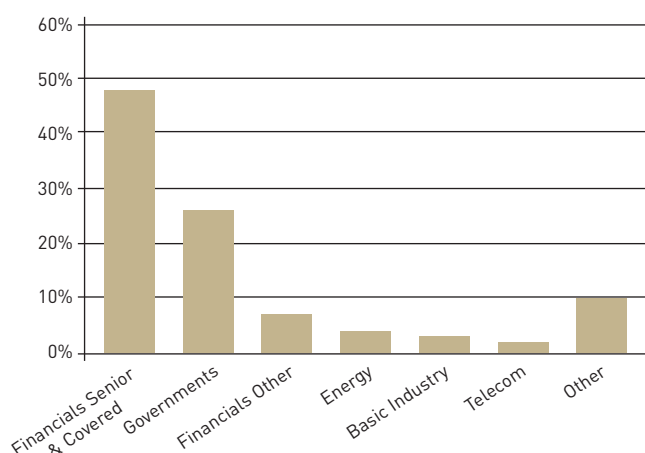


The breakdown of fixed income instruments excludes fixed income investments and deposits in business area Baltic and Russia with a value of MSEK 269 and credit default swaps with a market value of MSEK -45.

The credit risks in If's investment portfolios are mainly associated with corporations in the Nordic region.

Figure 9 shows the sector allocation of direct fixed income investments in If.

FIGURE 9 Sector allocation of fixed income investment, Dec 31, 2008



The breakdown of fixed income instruments excludes fixed income investments and deposits in business area Baltic and Russia with a value of MSEK 269 and credit default swaps with a market value of MSEK -45.

#### CREDIT RISKS RELATED TO REINSURANCE COUNTERPARTIES

The distribution of reinsurance receivables and reinsurers' share of claims provisions per rating category is presented in Table 10. In the table, reinsurance receivables and reinsurers' portion of outstanding claims amounting to MSEK 1,391 are excluded. The excluded amount relates mainly to captives and statutory pool solutions.

TABLE 10 Reinsurance receivables and reinsurers' portion of outstanding claims per rating category, Dec 31

MSEK Rating (S&P)	2008	% of total	2007	% of total
AAA	64	2.0	90	2.9
AA	2,273	71.2	2 508	79.9
A	752	23.6	435	13.9
BBB	25	0.8	16	0.5
BB - CCC	0	0.0	2	0.1
Not rated	77	2.4	85	2.7
Default	0	0.0	3	0.1
<b>Total</b>	<b>3,191</b>	<b>100.0</b>	<b>3 139</b>	<b>100.0</b>

The distribution of ceded treaty and facultative premiums per rating category is presented in Table 11.

TABLE 11 Ratings for ceded treaty and facultative premiums, Dec 31

MSEK Rating (S&P)	2008	% of total	2007	% of total
AAA	29	5.0	42	6.9
AA	323	56.3	372	61.2
A	221	38.6	194	31.9
BBB	0	0.0	0	0.0
BB - CCC	0	0.0	0	0.0
Not rated	1	0.1	0	0.0
Default	0	0.0	0	0.0
<b>Total</b>	<b>574</b>	<b>100.0</b>	<b>608</b>	<b>100.0</b>

## RISK CONCENTRATIONS

The largest market and credit risk concentrations related to individual counterparties is shown in Table 12.

**TABLE 12** Concentration of market and credit risks in individual counterparties, Dec 31, 2008

MSEK Market value	Equity	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Swedish government	0	0	10,467	0	0	10,467
Svenska Handelsbanken AB	0	7,843	1,833	0	0	9,676
Nordea Bank AB	0	8,075	674	1,895	43	10,687
Swedbank AB	0	5,359	1,820	28	0	7,207
German government	0	0	6,274	32	601	6,907
Swedish National Housing Finance Corporation	0	1,640	3,907	0	0	5,547
French government	0	0	4,011	0	0	4,011
Skandinaviska Enskilda Banken AB	0	2,496	1,228	142	163	4,029
Den Danske Bank A/S, Copenhagen	0	0	1,392	657	0	2,049
Finnish government	0	0	1,423	0	0	1,423
<b>Total top 10 exposures</b>	<b>0</b>	<b>25,413</b>	<b>33,029</b>	<b>2,754</b>	<b>807</b>	<b>62,003</b>

The ten largest individual reinsurance recoverables amount to MSEK 2,926, which is 65 per cent of the total recoverables. The largest reinsurer is Munich Re (AA-rating), which amounts to MSEK 1,530.

## LIQUIDITY RISKS

Liquidity risk is the risk that insurance undertakings will be unable to realize investments and other assets in order to settle their financial obligations when they fall due. Liquidity risk can be divided into refinancing risk of debt and market liquidity risk of investments. If has a relatively low amount of financial liabilities and thus our refinancing risk is minor. Market liquidity risk increased during the year due to the financial crisis.

In P&C insurance, premiums are collected in advance and large claims payments are usually known a long time before they fall due. The liquidity risk is therefore limited.

## Liquidity risk management and control

Liquidity risks are managed by cash management functions responsible for liquidity planning. Liquidity risk is reduced by having investments which are readily marketable in liquid markets. At year end, the liquidity position in each legal entity was good.

## Quantification of liquidity risk

The maturities of technical provisions and financial assets and liabilities are presented in Table 13. In the table, financial assets and liabilities are divided into contracts having an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which by nature, are associated with a certain degree of uncertainty.

**TABLE 13** Financial assets and financial liabilities together with the insurance liability, Dec 31, 2008

MSEK	Carrying amount total			Cash flows						
	Carrying amount total	Carrying amount without maturity	Carrying amount with contractual maturity	2009	2010	2011	2012	2013	2014-2023	2024 -
Financial assets	110,919	18,732	92,187	9,760	22,891	14,676	24,514	12,998	22,502	1,263
Financial liabilities	11,996	7,507	4,489	-307	-307	-2,481	-144	-851	-1,792	0
Technical provisions, net	81,063			26,192	9,036	5,674	4,550	3,889	22,283	19,871

## OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, from personnel and systems, or from external events. This definition includes legal and reputation risk, but excludes strategic and business risk. Characteristics for operational risks, to distinguish them from strategic and business risks, are that they are often event based and their effects can be tracked to a single place and point in time.

## Operational risk management and control

The continuity of operational risk management is secured through the Operational Risk Committee (ORC). ORC handles policies and recommendations concerning operational risk management within If. These include contingency plans, deviations from policies and guidelines, follow-up of operational risks identified in the Operational Risk Assessment (ORA) process, occurred incidents, reports regarding operational risks and other issues connected to operational risks.

The Business Areas have the ultimate responsibility for identifying, assessing, monitoring and managing operational risks within different units.

## IDENTIFICATION AND MANAGEMENT

If identifies operational risks through several different sources with different processes.

Environmental and macro analysis is conducted on an annual basis. Key trends affecting the insurance industry are identified and their implications to If are assessed. These assessments outline the most important external operational and business risks.

Operational risk assessment (ORA) is a quarterly process and reported to ORC. Operational risks are identified and assessed in the different business areas through interviews and workshops. In addition, some business risks are captured in the ORA process.

Incident reporting and analysis is arranged in different ways depending on the type of the incident. Some incidents are reported through a separate incident database and some are collected through controls and investigations. To improve the overall management of operational risks, there is an ongoing project to integrate all incident information into a single database that will also serve as a common reporting tool.

In order to control our operational risk, If has approved a number of policies including e.g. Contingency Plans, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy and other policies related to different aspects of the business. The different policies are reviewed regularly and updated as needed.

In addition, If has thorough processes and guidelines to handle external and internal fraud cases should they arise. Furthermore, much effort is put into internal education regarding ethic rules.

## PREPARATION FOR SOLVENCY II

The European Commission's Solvency II draft framework directive was published in 2007. Compared to the existing Solvency I regulation, the regulatory capital requirements in Solvency II will more closely reflect the specific risk profile of each company. This will encourage companies to focus on sound risk management and internal control procedures and thus embed risk awareness throughout the organization.

A separate programme to prepare If for the anticipated changes was introduced during 2007. A number of projects within the programme have been initiated to secure full compliance with Solvency II in 2012. The programme has encompassed involvement in the Solvency II debate and continuous review of If's risk management framework, internal control and corporate governance as well as the internal capital model.

During 2008 the supervisors across Europe organized an impact study of the future Solvency II regulation. If took part in the study called QIS 4. The tested calculations showed that If is well prepared for the drafted solvency requirements.

## NOTE 4 Reporting of the effects of changed exchange rates

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

As a result of the large amount of foreign currency business operations, financial reports in SEK are affected continuously 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 book-keeping of insurance contracts matches the contracted currency. This means that exchange-rate effects that could have an impact on a specific reporting line in the income statement do not have a material impact on the total technical result.

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

For 2008, a net exchange-rate gain of MSEK 210 is reported in the income statement. The gain arose as a result of the translation of income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate gains/losses may be divided into:

Conversion of items in the income statement and balance sheet	1,914
Realized effects of currency derivatives	-2,053
Unrealized effects of currency derivatives	349
<b>Total exchange-rate gain</b>	<b>210</b>

### Exchange-rate effects in the technical result

MSEK	2008	2007	Change	Of which exchange-rate effects
Premiums earned, net of reinsurance	36,635	35,128	1,507	627
Investment income transferred from non-technical account	2,242	1,894	348	23
Other technical income	249	272	-23	11
Claims incurred, net of reinsurance	-27,269	-25,795	-1 474	-489
Operating expenses	-6,584	-6,273	-311	-140
<b>Technical result</b>	<b>5,273</b>	<b>5,226</b>	<b>47</b>	<b>32</b>

### Technical income and operating expenses net, distributed by currency

	Premium income	Total expenses	Of which claims costs	Of which operating expenses
SEK	27%	28%	24%	4%
NOK	37%	37%	30%	7%
DKK	8%	8%	6%	2%
EUR	22%	22%	17%	5%
USD	1%	0%	0%	0%
Other	5%	5%	3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>80%</b>	<b>20%</b>

### Exchange-rate effects in the balance sheet

MSEK	2008	2007	Change	Of which exchange-rate effects
<b>Assets</b>				
Intangible assets	1,335	1,138	197	5
Investment assets	98,036	94,307	3,729	6,261
Reinsurers' share of technical provisions	4,686	4,573	113	149
Deferred tax assets	1,497	721	776	-62
Receivables	9,750	9,069	681	318
Other assets	2,089	1,830	259	77
Prepaid expenses and accrued income	2,846	2,467	379	67
<b>Total assets</b>	<b>120,239</b>	<b>114,105</b>	<b>6,134</b>	<b>6,815</b>

### Shareholders' equity, provisions and liabilities

Shareholders' equity	17,140	18,504	-1,364	2,699
Subordinated debt	4,489	3,893	596	589
Technical provisions	85,749	80,506	5,243	3,408
Provisions for other risks	5,303	5,083	220	-39
Creditors	6,109	4,655	1,454	106
Accrued expenses and deferred income	1 449	1 464	-15	52
<b>Total shareholders' equity, provisions and liabilities</b>	<b>120,239</b>	<b>114,105</b>	<b>6,134</b>	<b>6,815</b>

## NOTE 5 Result per business area

Group operations are controlled and reported primarily in accordance with If's customer groups, which consist of private individuals, small companies and large-scale companies with operations in the Nordic region, the Baltic countries and Russia.

The Private, Commercial and Industrial business areas conduct operations in Sweden, Norway, Denmark and Finland. These markets 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 and Russia constitute a separate business area. The Baltic and Russian business area consists of insurance operations conducted in Estonia, Latvia, Lithuania and Russia. The operations in these countries are in the build-up stage and the market is characterized by sharp growth.

Within the 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, other Group-wide operations and Group eliminations.

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.

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

### Income statement and balance sheet per business area

MSEK	Private	Commercial	Industrial	Baltic countries & Russia	Assets management and Other <sup>2)</sup>	Adjustment to consolidated principles	2008 Group	2007 Group
Premiums written, gross <sup>1)</sup>	20,051	11,557	5,764	1,666	0	-	39,038	37,792
Premium written, ceded	-330	-195	-1,669	-79	0	-	-2,273	-2,266
Premiums earned, net of reinsurance	19,539	11 371	4,126	1,599	0	-	36,635	35,128
Allocated investment income transferred from the non-technical account	1,111	681	381	64	5	-	2,242	1,894
Other technical income	110	92	26	3	18	-	249	272
Claims incurred, net of reinsurance	-14,580	-8,451	-3,268	-977	7	-	-27,269	-25,795
Operating expenses in insurance operations, net of reinsurance	-3,264	-2,056	-588	-502	38	-	-6,372	-6,045
Other operating expenses	-109	-76	-20	-4	-3	-	-212	-228
<b>Technical result of insurance operations</b>	<b>2,807</b>	<b>1,561</b>	<b>657</b>	<b>183</b>	<b>65</b>	<b>-</b>	<b>5,273</b>	<b>5,226</b>
Investment result, net	-	-	-	-22	-2,989	6 173	3,162	2,461
Allocated investment income transferred to the technical account	-	-	-	-66	-2,753	-	-2,819	-2,411
Interest expense, subordinated loans	-	-	-	-	-279	-	-279	-267
<b>Result before income taxes</b>	<b>2,807</b>	<b>1,561</b>	<b>657</b>	<b>95</b>	<b>-5,659</b>	<b>6,173</b>	<b>5,337</b>	<b>5,009</b>
<b>Assets on December 31</b>								
Intangible assets	113	9	0	217	996	-	1 335	1,138
Investment assets	-	-	-	2,445	95,591	-	98,036	94,307
Reinsurers' share of technical provisions	257	1,071	3,000	195	163	-	4,686	4,573
Deferred tax assets	-	-	-	4	1,493	-	1,497	721
Debtors arising out of insurance operations	5,763	1,902	930	285	-60	-	8,820	8,362
Deferred acquisitions costs	603	402	26	49	-	-	1,080	976
Other assets <sup>3)</sup>	-	-	-	-	4,785	-	4,785	4,028
<b>Total assets</b>	<b>6,736</b>	<b>3,384</b>	<b>3,956</b>	<b>3,195</b>	<b>102,968</b>	<b>-</b>	<b>120,239</b>	<b>114,105</b>
<b>Shareholders' equity, provisions and liabilities on December 31</b>								
Shareholders' equity	-	-	-	-	17,140	-	17,140	18,504
Subordinated debt	-	-	-	-	4,489	-	4,489	3,893
Technical provisions, gross	40,039	26,293	17,482	1,751	184	-	85,749	80,506
Provisions for other risks and charges	154	77	28	13	5,031	-	5,303	5,083
Deposits received from reinsurers	-	-	-	-	-	-	-	-
Creditors arising out of insurance operations	341	352	423	88	238	-	1,442	1,368
Other creditors <sup>3)</sup>	-	-	-	-	6,116	-	6,116	4,751
<b>Total shareholders' equity, provisions and liability</b>	<b>40,534</b>	<b>26,722</b>	<b>17,933</b>	<b>1,852</b>	<b>33,198</b>	<b>-</b>	<b>120,239</b>	<b>114,105</b>

<sup>1)</sup> Excluding portfolio premiums.

<sup>2)</sup> Including Asset Management, Run Off and other operations not allocated to the business areas

<sup>3)</sup> Other debtors and creditors are not divided on the basis of business areas

## 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. Although the assets have been allocated directly to the

area to which they belong physically, investments have been allocated to different countries based on the claims they have on their share of investment assets managed centrally in Sweden. No information has been provided concerning investments in fixed assets, since such investments only involve insignificant amounts.

### Geographical area segment information

	Sweden		Norway		Denmark		Finland		Baltic and Russia		Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Premiums earned, net of reinsurance	11,038	10,981	13,445	12,750	2,817	2,630	7,737	7,529	1,598	1,239	0	-1	36,635	35,128
Total assets	41,324	44,977	27,922	28,496	8,956	6,164	35,092	28,944	3,536	2,252	3,409	3,273	120,239	114,105

## Business Area Private

### BUSINESS TREND DURING THE YEAR

The earnings level from 2008 was maintained with a technical result of MSEK 2,807 (2,788). The combined ratio deteriorated to 91.3% (90.1).

Gross premiums written, excluding currency effects, increased 2.4% as a result of volume growth in Norway, Denmark and Finland. Premiums decreased in Sweden due to declining sales of new cars and continued intense competition. The main improvement was noted in Finland, where a two-year trend of declining premium volumes was turned around, with a net increase shown in the second half of 2008.

The risk ratio was 67.3% (65.8). Despite increasing average premiums, the risk ratio deteriorated. In general, claims cost continued to increase in the Nordic region, which was not fully matched by premium rate increases in any country. However, most lines of business are still showing healthy underwriting results in line with expectations.

Operating expenses, excluding currency effects, increased by 1.4%. The cost ratio improved to 24.0% (24.4), due to continued efficiency improvements that helped keep the cost trend below general inflation and premium growth.

### MARKETS AND THE FUTURE

During 2008, several improvements were implemented in automated claims-handling and sales processes. Internet sales increased during the year and several steps towards automating claims-handling processes were developed and implemented in production for selected lines of business. This work will continue in 2009, together with corresponding improvements in customer-service processes.

In Finland, the volume improvement was supported by the cooperation entered into with S-group starting in late spring. At the same time, a loyalty concept, If Plus, was launched, which had previously been implemented in Sweden and Norway. Despite increasing volumes in service channels, expenses were reduced and the cost ratio developed favorably.

In Sweden, an insurance solution was developed in cooperation with "Blocket", Sweden's main Internet site for selling used cars. Continued successful cooperation was also secured with Renault, following its demerger from Volvo, and a line of personal products was launched that were well received by the market.

In Denmark, agreements for several car brand insurances were established, thus adding to the growing motor portfolio. In par-

allel, a new phone-based service team was established for the follow-up of new motor customers. During the autumn, a new child insurance product was also launched.

In Norway, the offering of personal products is growing. In general, child insurance has grown significantly in recent years and If has contributed significantly to the increase in the number of insured in this segment. In 2008, a corresponding product for adults started to sell well.

### Income statement and insurance-related balance sheet items

Business area Private	Total	
	2008	2007
MSEK		
Premiums written, gross	20,051	19,285
Premium written, ceded	-330	-360
Premiums earned, net of reinsurance	19,539	18,597
Allocated investment return transferred from the non-technical account	1,111	950
Other technical income	110	135
Claims incurred, net of reinsurance	-14,580	-13,660
Operating expenses in insurance operations, net of reinsurance	-3,264	-3,103
Other operating expenses	-109	-131
<b>Technical result of property and casualty insurance</b>	<b>2,807</b>	<b>2,788</b>
<b>Intangible assets</b>	<b>113</b>	<b>169</b>
Debtors arising out of direct insurance operations	5,759	5,295
Debtors arising out of reinsurance operations	4	1
<b>Debtors arising out of insurance operations, net of reinsurance</b>	<b>5,763</b>	<b>5,296</b>
Deferred acquisition costs	603	548
Reinsurers' share of deferred acquisition costs	-	-
<b>Deferred acquisition costs, net</b>	<b>603</b>	<b>548</b>
Technical provisions, gross	40,039	37,686
Reinsurers' share of technical provisions	257	284
<b>Technical provisions, net</b>	<b>39,782</b>	<b>37,402</b>
Creditors arising out of direct insurance operations	344	541
Creditors arising out of reinsurance operations	-3	11
<b>Creditors arising out of insurance operations, net</b>	<b>341</b>	<b>552</b>

## Business area Commercial

### BUSINESS TREND DURING THE YEAR

The technical result ended at a very positive level despite several large claims and increasing claims inflation. Costs for large claims were higher than expected, primarily in Norway, while personal injury-related claims in Finland developed positively leading to run-off gains. The technical result for the year was MSEK 1,561 (1,631) and the combined ratio 92.4% (90.8).

Gross premiums written, excluding currency effects, increased 0.3% during the year. Premium adjustments were primarily performed to offset expected inflation in claims costs, and the risk ratio ended at 68.6% (66.7)

Operating expenses, excluding currency effects, decreased by 0.5% despite increased expenses for personnel and IT investments. The cost ratio improved to 23.8% (24.0). Improved work processes and dedicated operational savings in all parts of the organization contributed to the improvements.

### MARKETS AND THE FUTURE

The competition in the commercial market represents a challenge to If when it comes to meeting aggressive competitors in cases where claims inflation calls for premium increases. Nevertheless, we succeeded well in all markets except Sweden. The volume trend in the Danish market was especially strong.

Market growth was positive in all product lines, particularly in the health area, where growth was strong in all Nordic countries. As a result of demands from the market and from employees, companies are increasingly being compelled to insure their personnel. However, the total market growth in 2009 is expected to decline somewhat, due to the economic slowdown in all markets.

The strategy for the Commercial business area is based on three basic concepts: satisfied customers, internal cost-effectiveness and professionalism with regard to risk selection, pricing and product development. Improvements have been made in all areas and work is continuously under way to further increase competitiveness. In recent years, improvements have been made in the competencies required to offer insurance solutions to organizations and associations. During 2008, this work was intensified in Sweden and Denmark, leading to new business and new alliances.

Customer satisfaction, service programs and customer-focused insurance products will continue to be key areas. Integration of business processes with customer requirements for online services is an important area. A wide range of services are offered, from administrative solutions for handling the clients' total insurance cover, to more specific services aimed at preventing losses or supporting the clients' internal processes for claims adjustments. Starting in 2009, an administrative solution for brokers will be offered in Sweden. A new Nordic insurance system was initially implemented in Sweden in 2008 and will be followed by implementation in Norway in 2009.

### Income statement and insurance-related balance sheet items

Business area Commercial MSEK	Total	
	2008	2007
Premiums written, gross	11,557	11,218
Premium written, ceded	-195	-212
Premiums earned, net of reinsurance	11,371	11,109
Allocated investment return transferred from the non-technical account	681	571
Other technical income	92	110
Claims incurred, net of reinsurance	-8,451	-8,019
Operating expenses in insurance operations, net of reinsurance	-2,056	-2,064
Other operating expenses	-76	-76
<b>Technical result of property and casualty insurance</b>	<b>1,561</b>	<b>1,631</b>
<b>Intangible assets</b>	<b>9</b>	<b>3</b>
Debtors arising out of direct insurance operations	1,845	1,939
Debtors arising out of reinsurance operations	57	81
<b>Debtors arising out of insurance operations, net of reinsurance</b>	<b>1,902</b>	<b>2,020</b>
Deferred acquisition costs	402	369
Reinsurers' share of deferred acquisition costs	0	0
<b>Deferred acquisition costs, net</b>	<b>402</b>	<b>369</b>
Technical provisions, gross	26,293	24,974
Reinsurers' share of technical provisions	1,071	1,265
<b>Technical provisions, net</b>	<b>25,222</b>	<b>23,709</b>
Creditors arising out of direct insurance operations	318	329
Creditors arising out of reinsurance operations	34	21
<b>Creditors arising out of insurance operations, net</b>	<b>352</b>	<b>350</b>

## Business area Industrial

### BUSINESS TREND DURING THE YEAR

In 2008, If aimed at maintaining its prices at adequate levels. In the current competitive market environment, this resulted in a somewhat lower volume. However, earnings improved compared with 2007 and the technical result amounted to MSEK 657 (575). The combined ratio improved to 93.4% (94.1).

The claims outcome improved in relation to the preceding year, although the trend in the Finnish property market gave rise to concern. The risk ratio improved to 74.6% (75.7%). Claims from previous years were settled with a positive result.

Operating expenses, excluding currency effects, decreased 0.9%. The cost ratio deteriorated to 18.9% (18.4), due mainly to the lower premium volume.

### MARKET AND THE FUTURE

In early 2008, competition remained tough with continued price pressure. At the same time, claims inflation increased in several product areas. In this market climate, the business area continued to focus on underwriting discipline and the development of high-quality products and services. In the final quarter, however, falling prices for raw materials were observed and this shift had a positive impact on the claims outcome.

Efforts to strengthen If's position as the leading Nordic non-life insurance company for large industrial customers are continuing. The number of market activities increased in 2008 and new product and service concepts for Financial (liability cover for board members, etc) and Personal lines, as well as Environmental Liability Insurance, were launched.

The turmoil in financial markets will make it necessary for insurance companies to focus on their profitable insurance operations. In addition, international reinsurers are announcing price increases. As a result, market premiums are expected to rise, which will entail new business opportunities for If, in its aim of working with clients seeking a stable and solid partner.

## Income statement and insurance-related balance sheet items

Business area Industrial MSEK	Total	
	2008	2007
Premiums written, gross	5,764	5,892
Premium written, ceded	-1,669	-1,663
Premiums earned, net of reinsurance	4,126	4,184
Allocated investment return transferred from the non-technical account	381	325
Other technical income	26	23
Claims incurred, net of reinsurance	-3,268	-3,353
Operating expenses in insurance operations, net of reinsurance	-588	-586
Other operating expenses	-20	-18
<b>Technical result of property and casualty insurance</b>	<b>657</b>	<b>575</b>
<b>Intangible assets</b>	<b>0</b>	<b>0</b>
Debtors arising out of direct insurance operations	524	562
Debtors arising out of reinsurance operations	406	293
<b>Debtors arising out of insurance operations, net of reinsurance</b>	<b>930</b>	<b>855</b>
Deferred acquisition costs	26	14
Reinsurers' share of deferred acquisition costs	22	19
<b>Deferred acquisition costs, net</b>	<b>4</b>	<b>-5</b>
Technical provisions, gross	17,482	16,333
Reinsurers' share of technical provisions	3,000	2,772
<b>Technical provisions, net</b>	<b>14,482</b>	<b>13,561</b>
Creditors arising out of direct insurance operations	54	81
Creditors arising out of reinsurance operations	369	302
<b>Creditors arising out of insurance operations, net</b>	<b>423</b>	<b>383</b>

## Business area Baltic and Russia

### BUSINESS TREND DURING THE YEAR

The technical result improved to MSEK 183 (149). The combined ratio deteriorated to 92.6% (90.8), due mainly to the acquisition of the Russian insurance company IPSC Region which, in common with the entire Russian insurance industry, has a somewhat higher combined ratio compared with the Baltic operations.

Gross premiums written, excluding currency effects, continued to increase rapidly with a 14.9% rise noted in 2008, although a slowdown in the growth rate was reported in the second half of the year, due to the overall slowdown in the Baltic and the Russian economies. Approximately 50% of the growth related to the acquired business volume in Region, which is included in the business area's sales as of the completion of the acquisition in June 2008. The largest growth was achieved in Russia (excluding Region) (43%), followed by Lithuania (11.4%) and Latvia (10.1%). Business volume was stable in Estonia, compared with 2007.

The claims cost outcome in 2008 was in line with the preceding year. Overall claims frequency improved, while claims costs remained at the same level as in 2007, due to large claims and large weather-related events. Price activities offset claims cost inflation, which in these markets is caused by relatively high general inflation. The risk ratio was 57.9% (58.7).

Operating expenses, excluding currency effects, increased and the cost ratio deteriorated to 34.7% (32.1). This was due primarily to initial investment costs related to the acquisition of Region and increased costs for developing the Russian companies.

### MARKET AND THE FUTURE

Growth in the Baltic insurance market slowed in 2008. The slowdown was particularly apparent in the second half of the year. Up to November 2008, growth was fastest in Lithuania (17.7%), followed by Latvia (14.2%) and Estonia (4.1%). Growth in the Russian market in 2008 was also somewhat lower than in the preceding year.

The downturn in the insurance market is an effect of the economic slowdown, with decreasing sales of new cars, lower activity in the property market and reduced investments in business in general. This was countered to some extent by price increases driven by inflation. The impact of the economic slowdown on the insurance industry was slightly less noticeable in Russia, compared with the Baltic countries.

Competition remained tough in the Baltic markets, both from international and local competitors. Nordic competitors expanded their business in the Baltic countries and while Swedbank's (previously Hansa Bank) rapid growth has slackened, this bank is still gaining market share in the non-life business in Estonia.

If continues to prioritize profitable growth and to develop distribution channels to meet changing customer behavior. Internet services have been developed through the addition of new products and telephone services have also been improved. The Pan-Baltic organization continued to bring synergies and the process to merge the Baltic subsidiaries into a single Baltic company started in summer 2008.

The Russian insurance market remains fragmented, although a consolidation is under way. The size of If's Russian operations increased significantly with the acquisition of Region, headquartered in St. Petersburg and focused on the private market through its 16 regional branch offices across the Russian Federation. A full range of products is provided, including compulsory motor third party liability and commercial compulsory health insurance. An internal program to integrate Region into If's IT systems and processes is expected to bring significant synergies and efficiency improvements in the years to come. If's existing Russian subsidiary, which was established in 2006, continued to grow in the segment of Nordic and European commercial clients, while also expanding its customer base to include Russian-owned companies.

### Income statement and insurance-related balance sheet items

Baltic countries and Russia	Total	
	2008	2007
MSEK		
Premiums written, gross	1,666	1,397
Premium written, ceded	-79	-30
Premiums earned, net of reinsurance	1,599	1,239
Allocated investment return transferred from the non-technical account	64	35
Other technical income	3	1
Claims incurred, net of reinsurance	-977	-765
Operating expenses in insurance operations, net of reinsurance	-502	-360
Other operating expenses	-4	-1
<b>Technical result of property and casualty insurance</b>	<b>183</b>	<b>149</b>
<b>Intangible assets</b>	<b>217</b>	<b>26</b>
Debtors arising out of direct insurance operations	272	186
Debtors arising out of reinsurance operations	13	18
<b>Debtors arising out of insurance operations, net of reinsurance</b>	<b>285</b>	<b>204</b>
Deferred acquisition costs	49	46
Reinsurers' share of deferred acquisition costs	1	0
<b>Deferred acquisition costs, net</b>	<b>48</b>	<b>46</b>
Technical provisions, gross	1,751	1,231
Reinsurers' share of technical provisions	195	126
<b>Technical provisions, net</b>	<b>1,556</b>	<b>1,105</b>
Creditors arising out of direct insurance operations	50	37
Creditors arising out of reinsurance operations	38	8
<b>Creditors arising out of insurance operations, net</b>	<b>88</b>	<b>45</b>

## Asset management and other operations

The activities managed centrally within the organization and that are not allocated to the operational business areas are reported in this area.

### ASSET MANAGEMENT

The result of asset management operations, measured at full market value, declined to a loss of MSEK 3,011 (profit: 2,461) and the investment return for 2008 was minus 3.1% (plus 2.6).

The year 2008 was one of the worst years in history for investors. The global financial turmoil resulted in lower values for virtually all types of assets, with the exception of such low-risk assets as government-guaranteed securities. Compared with the preceding year, the decline consisted in part of significantly weaker earnings from equities and in part of significantly poorer earnings from interest-bearing instruments. Major declines were noted for all equity portfolios during the year and the return on the total equity portfolio was a negative of 48%. Interest rates on risk-free investments decreased during the year, while credit spreads (the difference between the risk-free interest rate and non-risk-free interest rates) continued to widen as the financial crisis worsened. Together, this contributed to a healthy return on risk-free investments, while many corporate bonds depreciated drastically in value, which impacted the fixed-income portfolio. The return on fixed-income assets was 1.6%. Investments in private equity were also impacted by the financial turmoil and delivered a negative return, while the return on property was 4.2%. The return on the total portfolio of minus 3.1% was below the benchmark index by approximately 6 percentage points. The returns for both the equity portfolio and the fixed-income portfolio were lower than their comparable indices.

The equity component of the portfolio (including derivative instruments) varied between 10% and 5% during the year. At year-end, the equity component was 5%. The return on the equity portfolio was negative for all the quarters of the year. The duration of fixed-income assets was consistently kept somewhat shorter than the benchmark value (4.5 years) during the year and was 3.1% at the end of the year.

Supported by the positive cash flow from insurance operations, the value of investment assets increased to MSEK 98,036 (94,307).

If's investment assets were managed by If's internal asset management organization up to the autumn and were then transferred to the Parent Company Sampo. This means that Sampo's asset management unit manages Scandinavian, US and global fixed-income securities, Scandinavian and global equities and currencies. The external manager, Danske Bank, manages European fixed-income securities. During the year, the phase-out of portfolios in Run-off companies was completed. To minimize the risk level in the Baltic companies' portfolios, most of the assets are invested in fixed-income securities with a high credit rating and for a maximum term of two-years.

During the year, no new investments were made in alternative investments (private equity, hedge funds, etc.). The prior holdings in hedge funds have been divested.

### OTHER OPERATIONS

Other operations primarily comprise run-off operations, but also the effects of certain Group-wide measures and items not allocated to the other business areas, such as interest expenses for the Group's subordinated loans and Group adjustments attributable to the reporting of defined-benefit pension plans.

The technical result for the year amounted to profit of MSEK 65 (83), primarily deriving from MSEK 12 (20) for the elimination of intra-Group profit in IT operations and MSEK 32 (7) for the corporate accounting effects resulting from the management of defined-benefit pension obligations.

Gross technical provisions for run-off operations amounted to MSEK 184 at year-end. The net amount for these provisions was MSEK 21. Since January 1, 2008, the gross technical provisions have been reduced by MSEK 98. The sale of the Capital Assurance companies led to a reduction of MSEK 142, while gross provisions in the fronted Marine and Energy business increased during the year.

**NOTE 6 Premiums written**

MSEK	Gross	2008 Ceded	Net	Gross	2007 Ceded	Net
Premiums paid and credited <sup>1)</sup>	39,038	-2,273	36,765	37,792	-2,266	35,526
Portfolio premiums	-	-	-	-	-	-
<b>Premiums written</b>	<b>39,038</b>	<b>-2,273</b>	<b>36,765</b>	<b>37,792</b>	<b>-2,266</b>	<b>35,526</b>
1) Of which insurance agreements for direct property and casualty insurance written in:						
Sweden	11,703			12,150		
Rest of EEA	26,271			24,860		
	<b>37,974</b>			<b>37,010</b>		

**NOTE 7 Allocated investment return 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, deducting 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:

	2008	2007
Swedish kronor	3.7	3.4
US dollars	4.1	4.2
Norwegian kroner	4.2	3.4
Danish kroner	3.7	3.2
Euro	3.7	3.4
Estonian kroner	4.4	3.3
Lithuanias litas	4.5	3.4
Latvian lats	6.8	4.7

**NOTE 8 Claims**

MSEK	Gross	2008 Ceded	Net	Gross	2007 Ceded	Net
<b>Claims costs attributable to current-year operations</b>						
Claims paid	-13,529	435	-13,094	-11,867	291	-11,576
Operating expenses for claims adjustment	-2,326	-	-2,326	-2,287	-	-2,287
Change in claims reserve for incurred and reported losses	-6,776	524	-6,252	-6,495	404	-6,091
Change in claims reserve for incurred but not reported losses (IBNR)	-6,443	174	-6,269	-6,543	225	-6,318
Change in provision for annuities	-109	-	-109	-131	-	-131
Claims-adjustment costs	-87	-	-87	-91	-	-91
<b>Claims costs attributable to prior-year operations</b>						
Claims paid	-11,094	800	-10,294	-9,855	882	-8,973
Annuities	53	0	53	-184	-	-184
Claims portfolios	57	-57	0	-68	68	0
Change in claims reserve for incurred and reported losses	6,590	-390	6,200	6,411	-620	5,791
Change in claims reserve for incurred but not reported losses (IBNR)	5,267	-358	4,909	4,217	-152	4,065
<b>Total insurance claims</b>	<b>-28,397</b>	<b>1,128</b>	<b>-27,269</b>	<b>-26,893</b>	<b>1,098</b>	<b>-25,795</b>

MSEK	Gross	2008 Ceded	Net	Gross	2007 Ceded	Net
<b>Paid insurance claims</b>						
Claims paid	-24,623	1,235	-23,388	-21,722	1,173	-20,549
Annuities paid	-280	-	-280	-303	-	-303
Claims portfolio	57	-57	0	-68	68	-
Operating expenses for claims adjustment	-2,326	-	-2,326	-2,287	-	-2,287
	-27,172	1,178	-25,994	-24,380	1,241	-23,139
<b>Change in provision for claims outstanding</b>						
Change in claims reserve for incurred and reported losses	-186	134	-52	-84	-216	-300
Change in claims reserve for incurred but not reported losses (IBNR)	-1,176	-184	-1,360	-2,326	73	-2,253
Change in claims provision for annuities	224	0	224	-12	-	-12
Claims-adjustment costs	-87	-	-87	-91	-	-91
	-1,225	-50	-1,275	-2,513	-143	-2,656
<b>Total claims incurred</b>	<b>-28,397</b>	<b>1,128</b>	<b>-27,269</b>	<b>-26,893</b>	<b>1,098</b>	<b>-25,795</b>

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 7). Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions amounted to approximately MSEK 3,291 (2,677). The non-discounted value is MSEK 5,079 (4,373). The increase was largely attributable to increased provisions for occupational injury insurance.

## NOTE 9 Operating expenses

MSEK	2008	2007
<b>Specification of income statement item operating expenses</b>		
External acquisition costs <sup>1)</sup>	-1,318	-1,205
Internal acquisition costs	-2,854	-2,830
Change in deferred acquisition costs, gross	101	58
Administrative expenses, insurance	-2,488	-2,246
<b>Total operating expenses in property and casualty insurance</b>	<b>-6,559</b>	<b>-6,223</b>
Reinsurance commission and profit participation in ceded reinsurance	188	176
Change in deferred acquisition costs, ceded	-1	2
<b>Total reinsurance commission and profit participation in ceded reinsurance</b>	<b>187</b>	<b>178</b>
<b>Other operating expenses</b>	<b>-212</b>	<b>-228</b>
<b>Total</b>	<b>-6,584</b>	<b>-6,273</b>
<sup>1)</sup> Of which, provisions in direct insurance	-1,279	-1,165
<b>Summary of total operating expenses</b>		
Salaries and remuneration	-3,176	-2,897
Social costs	-630	-569
Pension costs	-616	-616
Other personnel costs	-243	-233
<b>Total personnel costs</b>	<b>-4,665</b>	<b>-4,315</b>
Premises costs	-464	-448
Depreciation	-125	-211
External acquisition costs	-1,318	-1,205
Other administrative costs	-2,739	-2,712
<b>Total</b>	<b>-9,311</b>	<b>-8,891</b>

MSEK	2008	2007
<b>Allocation of operating expenses in the income statement</b>		
Claims-adjustment costs included in Claims paid	-2,326	-2,286
External and internal acquisition costs included in Operating expenses in insurance operations	-4,172	-4,035
Joint administrative costs for insurance operations included in Operating expenses in insurance operations	-2,488	-2,246
Administrative costs pertaining to other technical operations included in Other operating expenses	-212	-228
Asset-management costs included in Investment costs	-113	-96
<b>Total</b>	<b>-9,311</b>	<b>-8,891</b>

## NOTE 10 Investment income

MSEK	Direct income		Value changes		Total	
	2008	2007	2008	2007	2008	2007
<b>Financial assets mandatory at fair value through profit or loss (trading)</b>						
Derivatives	336	80	185	179	521	259
<b>Financial assets designated by If as at fair value through profit or loss</b>						
Properties	-2	13	15	40	13	53
Interest-bearing securities	866	3,469	-567	-770	299	2,699
Shares	35	401	-1,231	-1,027	-1,196	-626
<b>Financial assets available for sale</b>						
<b>Interest-bearing securities</b>						
Interest income	3,597	-	-	-	3,597	-
Realised gains and losses	-	-	536	-	536	-
Write-downs	-	-	-780	-	-780	-
<b>Shares</b>						
Dividends	453	0	-	-	453	0
Realized gains and losses	-	-	-383	-30	-383	-30
Write-downs	-	-	-36	-	-36	-
<b>Loans and receivables</b>						
Interest income	149	97	-	-	149	97
<b>Total from financial assets</b>	<b>5,434</b>	<b>4,060</b>	<b>-2,261</b>	<b>-1,608</b>	<b>3,173</b>	<b>2,452</b>
<b>Other assets</b>						
Interest income	51	49	-	-	51	49
Dividends	16	6	-	-	16	6
Currency result	-	-	210	81	210	81
<b>Investment income</b>	<b>5,501</b>	<b>4,115</b>	<b>-2,051</b>	<b>-1,527</b>	<b>3,450</b>	<b>2,588</b>
<b>Investment costs</b>						
Allocated operating expenses					-111	-95
Other financial expenses					-177	-32
<b>Investment income</b>					<b>3,162</b>	<b>2,461</b>

Write-downs in the income statement refer to holdings where there are objective evidence that the asset is impaired, defined as default in the companies whose securities are held by If. Write-down is made to current market value.

Reconciliation of financial assets available for sale	2008	2007
Opening balance financial assets available for sale	-	-
Recognized in equity	-6,817	-
Recognized in income statement	644	-
Closing balance financial assets available for sale	-6,173	-
<b>Net change of financial assets available for sale</b>	<b>-6,173</b>	<b>-</b>

## Return on investment assets <sup>1)</sup>

	Current value Dec 31, 2008		Current value Dec 31, 2007		Return 2008		Return 2007	
	MSEK	%	MSEK	%	MSEK	%	MSEK	%
Interest-bearing securities	91,548	93	85,568	89	1,106	1,6	3,008	3.2
Shares	5,525	6	9,545	10	-4,103	-47,9	-611	-6.3
Currencies (active positions)	-16	0	16	0	44	-	60	-
<b>Total active investments</b>	<b>97,057</b>	<b>99</b>	<b>95,129</b>	<b>99</b>	<b>-2,953</b>	<b>-3,0</b>	<b>2,457</b>	<b>2.6</b>
Currency <sup>2)</sup>	1,053	1	706	1	186	-	21	-
Properties	457	0	415	0	13	4,2	53	15.6
Other	-	-	-	-	-257	-	-70	-
<b>Total investment assets</b>	<b>98,567</b>	<b>100</b>	<b>96,250</b>	<b>100</b>	<b>-3,011</b>	<b>-3,1</b>	<b>2,461</b>	<b>2.6</b>

<sup>1)</sup> 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 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 and securities settlement claims/liabilities are reported above as part of interest-bearing securities. Derivative debtors and derivative creditors have been reported under the relevant asset category above.

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

## NOTE 11 Taxes

MSEK	2008	2007
Current tax	-1,208	-1,159
Deferred tax	-243	-162
<b>Total</b>	<b>-1,451</b>	<b>-1,321</b>
<b>Specification of current taxes</b>		
Swedish units	-781	-495
Non-Swedish units	-596	-732
Current taxes pertaining to prior years	169	68
<b>Total</b>	<b>-1,208</b>	<b>-1,159</b>

For specification of deferred tax, see note 18.

MSEK	2008	2007
<b>Difference between reported tax and tax based on current Swedish tax rate:</b>		
Profit before taxes	5,337	5,009
Tax according to current tax rate, 28%	-1,494	-1,403
Currency related tax effects <sup>1)</sup>	-3	71
Permanent differences, net	-52	-7
Prior year adjustments	12	-16
Reassessments of deferred tax assets	-11	1
Tax losses for which no deferred income tax asset has been recognized	-12	-1
Different tax rates in foreign units	54	34
Changes of tax rates	55	-
<b>Reported tax</b>	<b>-1,451</b>	<b>-1,321</b>

<sup>1)</sup> In year 2007, pertains mainly to tax effects attributable to untaxed reserves established in foreign currency.

**NOTE 12 Intangible assets**

MSEK	Consolidated goodwill		Other goodwill		Software and other intangible assets	
	2008	2007	2008	2007	2008	2007
Acquisition value, opening balance	715	715	394	394	80	222
Investments	179	-	-	-	26	14
Sales and scrappage	-	-	-	-	-24	-165
Translation differences	8	-	-	-	13	9
<b>Closing accumulated acquisition value</b>	<b>902</b>	<b>715</b>	<b>394</b>	<b>394</b>	<b>95</b>	<b>80</b>
Opening amortization	-	-	-	-	-51	-103
Sales and scrappage	-	-	-	-	21	83
Amortization and impairments during the year	-	-	-	-	-17	-26
Translation differences	-	-	-	-	-9	-5
<b>Closing accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-56</b>	<b>-51</b>
Closing planned residual value	902	715	394	394	39	29

Consolidated goodwill, MSEK 902, pertains to the goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations (MSEK 715) and the acquisition of the Russian company Region in June 2008. The goodwill attributable to Region is measured in the original currency and amounts to MRUB 705, corresponding to MSEK 179 at the time of acquisition. To ensure that this item (excluding Region) is not booked at an excessive carrying amount, an impairment test was conducted to determine the item's recoverable value in December 2008. In this calculation, a cash flow model was used whereby the recoverable value 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 2009-2011. For subsequent years, the calculation is based on normalized earnings, with a combined ratio established at 95%. The calculation did not reveal any need for impairment of the carrying amount. In the calculation, the following parameters were used:

Long-term premium growth	2.0%
Return on investment assets	3.6%
Discount interest rate (CAPM)	9.1%

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 value in December 2008. The calculation was based on financial plans for the years 2009-2011 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 2008 MSEK 26 (14) was capitalized. Amortization according to plan amounted to MSEK 17 (26).

**NOTE 13 Land and buildings**

MSEK	Carrying amount	Carrying amount per leasable sq. m., SEK	Total area sq.m.	Vacancy rate	Direct yield
Office and commercial properties	312	7,787	40,105	38.18%	1.10%
Industrial properties and warehouses	6	2,069	2,890	0.00%	0.00%
Other properties	25	18,409	1,351	0.00%	-4.11%
<b>Total</b>	<b>343</b>	<b>7,738</b>	<b>44,346</b>	<b>34.53%</b>	<b>0.70%</b>
Previous year	415	6,336	65,432	43.48%	4.62%

**Geographical distribution, carrying amount**

MSEK	2008	2007
Finland	261	349
Estonia	62	53
Russia	8	-
Norway	6	7
Sweden	6	6
<b>Total</b>	<b>343</b>	<b>415</b>

The tax assessment value of the Swedish properties is MSEK 5 (5).

MSEK	2008	2007
Carrying amount, opening balance	415	386
Increase related to acquired companies	7	-
Supplementary capitalizations	1	0
Sales and scrappage	-155	-45
Net changes in current value	15	57
Translation differences	60	17
Carrying amount, closing balance	343	415

MSEK	2008	2007
Total rental income during the fiscal year	30	25
Costs pertaining to land and buildings		
- operating expenses pertaining to premises that generated income during the fiscal year	14	7
- operating expenses pertaining to premises that did not generate income during the fiscal year	11	4
Future rental income from land and buildings		
Total future minimum rents		
<1 year	16	14
1-5 years	8	11
> 5 years	0	0

#### NOTE 14 Investments in associated companies

MSEK	Country	Number of shares	Holding, %	Assets	Liabilities	Net Sales	Profit/loss	Carrying amount 2008	Carrying amount 2007
Consulting AB Lennermark & Andersson	Sweden	1,209	22.0%	85	58	99	6	7	7
Euro-Alarm A/S	Denmark	-	-	-	-	-	-	-	5
Euro-Center Holding A/S	Denmark	1,500	16.7%	55	35	95	7	2	2
Autovahinkokeskus Oy	Finland	2,559	35.5%	74	19	64	12	24	16
Netwheels Oy	Finland	-	-	-	-	-	-	-	6
Vahinkopalvelu Oy	Finland	360	20.0%	9	2	31	-4	1	2
<b>Total</b>								<b>34</b>	<b>38</b>

#### NOTE 15 Other financial investment assets

MSEK	Acquisition value		Current value		Carrying value	
	2008	2007	2008	2007	2008	2007
Financial assets mandatory at fair value through profit or loss (trading)						
Derivatives (note 16)	1	25	3,934	1,721	3,934	1,721
Financial assets designated by If as at fair value through profit or loss						
Shares and participations	345	8,263	222	9,543	222	9,543
Bonds and other interest-bearing securities (Table 1)	4,050	78,464	3,621	78,099	3,621	78,099
Financial assets available for sale						
Shares and participations	8,699	-	5,283	-	5,283	-
Bonds and other interest-bearing securities (Table 1)	86,951	-	83,385	-	83,385	-
<b>Total financial assets at fair value</b>	<b>100,046</b>	<b>86,752</b>	<b>96,445</b>	<b>89,363</b>	<b>96,445</b>	<b>89,363</b>
Loans and receivables						
Deposits with credit institutions	1,200	4,473			1,200	4,473
Other loans	1	1			1	1
<b>Total</b>	<b>101,247</b>	<b>91,226</b>			<b>97,646</b>	<b>93,837</b>

Table 1

#### Bonds and other interest-bearing securities

MSEK	Nominal value		Current value		Carrying value	
Swedish government	7,835	9%	10,317	12%	10,317	12%
Swedish mortgage companies	29,627	33%	30,730	35%	30,730	35%
Swedish finance companies	5,087	6%	4,454	5%	4,454	5%
Swedish industrial companies	5,810	6%	5,648	7%	5,648	7%
Foreign governments	12,371	14%	13,120	15%	13,120	15%
Foreign municipalities	46	0%	47	0%	47	0%
Foreign mortgage companies	975	1%	980	1%	980	1%
Foreign finance companies	12,265	14%	10,695	12%	10,695	12%
Foreign industrial companies	4,849	5%	3,591	4%	3,591	4%
Other foreign issuers	10,881	12%	7,424	9%	7,424	9%
<b>Total</b>	<b>89,746</b>	<b>100%</b>	<b>87,006</b>	<b>100%</b>	<b>87,006</b>	<b>100%</b>

Years to maturity <sup>1)</sup>	Current value %
<1	5
1-2	21
2-3	11
3-4	23
4-5	13
5-6	9
6-7	7
7-8	3
8-9	1
9-10	2
10-15	3
15-30	2
<b>Total</b>	<b>100</b>

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

Distributed by rating class	Current value, %
AAA	60
AA	8
A	14
BBB	6
< BBB	4
Not rated	8
<b>Total</b>	<b>100</b>

Duration of fixed income instruments	Years
Scandinavian fixed income securities	3.2
European fixed income securities	3.0
US fixed income securities	2.5
Global high-yielding fixed income securities	1.8
Derivatives	0.3
<b>Weighted duration of fixed interest</b>	<b>3.1</b>

### Investments by currency, carrying amount

	SEK	NOK	DKK	EUR	GBP	USD	JPY	EEK	LTL	LVL	RUB	Total
Land and buildings	6	6	-	261	-	-	-	62	-	-	8	343
Investments in associated companies	7	-	2	25	-	-	-	-	-	-	-	34
Shares and participations	1,992	397	34	1,180	-	1,516	367	3	0	2	14	5,505
Bonds and other interest-bearing securities	47,481	2,915	359	25,256	-	10,915	-	35	7	16	22	87,006
Other loans	0	-	-	0	0	-	-	-	-	1	0	1
Deposits with credit institutions	-	-	-	967	-	0	-	17	-	0	216	1,200
Derivatives	3,130	98	-	706	-	-	-	-	-	-	-	3,934
Deposits with ceding undertakings	-	11	-	-	-	2	-	-	-	-	-	13
<b>Total</b>	<b>52,616</b>	<b>3,427</b>	<b>395</b>	<b>28,395</b>	<b>0</b>	<b>12,433</b>	<b>367</b>	<b>117</b>	<b>7</b>	<b>19</b>	<b>260</b>	<b>98,036</b>
<b>Share</b>	<b>54%</b>	<b>3%</b>	<b>0%</b>	<b>29%</b>	<b>0%</b>	<b>13%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	

## NOTE 16 Derivatives

### Equity derivatives

	Current value	2008 Carrying amount	Nominal amount	Current value	2007 Carrying amount	Nominal amount
<b>Contracts with a positive or zero value recognized in balance sheet</b>						
Futures	-	-	-	2	2	629
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>629</b>
Of which, cleared	-	-	-	2	2	629
<b>Contracts with a negative value recognized in balance sheet</b>						
Options	0	0	0	0	0	13
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>
Of which, cleared	-	-	-	-	-	-

## Fixed-income derivatives

	Current value	2008 Carrying amount	Nominal amount	Current value	2007 Carrying amount	Nominal amount
<b>Contracts with a positive or zero value recognized in balance sheet</b>						
Options	-	-	-	3	3	28
Futures	3	3	557	219	219	36,502
Swaps	208	208	4,000	0	0	5
<b>Total</b>	<b>211</b>	<b>211</b>	<b>4,557</b>	<b>222</b>	<b>222</b>	<b>36,535</b>
Of which, cleared	3	3	557	222	222	36,530
<b>Contracts with a negative value recognized in balance sheet</b>						
Options	-	-	-	2	2	23
Futures	0	0	45	68	68	23,569
Swaps	46	46	489	-	-	-
<b>Total</b>	<b>46</b>	<b>46</b>	<b>534</b>	<b>70</b>	<b>70</b>	<b>23,592</b>
Of which, cleared	0	0	45	70	70	23,592

## Currency derivatives

	Current value	2008 Carrying amount	Nominal amount	Current value	2007 Carrying amount	Nominal amount
<b>Contracts with a positive or zero value recognized in balance sheet</b>						
Options	0	0	189	11	11	1,725
Futures	3,723	3,723	25,640	1,486	1,486	38,882
<b>Total</b>	<b>3,723</b>	<b>3,723</b>	<b>25,829</b>	<b>1,497</b>	<b>1,497</b>	<b>40,607</b>
Of which, cleared	-	-	-	-	-	-
<b>Contracts with a negative value recognized in balance sheet</b>						
Options	6	6	323	8	8	3,610
Futures	2,680	2,680	27,947	768	768	12,087
<b>Total</b>	<b>2,686</b>	<b>2,686</b>	<b>28,270</b>	<b>776</b>	<b>776</b>	<b>15,697</b>
Of which, cleared	-	-	-	-	-	-
<b>Total positive values in balance sheet</b>	<b>3,934</b>	<b>3,934</b>		<b>1,721</b>	<b>1,721</b>	
<b>Total negative values in balance sheet</b>	<b>2,732</b>	<b>2,732</b>		<b>846</b>	<b>846</b>	

## NOTE 17 Reinsurers' share of technical provisions

MSEK	2008		2007	
	Provision for unearned premiums and unexpired risks	Provision for claims outstanding	Provision for unearned premiums and unexpired risks	Provision for claims outstanding
<b>Change during the year</b>				
Opening balance	519	4,054	508	4,203
Increased provisions related to acquired companies	26	20	-	-
Decreased provisions related to disposed companies	-	-12	-	-158
Translation differences	59	88	10	152
Change in provision	-18	-50	1	-143
<b>Closing balance</b>	<b>586</b>	<b>4,100</b>	<b>519</b>	<b>4,054</b>

Supplementary information regarding the reinsurers' portion of technical provisions is presented in Note 26.

## NOTE 18 Deferred tax

### Changes in deferred tax 2007

MSEK	Opening balance Income statement	Recognized in income statement	Translation difference	Recognition in equity	Acquired	Closing balance 2007
<b>Deferred tax assets</b>						
Tax losses carried forward	-	3	0	-	-	3
Provisions	429	-77	12	-	-	364
Goodwill <sup>1)</sup>	682	-167	-	-	-	515
Accumulated depreciation difference	45	-23	1	-	-	23
Other temporary differences	15	-12	-1	-	-	2
<b>Total deferred tax asset</b>	<b>1,171</b>	<b>-276</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>907</b>
<b>Netted deferred tax asset against deferred tax liability</b>	<b>-224</b>					<b>-186</b>
<b>Deferred tax asset according to balance sheet</b>	<b>947</b>					<b>721</b>
<b>Deferred tax liability</b>						
Equalization reserve and other similar provisions	2,955	179	112	-	-	3,246
Valuation of investment assets at fair value	631	-314	-1	-	-	316
Accumulated depreciation difference	48	21	0	-	-	69
Other temporary differences	193	0	2	-	-	195
<b>Total deferred tax liability</b>	<b>3,827</b>	<b>-114</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>3,826</b>
<b>Netted deferred tax liability against deferred tax asset</b>	<b>-224</b>					<b>-186</b>
<b>Deferred tax liability according to balance sheet</b>	<b>3,603</b>					<b>3,640</b>
<b>Deferred tax expense according to income statement 2007</b>		<b>-162</b>				

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

## Changes in deferred tax 2008

MSEK	Opening balance Income statement	Recognized in income statement	Translation difference	Recognized in equity	Acquired	Closing balance 2008
Tax losses carried forward	3	0	0	-	-	3
Provisions	364	-13	-5	-	-	346
Goodwill <sup>1)</sup>	515	-180	8	-	-	343
Accumulated depreciation difference	23	-8	-1	-	-	14
Valuation of investment assets at fair value	-	-	-	843	-	843
Other temporary differences	2	1	1	-	0	4
<b>Total deferred tax asset</b>	<b>907</b>	<b>-200</b>	<b>3</b>	<b>843</b>	<b>0</b>	<b>1,553</b>
<b>Netted deferred tax asset against deferred tax liability</b>	<b>-186</b>					<b>-56</b>
<b>Deferred tax asset according to balance sheet</b>	<b>721</b>					<b>1,497</b>
<b>Deferred tax liability</b>						
Equalization reserve and other similar provisions	3,246	42	157	-	13	3,458
Valuation of investment assets at fair value	316	-76	31	-8	-	263
Accumulated depreciation difference	69	7	0	-	-	76
Other temporary differences	195	70	5	-	-	270
<b>Total deferred tax liability</b>	<b>3,826</b>	<b>43</b>	<b>193</b>	<b>-8</b>	<b>13</b>	<b>4,067</b>
<b>Netted deferred tax liability against deferred tax asset</b>	<b>-186</b>					<b>-56</b>
<b>Deferred tax liability according to balance sheet</b>	<b>3,640</b>					<b>4,011</b>
<b>Deferred tax expense according to income statement 2008</b>		<b>-243</b>				

<sup>1)</sup> 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 19 Debtors arising out of direct insurance

MSEK	2008	2007
Receivables from policyholders	8,457	8,134
Receivables from insurance brokers	53	31
Receivables from insurance companies	92	73
Bad debt provision	-264	-257
<b>Total <sup>1)</sup></b>	<b>8,338</b>	<b>7,981</b>

<sup>1)</sup> 1) Of which, MSEK 0 (126) 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	8,347	263	8,610
Of which, provision	-93	-179	-272
<b>Total</b>	<b>8,254</b>	<b>84</b>	<b>8,338</b>

### Specification of change in bad debt provisions

MSEK	2008	2007
Opening balance <sup>1)</sup>	-257	-242
Individual provisions utilized during the fiscal year	2	11
Individual unutilized provisions reversed during the fiscal year	2	9
Individual provisions posted during the fiscal year	-5	-8
Change in standard computation based provision during the fiscal year	0	-11
Translation difference	-6	-16
<b>Closing balance <sup>2)</sup></b>	<b>-264</b>	<b>-257</b>

<sup>1)</sup> Of which, MSEK -14 (-28) is individual provisions.

<sup>2)</sup> Of which, MSEK -16 (-14) is individual provisions.

## NOTE 20 Debtors arising out of reinsurance

MSEK	2008	2007
Receivables from reinsurers	625	524
Bad debt provisions	-143	-143
<b>Total <sup>1)</sup></b>	<b>482</b>	<b>381</b>

<sup>1)</sup> Of which, MSEK 24 (1) 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	418	207	625
Of which, provision	-1	-142	-143
<b>Total</b>	<b>417</b>	<b>65</b>	<b>482</b>

## Specification of change in bad debt provisions

MSEK	2008	2007
Opening balance <sup>1)</sup>	-143	-314
Individual provisions utilized during the fiscal year	29	104
Individual unutilized provisions reversed during the fiscal year	6	91
Individual provisions posted during the fiscal year	-22	-15
Translation difference	-13	-9
<b>Closing balance <sup>2)</sup></b>	<b>-143</b>	<b>-143</b>

<sup>1)</sup> Of which, MSEK -143 (-314) is individual provisions.

<sup>2)</sup> Of which, MSEK -143 (-143) is individual provisions.

## NOTE 21 Other debtors

MSEK	2008	2007
Due from related companies	133	143
Other	797	564
<b>Total <sup>1)</sup></b>	<b>930</b>	<b>707</b>

<sup>1)</sup> Of which, MSEK 545 (449) is expected to be received later than 12 months after the balance-sheet date.

## NOTE 22 Tangible assets

MSEK	Office equipment		Computer equipment		Motor vehicles		Other fixed assets	
	2008	2007	2008	2007	2008	2007	2008	2007
Acquisition value, opening balance	487	420	276	249	68	59	27	27
Investments	34	62	57	35	20	27	4	8
Business acquisitions	2	-	4	-	0	-	0	-
Sales and scrappage	-4	-19	-53	-16	-14	-19	0	-8
Reclassifications	2	1	1	-1	-1	-	-1	0
Translation differences	23	23	11	9	3	1	0	0
<b>Closing accumulated acquisition value</b>	<b>544</b>	<b>487</b>	<b>296</b>	<b>276</b>	<b>76</b>	<b>68</b>	<b>30</b>	<b>27</b>
Opening depreciation	-335	-287	-219	-189	-21	-20	-10	-9
Sales and scrappage	4	18	51	16	8	11	0	4
Business acquisitions	-1	-	-2	-	0	-	0	-
Reclassifications	-1	-1	0	1	1	-	0	-
Depreciation during the year	-50	-48	-42	-39	-12	-11	-4	-5
Translation differences	-11	-17	-10	-8	-1	-1	0	0
<b>Closing accumulated depreciation</b>	<b>-394</b>	<b>-335</b>	<b>-222</b>	<b>-219</b>	<b>-25</b>	<b>-21</b>	<b>-14</b>	<b>-10</b>
<b>Closing planned residual value</b>	<b>150</b>	<b>152</b>	<b>74</b>	<b>57</b>	<b>51</b>	<b>47</b>	<b>16</b>	<b>17</b>

### Operational leasing agreements (lessee)

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

MSEK Due dates	Total future minimum lease payments	
	2008	2007
< 1 year	351	333
1-5 years	970	954
> 5 years	983	937
<b>Total</b>	<b>2,304</b>	<b>2,224</b>
<b>Total lease payments during the period</b>	<b>376</b>	<b>349</b>
Of which, minimum lease payments	375	347
Of which, contingent rents	1	2

### Operational leasing agreements (lessor)

Operational leasing where the Group acts as lessor pertains to income from the leasing out of premises.

MSEK Due dates	Total future minimum lease payments	
	2008	2007
< 1 year	15	13
1-5 years	8	11
> 5 years	0	-
<b>Total</b>	<b>23</b>	<b>24</b>
<b>Total lease payments during the period</b>	<b>29</b>	<b>24</b>
Of which, minimum lease payments	29	24
Of which, contingent rents	0	0

The carrying amount of leased out land and buildings is MSEK 264 (252).

## NOTE 23 Deferred acquisition costs

MSEK	2008	2007
Opening value	976	871
Net change during the year	100	58
Exchange-rate difference	4	47
<b>Closing value</b>	<b>1,080</b>	<b>976</b>

Acquisition expenditure during the year totaled MSEK 4,172 (4,035). 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 varies according to, and has 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 24 Other deferred costs and accrued income

MSEK	2008	2007
Accrued income, related companies	51	54
Other deferred costs and accrued income	203	147
<b>Total</b>	<b>254</b>	<b>201</b>

## NOTE 25 Subordinated debt

MSEK	Original nominal value	Maturity	Dec. 31. 2008
Subordinated loan, issued in 2001	MEUR 200	20 years	2,162
Subordinated loan, issued in 2002	MEUR 65	20 years	706
Subordinated loan, issued in 2005	MEUR 150	Perpetual	1,621
<b>Total</b>			<b>4,489</b>

Interest expense, MSEK	Interest rate	2008	2007
Subordinated loan, issued in 2001	7.50%	148	141
Subordinated loan, issued in 2002	8.98%	57	54
Subordinated loan, issued in 2005	4.94%	74	72
<b>Total</b>		<b>279</b>	<b>267</b>

The loans were issued based on ten years of fixed interest. After ten years, they become subject to variable interest rates. The loans issued in 2001 (MEUR 200) and 2005 (MEUR 150) are listed on the Luxembourg Exchange. The loan issued in 2002 (MEUR 65) was issued to If's owners in relation to their holding in If.

## NOTE 26 Technical provisions, gross

MSEK	2008		2007	
	Provision for unearned premiums and unexpired risks	Provisions for claims outstanding	Provision for unearned premiums and unexpired risks	Provisions for claims outstanding
<b>Changes during the year</b>				
Opening balance	15,969	64,537	14,830	59,724
Adjustment of premium tax	-102	-	-	-
Increased provisions related to acquired companies	143	48	-	-
Decreased provisions related to disposed companies	-	-142	-	-280
Unwinding of discounted annuities	-	577	-	518
Change in provision	112	1,225	398	2,513
Translation differences	413	2,969	741	2,062
<b>Closing balance</b>	<b>16,535</b>	<b>69,214</b>	<b>15,969</b>	<b>64,537</b>

### Technical provisions and reinsurers' share

MSEK	2008	2007
<b>Technical provisions, gross</b>		
Unearned premiums and unexpired risks	16,535	15,969
Provision for incurred and reported claims	19,093	18,358
Provision for incurred but not reported claims	31,998	30,181
Provision for annuities	15,819	13,853
Provision for claims-settlement costs	2,304	2,145
<b>Total</b>	<b>85,749</b>	<b>80,506</b>
<b>Reinsurers' share of technical provisions</b>		
Unearned premiums and unexpired risks	586	519
Provision for incurred and reported claims	2,407	2,165
Provision for incurred but not reported claims	1,691	1,889
Provision for annuities	2	-
Provision for claims-settlement costs	-	-
<b>Total</b>	<b>4,686</b>	<b>4,573</b>
<b>Technical provisions, net of reinsurance</b>		
Unearned premiums and unexpired risks	15,949	15,450
Provision for incurred and reported claims	16,686	16,193
Provision for incurred but not reported claims	30,307	28,292
Provision for annuities	15,817	13,853
Provision for claims-settlement costs	2,304	2,145
<b>Total</b>	<b>81,063</b>	<b>75,933</b>

Since the company is exposed to several currencies, comparing the balance sheet data from year to year can be misleading. However, all currency effects have been excluded from the income statement. The currency effect on technical provisions for own account between 2007 and 2008 amounted to a net increase of SEK 3.3 billion.

## Valuation of technical liabilities

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

## Provision for unearned premiums and unexpired risk

The provision for unearned premiums corresponds to the value of the company's aggregate liability for current insurance policies and is 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.

## Provision for unsettled claims

The provision for unsettled claims corresponds to the value of all anticipated claims payments and related claims settlement costs, including those notified to the company and those that have probably occurred but not yet been notified.

The provision for unsettled claims is calculated using statistical methods and/or through individual assessment. Usually, the cost of major claims is estimated individually. Minor claims that occur more frequently (frequent claims) as well as the provision 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 provision for unsettled claims is not discounted. 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 the company 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. By this means, an estimate is gained 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 provision 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, more than 65% is attributable to these two insurance categories. If issues motor third-party liability insurance in the Nordic region and 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
- 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 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 among 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 is also true in Danish occupational injury insurance. This entails substantial sensitivity to changes in inflation.

In Norway and 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 3, Risks and risk management, for a sensitivity analysis of inflation.

## DISCOUNT RATE

With the exception of compensation paid in the form of vested annuities, neither the claims nor premium provisions are present valued (discounted) in terms of the interest rate or duration.

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

Denmark	
Amount	MSEK 838
Discount rate	2.00% (real interest rate discounting)
Finland	
Amount vested annuities	MSEK 11,466
Amount IBNR	MSEK 3,291
Discount rate	3.30%
Sweden	
Amount	MSEK 3,488
Discount rate	1.50% (real interest rate discounting)

Refer to Note 3, Risks and risk management, Table 3, for a sensitivity analysis of the discount interest rate.

## MORTALITY

The provision risk for mortality is also related to claims-related annuities, since actual mortality may be lower than the mortality assumptions made in conjunction with the assessment of provision. The model used for mortality complies with the practices observed in the various countries. It is usually based on population death rates and/or specific joint-company analyses. The assumptions for mortality are generally differentiated in terms of age and gender. Refer to Note 3, Risks and risk management, for 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 2008

No significant changes in methods were implemented during the year.

During the year, the reported increase in the claims provision amounted to SEK 4.7 billion. Of this increase, SEK 3.0 billion pertained to exchange-rate effects, mainly EUR being stronger against SEK. The divestment of the Florida-based run-off company Capital Assurance Company, Inc. reduced the claims provisions by SEK 0.2 billion while acquisition of the Russian company Region increased the claims provisions by less than SEK 0.1 billion. After adjustments for exchange-rate effects and changes in the composition of the Group, the change in the gross provisions amounted to SEK 1.8 billion. The increase in claims provisions (after currency effects) during the year was primarily attributable to:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, increased by SEK 1.0 billion, mainly through increases in reserves for motor third party liability insurance by SEK 0.8 billion (of which

annuities accounted for SEK 0.3 billion) and property with 0.25 billion

- Claims provisions in the Norwegian operation increased by about SEK 0.7 billion, mainly through an increase in reserves in property (large claims) and to a lesser degree for Workers' Compensation and accident (growing portfolio).
- Claims provisions in the Danish operation decreased by SEK 0.2 billion. The decrease is mainly due to property reserves after settlement of a number of large industrial fires reported in 2007.
- Claims provisions in the Finnish operation increased by less than SEK 0.1 billion. Reserves in Workers' Compensation insurance decreased as a result of a reduction in reported severe claims. Claims provisions for motor third party insurance increased by SEK 0.2 billion whereas property reserves decreased by SEK 0.2 billion due to settlement of large claims. For the other lines of insurance there were only minor changes in the reserves.
- The growing operation in the Baltic countries and Russia resulted in provisions increasing by more than SEK 0.2 billion, of which nearly SEK 0.1 billion was due to the acquisition of Region.

During the year, the claims provisions in the run-off operation decreased by SEK 0.1 billion. Excluding effects arising through the divestment of Capital Assurance, the provisions increased slightly due to a small increase in fronting transactions within the previously divested Marine & Energy operation.

Reinsurers' share of the claims provision increased by approximately MSEK 46. Taking exchange rate changes and changes in the composition of the Group into account, the real effect was a decrease of MSEK 50. Reinsurers' share of claims reserves decreased in Workers compensation and Liability and increased in Property.

## Significant events

The year's outcome for major claims was somewhat higher than normal in Norway, Sweden, and Finland, and less than expected in Denmark. The largest single claim in 2008, due to a fire in a Swedish mine, amounted to SEK 0.5 billion gross/0.2 billion net.

## 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 the company's ability to foresee final claims costs. The tables below show the cost trend for the claims years 2003-2008, before and after reinsurance. For claims years 2002 and earlier, the information is aggregated to one column. The time periods have been selected against the background of If introducing a Group-wide reinsurance program and joint detailed accounting routines as of 2003. The column for claims years 2002 and earlier only includes payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002.

The upper part of the table shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. Since If has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate at December 31, 2008. 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.

## Claims costs, gross

Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	Total
<b>Estimated claims cost</b>								
- at the close of the claims year	48,622	24,411	23,913	25,397	25,515	26,267	27,524	
- one year later	50,798	24,034	23,566	24,865	25,318	26,201		
- two years later	51,633	23,327	22,962	24,340	25,052			
- three years later	52,365	23,252	22,921	24,073				
- four years later	53,214	23,062	22,774					
- five years later	53,572	22,886						
- six years later	53,521							
<b>Current estimate of total claims costs</b>								
Total disbursed	53,521	22,886	22,774	24,073	25,052	26,201	27,524	
Provision reported	27,389	19,519	18,096	18,845	19,140	18,579	13,737	
in the balance sheet	26,132	3,367	4,679	5,228	5,912	7,622	13,786	66,726
- of which annuities	12,655	646	485	729	794	396	114	15,819
<b>Other provision</b>								
Provision for claims-settlement costs								184
<b>Total provision reported in the balance sheet</b>								<b>69,214</b>

## Claims costs, net of reinsurance

Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	Total
<b>Estimated claims cost</b>								
- at the close of the claims year	42,875	23,284	23,241	23,996	24,466	25,278	26,351	
- one year later	44,995	22,822	22,893	23,412	24,185	25,141		
- two years later	45,924	22,173	22,302	22,887	23,922			
- three years later	46,454	22,092	22,253	22,695				
- four years later	47,161	21,896	22,135					
- five years later	47,468	21,726						
- six years later	47,401							
<b>Current estimate of total claims costs</b>								
Total disbursed	47,401	21,726	22,135	22,695	23,922	25,141	26,351	
Provision reported	22,551	18,626	17,668	17,867	18,512	18,061	13,326	
in the balance sheet	24,849	3,099	4,467	4,827	5,410	7,080	13,025	62,758
- of which annuities	12,653	646	485	729	794	396	114	15,817
<b>Other provision</b>								
Provision for claims-settlement costs								52
<b>Total provision reported in the balance sheet</b>								<b>65,114</b>

## Comments

In 2007 and 2008, If had equivalent reinsurance coverage and self-retention amounting to MSEK 200 for the dominating risk coverage within property insurance and catastrophe cover.

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

ed annuities are reported as annuities in the balance sheet. Of the total provision for claims-related annuities of MSEK 15,819, MSEK 12,655 applies to 2002 and previous years.

Other provisions refer to run-off operations. After the divestment of Capital Assurance Company, Inc., the item comprises almost solely of the previous fronting transactions within Marine & Energy

## NOTE 27 Other provisions

MSEK	2008	2007
Provision for pensions and similar obligations	1,004	1,113
Other provisions	288	330
<b>Provision for other risks and costs</b>	<b>1,292</b>	<b>1,443</b>

## Provision for pensions and similar obligations

MSEK	2008	2007	2006	2005	2004
Estimated present value of obligation	4,243	3,836	3,661	3,373	2,723
Fair value of plan assets	2,392	2,404	2,060	1,910	1,608
Net obligation/liability	1,851	1,432	1,601	1,463	1,115
Unrecognized actuarial losses	-1,027	-510	-817	-701	-348
Net liability recognized in balance sheet	824	922	784	762	767
Provision for social security fees	180	191	198	178	127
<b>Provision for pensions and similar obligations</b>	<b>1,004</b>	<b>1,113</b>	<b>982</b>	<b>940</b>	<b>894</b>

Starting in 2005, the reporting of defined-benefit pension plans complies with IAS 19.

Pension obligations, and the pension cost accrued during the fiscal period, are calculated using actuarial methods. Vested pension rights are calculated on a straight-line basis during the employment period. The calculation of pension obligations is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated liability is discounted to present value using an interest

rate based on current market interest adjusted to take into account the duration of the company's pension obligations. After deducting plan assets and unrecognized actuarial gains and losses, a net asset or liability is entered in the balance sheet. The net obligation reported in the closing balance for 2008 pertains to defined-benefit pension plans for employees in Sweden and Norway. The pension benefits arising in other countries covered by the Group's operations have been classified as defined-contributions plans.

## The following actuarial assumptions have been used for the calculation of defined-benefit pension plans in Sweden and Norway:

	Sweden Dec. 31, 2008	Sweden Dec. 31, 2007	Norway Dec. 31, 2008	Norway Dec. 31, 2007
Discount rate	4.00%	4.50%	4.00%	4.75%
Expected return on plan assets	4.00%	5.25%	5.25%	6.00%
Future salary increases	3.25%	3.50%	4.00%	4.25%
Price inflation	2.00%	2.25%	2.50%	2.50%

## Expected return on plan assets is calculated using the following distribution of classes of assets under management:

	Sweden Dec. 31, 2008	Sweden Dec. 31, 2007	Norway Dec. 31, 2008	Norway Dec. 31, 2007
Bonds	37%	41%	69%	58.00%
Equities	47%	43%	5%	28.00%
Properties	11%	10%	17%	14.00%
Other	5%	6%	9%	

## Distribution of obligations on funded and unfunded plans

MSEK	Funded plans		Unfunded plans	
	2008	2007	2008	2007
Estimated present value of obligation	3,667	3,319	576	517
Fair value of plan assets	2,392	2,404	-	-
Net obligation/liability	1,275	915	576	517
Unrecognized actuarial losses	-939	-501	-88	-9
<b>Net pension obligation recognized in the balance sheet</b>	<b>336</b>	<b>414</b>	<b>488</b>	<b>508</b>

## Amount entered in the income statement

MSEK	2008	2007	2006	2005	2004
Current service cost	130	147	162	179	119
Interest cost	177	165	141	172	142
Expected return on plan assets	-140	-113	-106	-96	-84
Actuarial losses (plus) or gains (minus) reported for the year	12	33	22	7	-
Losses (plus) or gains (minus) on reductions and settlements	19	24	37	14	63
Costs/revenues pertaining to prior-year service	-	-	38	-28	-
<b>Pension cost</b>	<b>198</b>	<b>256</b>	<b>294</b>	<b>248</b>	<b>240</b>

## Specification of change in net liability

Pension obligations:					
On Jan 1, 2008	3,836	3,661	3,373	2,723	2,135
Current service cost	130	147	162	179	119
Interest cost	177	165	141	172	142
Actuarial gains/losses	396	-238	167	209	315
Losses or gains on reductions and settlements	14	16	37	14	63
Obligations settled through payment	-	-20	-	-	-
Costs/revenues pertaining to prior-year service	-	-	38	-28	-
Exchange-rate differences on foreign plans	-197	210	-182	157	27
Benefits paid	-113	-105	-75	-53	-78
<b>Present value of obligations on Dec 31, 2008</b>	<b>4,243</b>	<b>3,836</b>	<b>3,661</b>	<b>3,373</b>	<b>2,723</b>

(continuation) Specification of change in net liability

MSEK	2008	2007	2006	2005	2004
Fair value of plan assets:					
On Jan 1, 2008	2,404	2,060	1,910	1,608	1,395
Expected return on plan assets	140	113	106	96	84
Actuarial gains/losses	-183	49	-13	-59	-61
Fees	228	158	223	205	250
Funds used in settling obligations	-	-20			
Exchange-rate differences on foreign plans	-114	126	-101	97	18
Benefits paid	-83	-82	-65	-37	-78
<b>Fair value of plan assets on Dec 31, 2008</b>	<b>2,392</b>	<b>2,404</b>	<b>2,060</b>	<b>1,910</b>	<b>1,608</b>

**Other provisions:**

Specification of change in other provisions

MSEK	2008	2007
Opening balance	330	381
Provisions utilized during the fiscal year	-106	-153
Unutilized provisions reversed during the fiscal year	-29	-44
Provisions added during the fiscal year	93	131
Translation difference	0	15
<b>Closing balance <sup>1)</sup></b>	<b>288</b>	<b>330</b>

<sup>1)</sup> Of which 143 (217) to be settled later than 12 months after the balance-sheet date.

Other provisions consist mainly of funds amounting to MSEK 201 (212) 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 provisions for financial guarantees amounting to MSEK 16 (16) and employer contributions of MSEK 26 (30) reserved for commitments attributable to endowment policies.

**NOTE 28 Creditors arising out of direct insurance**

MSEK	2008	2007
Payables to policyholders	952	964
Payables to insurance brokers	59	42
Payables to insurance companies	14	23
<b>Total <sup>1)</sup></b>	<b>1,025</b>	<b>1,029</b>

<sup>1)</sup> Of which 4 (4) to be settled later than 12 months after the balance-sheet date

**NOTE 29 Other creditors**

MSEK	2008	2007
Tax debt (current)	111	798
Accounts payable	152	218
Securities settlement liabilities	0	3
Creditor, patient-insurance pool for the public sector	627	517
Other creditors, related companies	1	31
Other creditors	1,044	874
<b>Total <sup>1)</sup></b>	<b>1,935</b>	<b>2,441</b>

<sup>1)</sup> Of which 566 (457) matures later than 12 months after the balance-sheet date.

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

**NOTE 30 Other accrued expenses and deferred income**

MSEK	2008	2007
Accrued expenses, subordinated loans	167	145
Other accrued expenses	1,231	1,267
Deferred income	28	32
<b>Total</b>	<b>1,426</b>	<b>1,444</b>

<sup>1)</sup> Other accrued expenses consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commission and bonus liabilities but also reserves for uninvoiced other operating expenses.

## NOTE 31 Pledged assets

MSEK	2008	2007
Pledged assets and equivalent securities		
Other financial investment assets	1,587	2,567
Cash and bank	101	114
<b>Total</b>	<b>1,688</b>	<b>2,681</b>

### Assets covered by policyholders' beneficiary rights

The following securities 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	2008	2007
Bonds, governments or municipalities	10,586	17,174
Bonds, other	42,039	37,854
Equities in public companies	6,677	8,975
<b>Total</b>	<b>59,302</b>	<b>64,003</b>
Technical provisions, net	56,052	54,543
Surplus of registered securities	3,250	9,460
<b>Total</b>	<b>59,302</b>	<b>64,003</b>

## NOTE 32 Contingent liabilities

MSEK	2008	2007
Surety and guarantee undertakings	319	384

The subsidiaries If P&C Insurance Ltd and If P&C Insurance Company Ltd provide insurance with mutual undertakings within the Nordic Nuclear Insurance Pool and If P&C Insurance Ltd within the Norwegian Natural Perils' 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

### Pledged assets and the pledging purposes were distributed as follows:

MSEK	2008	2007
<b>Financial investment assets</b>		
Collateral for insurance undertakings	1,380	1,738
Collateral for futures trading	207	818
Collateral for permission to conduct insurance operations	0	11
Tax deposits	0	0
<b>Total</b>	<b>1,587</b>	<b>2,567</b>
<b>Cash and bank balances</b>		
Collateral for insurance undertakings	100	81
Collateral for futures trading	0	33
Collateral for permission to conduct insurance operations	1	0
<b>Total</b>	<b>101</b>	<b>114</b>
<b>Total</b>	<b>1,688</b>	<b>2,681</b>

a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

If P&C Insurance Holding Ltd, in favor of companies within Svenska Handelsbanken AB (publ), has pledged sureties for the company's obligations for current liabilities up to an amount of MSEK 500 and for obligations pursuant to derivative instruments, as well as for If P&C Insurance Ltd and Capital Assurance Company Inc, for these companies' obligations pursuant to standby letters of credit for the companies' insurance operations. Capital Assurance Company Inc was sold during 2008, and the purchaser issued a guarantee in favor of If for the amount that If may be required to pay under the standby letters of credit pertaining to Capital Assurance Company Inc.

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 Holding Ltd has also issued guarantees in favor of the TietoEnator Corporation whereby the company will be responsible for obligations that the Group company If IT Services A/S may have in relation to TietoEnator as a result of agreements concerning IT services. The guarantee will be payable in the event that If IT Services A/S suspends payments, is declared bankrupt, applies for composition or in any other respect may be considered insolvent.

## NOTE 33 Comments on the consolidated cash flow statement

### Description of method

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 contracts. In insurance compa-

nies 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 income 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 the 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 to ongoing revaluation to the particular exchange rates for 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 otherwise presented in the annual report.

## Outcome 2008

Cash flow from insurance operations during the year decreased by MSEK 1,871 to MSEK 4,117 (5,988) and cash flow from investment operations, measured as the investment return received, increased to MSEK 4,075 (3,936). The total cash flow for the year generated from operations totaled MSEK 8,192 (9,924). The cash surplus generated by operations and which is not required to maintain short-term access to funds is transferred to asset management on a continuous basis. During the year, net investments were MSEK 2,761 (5,494).

## Cash flow from insurance operations

Cash flow from premiums increased during the year and amounted to MSEK 39,916 (37,918). The weakening of the Swedish krona against primarily EUR and the mark down of the Norwegian krone resulted in a net strengthening of cash flow from premiums amounting to SEK 0.8 billion. The largest growth was reported in the Norwegian, Swedish and Finnish operations.

## Claims payments

Claims payments during the year increased and amounted to MSEK 27,854 (24,848). The increase was mainly attributable to operations in the Nordic countries.

## Reinsurance flow

The reinsurance flow for the year was a negative MSEK 1,171 (neg: 866). The reinsurance flows in the income statement were negative in a net amount of MSEK 1,095 (that is net of premiums for ceded reinsurance of MSEK 2,273 and the reinsurer's

share of paid claims payments of MSEK 1,178). Changes in receivables/liabilities in reinsurance operations had a positive impact of MSEK 76 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 6,774 (6,216). Operating expenses in the consolidated income statement totaled MSEK 6,584 and other technical income totaled MSEK 249. 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 MSEK 4,075 (3,936) and comprised the return received during the year in the form of dividends on shares of MSEK 488, MSEK 3,589 in coupon interest and a negative yield of MSEK 2 from property.

## Cash flow from other operations

Cash flow from other operations was a negative MSEK 5,397 (neg: 4,404). The item's cash flows include dividends outflows totaling MSEK 2,000 (outflow: 4,890), realized effects of currency forwards outflows in the amount of MSEK 1,718 (inflow: 1,874), interest outflow on subordinated loans of MSEK 278 (outflow: 265) and tax payments of MSEK 1,142 (outflow: 1,425). Also included is the net effect of bought and sold subsidiaries (purchase price adjusted for the subsidiaries' own cash) amounting to an outflow of MSEK 245 (inflow: 204).

## Net investments in investment assets

Net investments during the year in investment assets were MSEK 2,761 (5,494). Investment assets may be reconfigured based on allocation changes in the Group's investment policy or changes in market assessments. The cash flows per asset class that arose during the year were as follows:

- Net investments in the equities portfolio amounted to SEK 0.3 billion, primarily in foreign equities
- Net investments in interest-bearing securities totaled SEK 2.4 billion. Interest-bearing securities represent the primary investment focus in the management of surplus cash generated in the Group.

## OTHER NOTES

### NOTE 34 Average number of employees, salaries and remuneration

	2008		2007	
	Average number of employees	Of whom women	Average number of employees	Of whom women
<b>Parent Company</b>				
Sweden	1	0%	1	0%
<b>Total in Parent Company</b>	<b>1</b>	<b>0%</b>	<b>1</b>	<b>0%</b>
<b>Subsidiaries</b>				
Sweden <sup>1)</sup>	1,877	50%	1,820	49%
Denmark	454	46%	436	48%
Estonia	374	76%	383	75%
Finland	1,778	65%	1,758	66%
France	5	40%	5	40%
Latvia	146	70%	135	70%
Lithuania	202	63%	195	62%
Netherlands	4	55%	4	48%
Norway	1,626	49%	1,618	50%
Russia	167	70%	16	60%
United Kingdom	10	65%	18	59%
Germany	6	45%	8	35%
United States	5	63%	8	63%
<b>Total in subsidiaries</b>	<b>6,654</b>	<b>56%</b>	<b>6,404</b>	<b>56%</b>
<b>Group total</b>	<b>6,655</b>	<b>56%</b>	<b>6,405</b>	<b>56%</b>

<sup>1)</sup> Agents are not included. If has 89 (72) spare-time agents in Sweden.

#### Percentage of women in executive management

	Parent Company		Group total	
	2008	2007	2008	2007
Board of Directors	0%	0%	20%	25%
Other senior executives	0%	0%	18%	20%

#### Salaries and remuneration for employees, and social security fees

MSEK	2008			2007		
	Salaries and remunerations	Pension costs	Social fees	Salaries and remunerations	Pension costs	Social fees
Parent Company	7	2	3	12	2	4
Subsidiaries	3,169	614	627	2,885	614	565
<b>Group total</b>	<b>3,176</b>	<b>616</b>	<b>630</b>	<b>2,897</b>	<b>616</b>	<b>569</b>

**NOTE 35** Costs during the fiscal year for salaries and remuneration for senior executives and other employees, distributed by country

MSEK	Senior executives <sup>1)</sup>	2008 Of which bonus and financial instruments <sup>2)</sup>	Other employees	Senior executives <sup>1)</sup>	2007 Of which bonus and financial instruments <sup>2)</sup>	Other employees
<b>Parent Company</b>						
Sweden	7	3	-	12	8	-
<b>Total in Parent Company</b>	<b>7</b>	<b>3</b>	<b>-</b>	<b>12</b>	<b>8</b>	<b>-</b>
<b>Subsidiaries in Sweden</b>	<b>14</b>	<b>6</b>	<b>854</b>	<b>14</b>	<b>7</b>	<b>813</b>
<b>Subsidiaries and branches outside Sweden</b>						
Denmark	2	0	328	2	0	278
Estonia	2	0	56	2	0	48
Finland	7	2	846	4	1	753
France	-	-	3	-	-	3
Latvia	4	0	28	2	0	21
Lithuania	3	0	30	2	0	24
Netherlands	-	-	3	-	-	3
Norway	16	8	928	20	12	870
Russia	6	1	24	4	0	0
United Kingdom	-	-	7	1	-	10
Germany	-	-	5	-	-	5
United States	0	-	3	4	2	2
<b>Total in subsidiaries and branches</b>	<b>54</b>	<b>17</b>	<b>3,115</b>	<b>55</b>	<b>22</b>	<b>2,830</b>
<b>Group total</b>	<b>61</b>	<b>20</b>	<b>3,115</b>	<b>67</b>	<b>30</b>	<b>2,830</b>

<sup>1)</sup> Senior executives in the Parent Company and subsidiaries are defined as Board members, presidents and members of the Parent Company and subsidiaries' executive management groups. The amounts for salary and bonuses also include severance pay of MSEK 0 (0).

<sup>2)</sup> Information regarding bonus and financial instruments pertains to amounts expensed each year, regardless of the earnings year.

**Principles for determining remuneration of senior executives**

Director fees are not paid. Remuneration of the CEO and other members of Group Management consists of a basic salary, a potential bonus (variable compensation), participations in incentive programs, other benefits and pensions. The distribution between basic salary and bonus should be proportionate to the position-holder's responsibilities and authority. The maximum

bonus payable to the CEO is 75% of his basic salary. The maximum variable remuneration payable to other members of Group Management is 30-75% of basic salary. The bonus is based on the Group's performance and outcomes in relation to individually set goals.

Pension benefits, variable remuneration and other benefits paid to the CEO and other members of Group Management are payable as part of their total remuneration.

Remuneration paid and other benefits during the year, KSEK	Basic salary/ Directors fee	Variable payments	Payment pertaining to incentive programs <sup>1)</sup>	Other benefits	Pension costs	Total
Chairman of the Board	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO	4,036	2,406	20,527	508	2,317	29,794
Other members of Group Management (10 individuals)	18,128	13,735	75,816	1,722	5,220	114,621
<b>Total</b>	<b>22,164</b>	<b>16,141</b>	<b>96,343</b>	<b>2,230</b>	<b>7,537</b>	<b>144,415</b>

<sup>1)</sup> For more information, refer to Incentive programs below.

Provisions expensed during the year for disbursement during future years, KSEK	Variable remuneration	Incentive programs	Total
Chairman of the Board	-	-	-
Other Members of the Board	-	-	-
President/CEO	2,677	380	3,057
Other members of Group Management (10 individuals)	9,894	5,418	15,312
<b>Total</b>	<b>12,571</b>	<b>5,798</b>	<b>18,369</b>

For the President and members of Group Management, the bonus for 2008 was based on the Group's earnings and on individual goals set by the Board of Directors.

## Pensions and severance pay

The current pension agreements with members of Group Management include the right to a temporary or lifetime retirement pension with or without survivor's cover. The retirement age varies between 60 and 65 years. The pension agreements are either defined-benefit or defined-contribution plans, in which the defined-benefit retirement pensions correspond to lifetime pensions based on 70% of the pensionable incomes (on condition of continued accrual until reaching the retirement age). For the defined-contribution retirement pensions, the premiums are 38% of the fixed annual salary.

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

In the event of early termination of employment, other members of Group Management are entitled to salary during a period of notice of six to 12 months, and in most cases severance pay amounting to at least nine months' and at most 1.5 years' salary.

A number of other senior executives within the Group's business area management teams are entitled to pay during the period of notice, which varies from six to 12 months, in the event of early termination of employment initiated by the company, and in most cases severance pay that ranges from six months' to 12 months' salary. As of age 60, these executives are normally entitled to a pension corresponding to 60 to 70% of their pensionable income.

## Incentive programs

Outstanding units and values, KSEK	Sampo's incentive program			Sampo's share incentive program		
	Number of units	Maximum bonus amount	Reserved bonus amount	Number of units	Maximum bonus amount	Reserved bonus amount
President/CEO	210,000	27,255	590	100,000	32,701	3,325
Other members of Group Management (10 individuals)	1,141 700	161,927	3,454	200,000	65,402	6,649
Others covered by the incentive programs	1,229 350	145,450	2,934	-	-	-
<b>Total</b>	<b>2,581 050</b>	<b>334,632</b>	<b>6,978</b>	<b>300,000</b>	<b>98,103</b>	<b>9,974</b>

A number of senior executives within If are covered by incentive programs issued by the Sampo Group. In 2004, two programs were issued that covered two senior executives. In 2005, two programs were issued that covered slightly less than 50 senior executives and in 2006 a program was issued that covers five senior executives. In 2008, two new programs were issued for slightly more than 60 employees, which replaced the 2004 and 2005 programs. These incentive programs are multi-year bonus 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 bonus units, each of which carries entitlement to a bonus 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 bonus is paid unless the company achieves a significant degree of profitability, and ceilings that maximize the size of the bonus. During the fiscal year, payments were made pertaining to the 2004 and 2005 programs.

Sampo's Annual General Meeting resolved in 2006 that the five senior If executives, who are members of Sampo's Group Executive Committee, were covered by a share-based "Performance Share Program". Under this incentive program, the participants are granted the right to receive up to a pre-determined number of Sampo shares in December 2008, December 2009 and December 2010, assuming that the Sampo share price has outperformed a predefined threshold value and that targets concerning If's insurance margin have been exceeded. The program is subject to both thresholds, which mean that no shares are submitted unless the company achieves a significant degree of profitability, and ceilings that maximize the value of the share allocation. The value of allotments may not exceed 260% of the Sampo share price at the starting point for the respective performance periods. During the fiscal year, one payment (amounting to 50% of maximum payable amount) was made pertaining to this program.

## NOTE 36 Auditors' fees

MSEK	2008	2007
<b>Audit fees</b>		
- Ernst & Young	13	12
- PricewaterhouseCoopers	-	0
- Other	0	0
<b>Total auditors' fees</b>	<b>13</b>	<b>12</b>
<b>Consultancy fees</b>		
- Ernst & Young	3	1
- Other	-	1
<b>Total consultancy fees</b>	<b>3</b>	<b>2</b>
<b>Total</b>	<b>16</b>	<b>14</b>

## NOTE 37 Information about related companies

### OWNERS

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 and its subsidiaries.

### Agreements linked to insurance operations

#### DISTRIBUTION AGREEMENTS

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

#### INSURANCE AGREEMENTS

In Finland and the Baltic countries, 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.

### IT

#### AGREEMENTS CONCERNING DATA PRODUCTION AND DATA STORAGE

In the Nordic countries, agreements have been concluded between If and Sampo governing joint administration/procurement of data services and data storage, as well as co-administration of certain joint systems.

Primasoft, a former associated company of Sampo, has provided services to If regarding the procurement of data operation. Sampo sold its shares in Primasoft during 2008.

### Loans or investment management

#### AGREEMENTS CONCERNING SUBORDINATED LOAN, RECEIVABLE FROM SAMPO'S FORMER INTERNATIONAL BUSINESS SII

Sampo has guaranteed to indemnify If in respect of a subordinated loan receivable from Hampden Insurance N.V. ("HII"), a Dutch company that was part of Sampo's former international business that was divested in 2001. The receivable consists of an acquired subordinated loan amounting to MEUR 10.2, carrying interest at a rate corresponding to three-month EURIBOR plus 2.5 percentage points. According to the agreement signed on September 9, 2005 between HII and If, the receivable will not be subject to interest as of October 1, 2005, during the time that HII falls below the statutory minimum solvency requirements for insurance companies.

#### SUBORDINATED LOANS

The subsidiary If P&C Insurance Company Ltd (Finland) issued a subordinated loan of MEUR 65 in 2002, which was subscribed in full by the owners (inter alia Sampo) in relation to each of the owners' holding in If. The loan has a duration of 20 years and carries fixed interest for ten years followed by variable interest. Further information on this matter is provided in Note 25 Subordinated debt.

#### AGREEMENT CONCERNING ASSETS MANAGEMENT

Sampo manages parts of the Group's investment assets. If pays compensation for these services, based on a fixed commission calculated in accordance with the current value of the managed investment assets, plus performance-based commission.

### Other

#### HR SERVICES

In Finland, Sampo and Sampo subsidiaries purchase HR services as well as procurement and investigation services from If.

#### RENTAL AGREEMENT AND OFFICE SERVICES

Office premises are used together with Sampo and Sampo subsidiaries.

### ASSOCIATED COMPANIES

As mentioned above, Primasoft, a former associated company of Sampo that was sold during 2008, has provided services to If regarding the procurement of data operation. Primasoft has also rented office space from If in Finland.

In Finland, If's associated company Autovahinkokeskus Oy resells vehicles redeemed by If. The associated company Vahinkopalvelu Oy, which purchased damaged goods from If for resale, is in the process of voluntary liquidation. In Norway, If has purchased alarm central and travel assistance services from Euro-Center Holding A/S and the former associated company Euro-Alarm A/S. Euro-Alarm A/S was sold during 2008.

#### Transaction volumes, 2008

Owner group/ associated company	Received compensation	Paid compensation
Sampo Abp	1	77
Subsidiaries of Sampo Abp	1	0
Primasoft	2	54
Other associated companies	55	31
<b>Total</b>	<b>59</b>	<b>162</b>

## NOTE 38 Performance analysis per class of insurance

2008 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	5,466	6,544	10,452	1,394	11,594	1,614	15
Premiums earned, gross	5,341	6,615	10,449	1,394	11,508	1,692	15
Claims incurred, gross	-3,892	-5,740	-7,250	-988	-7,744	-1,022	-7
Operating expenses, gross <sup>1)</sup>	-947	-1,399	-1,647	-223	-1,858	-300	-2
Profit/loss from ceded reinsurance	-27	-3	-23	-92	-800	-339	0
<b>Technical result before investment return</b>	<b>475</b>	<b>-527</b>	<b>1,529</b>	<b>91</b>	<b>1,106</b>	<b>31</b>	<b>6</b>

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	160	-	999	38,238	866	-66	39,038
Premiums earned, gross	160	-	990	38,164	822	-60	38,926
Claims incurred, gross	-115	-	-841	-27,599	-814	16	-28,397
Operating expenses, gross <sup>1)</sup>	-18	-	-35	-6,429	-115	22	-6,522
Profit/loss from ceded reinsurance	0	-	18	-1,266	245	45	-976
<b>Technical result before investment return</b>	<b>27</b>	<b>-</b>	<b>132</b>	<b>2,870</b>	<b>138</b>	<b>23</b>	<b>3,031</b>

2007 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	5,200	6,692	9,882	1,329	11,085	1,699	27
Premiums earned, gross	5,190	6,914	9,388	1,314	11,074	1,700	18
Claims incurred, gross	-4,252	-5,939	-6,464	-900	-6,911	-727	2
Operating expenses, gross <sup>1)</sup>	-852	-1,399	-1,424	-182	-1,853	-270	-3
Profit/loss from ceded reinsurance	123	-5	-28	-88	-892	-287	0
<b>Technical result before investment return</b>	<b>209</b>	<b>-429</b>	<b>1,472</b>	<b>144</b>	<b>1,418</b>	<b>416</b>	<b>17</b>

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	144	-	1,001	37,059	782	-49	37,792
Premiums earned, gross	144	-	961	36,703	740	-49	37,394
Claims incurred, gross	-101	-	-926	-26,218	-690	15	-26,893
Operating expenses, gross <sup>1)</sup>	-18	-	-78	-6,079	-100	0	-6,179
Profit/loss from ceded reinsurance	0	-	151	-1,026	2	34	-990
<b>Technical result before investment return</b>	<b>25</b>	<b>-</b>	<b>108</b>	<b>3,380</b>	<b>-48</b>	<b>0</b>	<b>3,332</b>

<sup>1)</sup> The item Operating expenses, gross includes other technical income of MSEK 249 (272) and other technical expense of MSEK -212 (-228).

# Notes to the Parent Company

## NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

### NOTE 1 Interest income and similar income items

MSEK	2008	2007
Other interest income	32	59
<b>Total</b>	<b>32</b>	<b>59</b>

### NOTE 2 Note 2 Interest expense and similar expense items

MSEK	2008	2007
Other interest income	-37	-21
Loss from sale of companies under run off	-1	-3
Changes in value of short-term investments	0	-13
Currency result	0	0
<b>Total</b>	<b>-38</b>	<b>-37</b>

### NOTE 3 Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK	
				2008	2007
<b>Shares in Group companies</b>					
If Skadeförsäkring AB (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	12,080	12,080
If Säkerhet AB, corp. reg. no. 556598-0918	Sweden	1,000	100	0	1
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	53	-
Barn i Bil AB, corp. reg. no. 556539-3757	Sweden	1,000	100	0	0
If IT Services A/S	Denmark	501	100	1	1
If Vahinkovakuutusyhtiö Oy/If Skadeförsäkringsbolag Ab	Finland	960,000	100	5,057	5,057
Capital Assurance Company, inc. <sup>1)</sup>	USA	-	-	-	16
Capital Assurance Services, Inc. <sup>1)</sup>	USA	-	-	-	12
AAS If Latvia <sup>2)</sup>	Latvia	310,000	100	79	60
AS If Eesti Kindlustus	Estonia	10,000,000	100	442	442
UAB If Draudimas	Lithuania	26,100	100	98	98
CJSC If Insurance	Russia	990	99	89	89
IPSC Region <sup>3)</sup>	Russia	4,290,000	100	365	-
<b>Total</b>				<b>18,264</b>	<b>17,856</b>

<sup>1)</sup> The companies were sold during 2008.

<sup>2)</sup> Capital contribution to the company amounts to MLVL 1.4 corresponding to MSEK 19.

<sup>3)</sup> Carrying amount pertains to the purchase price and capital contributions to the company.

#### NOTE 4 Contingent liabilities

	2008	2007
Surety and guarantee undertakings	262	286
On behalf of Group companies	262	286

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.

If P&C Insurance Holding Ltd, in favor of companies within Svenska Handelsbanken AB (publ), has pledged sureties for the company's obligations for current liabilities up to an amount of MSEK 500 and for obligations pursuant to derivative instruments, as well as for If P&C Insurance Ltd and Capital Assurance Company Inc, for these companies' obligations pursuant to standby letters of credit for the companies' insurance operations. Capital Assurance Company Inc was sold during 2008, and the purchaser issued a guarantee in favor of If for the amount that If may be required to pay under the standby letters of credit pertaining to Capital Assurance Company Inc.

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 Holding Ltd has also issued guarantees in favor of the TietoEnator Corporation whereby the company will be responsible for obligations that the Group company If IT Services A/S may have in relation to TietoEnator as a result of agreements concerning IT services. The guarantee will be payable in the event that If IT Services A/S suspends payments, is declared bankrupt, applies for composition or in any other respect may be considered insolvent.

# Proposed appropriation of earnings

Funds available for appropriation by the Annual Meeting in accordance with the balance sheet amount to MSEK 16,328, including the net profit for the year of MSEK 2,838.

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

MSEK	
To be distributed as dividends to shareholders	0
To be carried forward	16,328
	<b>16,328</b>

Stockholm, March 9, 2009

**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 9, 2009  
Ernst & Young AB

**Peter Strandh**  
Authorized Public Accountant

# Audit Report

## To the annual meeting of the shareholders of If P&C Insurance Holding Ltd

### CORPORATE IDENTITY NUMBER 556241-7559

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of If P&C Insurance Holding Ltd for the year 2008. The board of directors and the president are responsible for these accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and that the EU-adopted International Financial Reporting Standards and the Annual Accounts Act for Insurance Companies are applied when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member

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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the EU-adopted International Financial Reporting Standards and the Annual Accounts Act for Insurance Companies and thereby give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with 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 9, 2009

Ernst & Young AB

Peter Strandh  
Authorized Public Accountant

# Group Management

## **Torbjörn Magnusson**

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

## **Johan Börjesson**

Born 1967  
Head of Human Resources  
Employed 2005  
Resident in Lidingö

## **Dag Rehme**

Born 1970  
Chief Legal Counsel  
Employed 2006  
Resident in Stockholm

## **Johan Dahlgren**

Born 1959  
Chief Financial Officer  
Employed 2005  
Resident in Stockholm

## **Morten Thorsrud**

Born 1971  
Head of Industrial business area  
Employed 2002  
Resident in Nesbru

## **Line Hestvik**

Born 1969  
Head of Private business area  
Employed 1999  
Resident in Oslo

## **Kjell Rune Tveita**

Born 1963  
Head of IT and Group Services  
Employed 1999  
Resident in Fjellhammar

## **Ivar Martinsen**

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

## **Timo Vuorinen**

Born 1964  
Head of Baltics and Russia  
business area  
Employed 2003  
Resident in Espoo

## **Katarina Mohlin**

Born 1961  
Head of Corporate Communications  
Employed 2004  
Resident in Stockholm

## **Ricard Wennerklint**

Born 1969  
Deputy Chief Executive Officer  
Employed 1999  
Resident in Stockholm

# Glossary and definitions

## **ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT**

Return on average technical provisions, after deducting the capital employed in insurance operations in the form of, for example, premium receivables, less reinsurance deposits and other assets plus half of the technical result before allocated interest for the year. The allocated investment return is based on risk-free interest.

## **CAPITAL BASE**

Reported shareholders' equity after proposed dividend less intangible assets and unrecognised pension liabilities, plus untaxed reserves subordinated loans (within some limits) and deferred tax liabilities. 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 arising within a certain category of insurance (a certain insurance portfolio) and the number of insurance policies within the same category (the portfolio). Does not include major claims.

## **CLAIMS RATIO**

Claims incurred and premiums earned expressed as a percentage.

## **COMBINED RATIO**

Claims incurred and operating expenses in insurance operations in relation to premiums earned, expressed as a percentage.

Cost of insurance operations

Sum total of operating expenses and claims costs.

## **COST RATIO**

Claims handling cost and operating expenses in insurance operations in relation to net premiums earned, expressed as a percentage.

## **DEDUCTIBLE**

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**

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 de-

notes 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 99.97%.

## **EXPENSE RATIO**

Ratio between operating expenses in insurance operations and premiums earned 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. IBNR = incurred but not reported.

## **INSURANCE MARGIN**

Technical result less other technical income and expense in relation to net premiums earned, expressed as a percentage. Compare with Technical result.

## **INVESTMENT ASSETS**

Assets that resemble a capital investment, including real estate and securities, 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. If recognises the main part of unrealized value changes on shares and participations and interest-bearing securities directly in equity.

## **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 UNEXPIRED RISKS**

Provision to cover anticipated claims costs and operating expenses for policies in force at the accounting date and up to their next due date.

**PROVISION FOR UNEARNED PREMIUMS**

Liability item in the balance sheet corresponding to the portion of premiums written that, in the financial accounts, pertains to forthcoming years. Compare: premiums earned.

**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, without reinsurance.

**RETURN ON EQUITY**

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

**RISK RATIO**

Ratio between insurance claims, excluding claims-adjustment costs, and premiums earned, expressed as a percentage.

**RISK SELECTION**

The insurer's selection of the type of risks to be included in his portfolio. Risk selection is of major importance to an insurance company, in part because it facilitates, to the extent possible, a balanced business, which normally has a favorable impact on operating results.

**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 loans 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. Compare with solvency capital.

**SOLVENCY REQUIREMENT (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, whichever is higher.

**TECHNICAL PROVISIONS**

Provisions for unearned premiums, unexpired risks and claims outstanding.

**TECHNICAL RESULT**

Premiums earned less claims costs and operating expenses, plus the allocated investment return transferred from the non-technical accounts.

**TECHNICAL RESULT BEFORE INVESTMENT RETURN**

Item in the technical accounts comprising premiums earned less claims and operating costs.

**TOTAL INVESTMENT RETURN**

Sum total of direct return and realized and unrealized changes in value expressed as a percentage of the fair value of investment assets. The daily time weighted method has been used to calculate the return on active investments. The monthly time weighted method has been used to calculate return on properties and other investments. 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.