

SOLVENCY AND FINANCIAL CONDITION REPORT 2016

If P&C Insurance Ltd (publ)



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This is a translation of the official SFCR version in Swedish, approved by the Board of Directors on 4 May 2017.

Summary

If P&C Insurance Ltd (publ) (If) conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland and Latvia via branches. In addition, If has branch offices in Germany, France, the United Kingdom and the Netherlands for Nordic corporate customers that conduct international operations. If is part of the Sampo Group with Sampo abp (Sampo) as the ultimate parent.

If is one of the leading insurers in Sweden and Norway with market shares of 18.2% and 21.0% respectively. In the Danish market If is the sixth largest insurer with a market share of 5.7%.

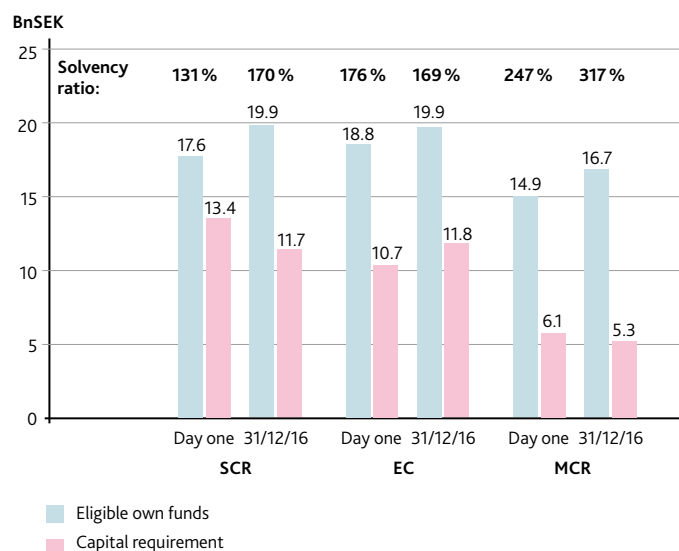
The insurance operation in If is organisationally divided into business areas by customer segment Private, Commercial (small and medium sized companies) and Industrial (large corporates). Business area Private and Commercial dominate new sales.

The technical result increased to 4,406 MSEK (3,858 MSEK)¹ and combined ratio improved to 85.7% (88.4%). Gross written premiums increased by 1.2% compared to last year excluding currency effects. The positive growth mainly relates to business area Private Sweden due to increased sales of new cars.

At full market value, profit from asset management rose to 2,474 MSEK (1,482 MSEK) and the total return ratio was 3.3% (2.0%). The year-on-year increase in the result of the investment portfolio was mainly attributable to improved results for credit-risk papers in the interest portfolio. The return on the equity portfolio was favourable albeit slightly lower than in 2015.

If's strategy for capital management focuses on capital efficiency and sound risk management by keeping its capital resources at an appropriate level in relation to the risks taken over its business planning horizon. The regulatory Solvency Capital Requirement (SCR) sets the level of capital at which If is able to conduct its business without regulatory intervention and is the starting point when the needed level of capital is considered. In addition, the internal measure economic capital is considered. Economic capital is used for internal risk management and decision-making. Economic capital is arrived at by using If's internal model to calculate all major quantifiable risks components including their diversified aggregation while the remaining risks are calculated by using the standard formula. In addition, the regulatory Minimum Capital Requirement (MCR)² is calculated. Available capital is referred to as Eligible Own Funds (EOF). A sufficient capital buffer is further required in order to be solvent at all times.

FIGURE 1 – If risk, capital and solvency overview at 1 January 2016 and 31 December 2016



The main explanation to the decrease in SCR and MCR is the approval of If's partial internal model in November 2016. The partial internal model is used to calculate the SCR for the majority of the insurance risk in If, while other risks, for example market risk, are calculated using the standard formula. The effect of introducing the partial internal model is twofold as it also contributes to the increase in own funds through a lower risk margin in the technical provisions. The increase in own funds is also due to retained earnings. The increase in economic capital 2016 is due to increased market risk, mainly driven by higher exposure.

The capital structure and the solvency of If are considered to be strong. The level of If's profitability is good and profit volatility has been low. If is considered to be in a good position to generate further capital and to maintain a capital level needed to support its risks and business objectives going forward.

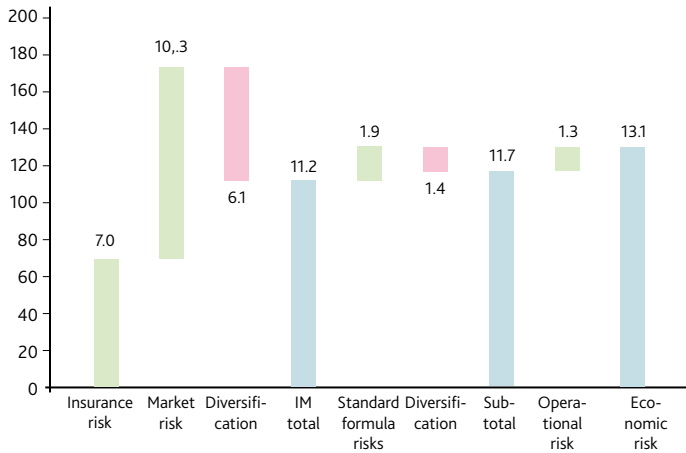
¹ Figures in brackets throughout the report refer to figures from previous corresponding period.

² The level where an insurance company would not be allowed to continue its operation if the amount of eligible own funds is not re-established within a short period of time.

SUMMARY

The main risk types for If, measured as contribution to economic capital pre-tax, are underwriting and market risks as shown in Figure 2 below.

FIGURE 2 – Economic Capital, pre tax, split by risk type, 31 December 2016



To ensure proper capital- and risk management If has established a system of governance framework consisting of several layers. The organisational set-up, including the legal- and operational structures, forms the outermost layer within which the business is run. To govern the business, various corporate bodies or individuals have decided a framework of policies and other internal rules and procedures, which should be followed by the employees to which they apply.

Within this framework, processes are implemented and activities are undertaken to ensure that the strategic and business objectives are met and that If abides by the applicable external and internal rules. The key governing processes and systems are the Strategy Process, the Financial Planning Process, and the Internal Control System (including the Risk Management System). If uses the three lines of defence model to address how specific duties within the risk, control and reporting areas are assigned and coordinated within the organisation. Each of the three lines plays a distinct role within the governance framework.

Following the If Group's intentions to consolidate the insurance business carried out by If P&C Insurance Ltd (publ) and If P&C Insurance Company (Ltd), the Boards of Directors of the two companies adopted a joint Merger Plan in February 2017. The merger is subject to the approvals by relevant authorities and is expected to be effective at 1 September 2017. This is a natural step in delivering on the If Group's pan-Nordic strategy and will simplify the legal structure and corporate governance within the group. If will examine the possibility of extending the use of the partial internal model to include the Finnish operation.

1 Business and Performance

1.1 Business

1.1.1 Legal structure and the group

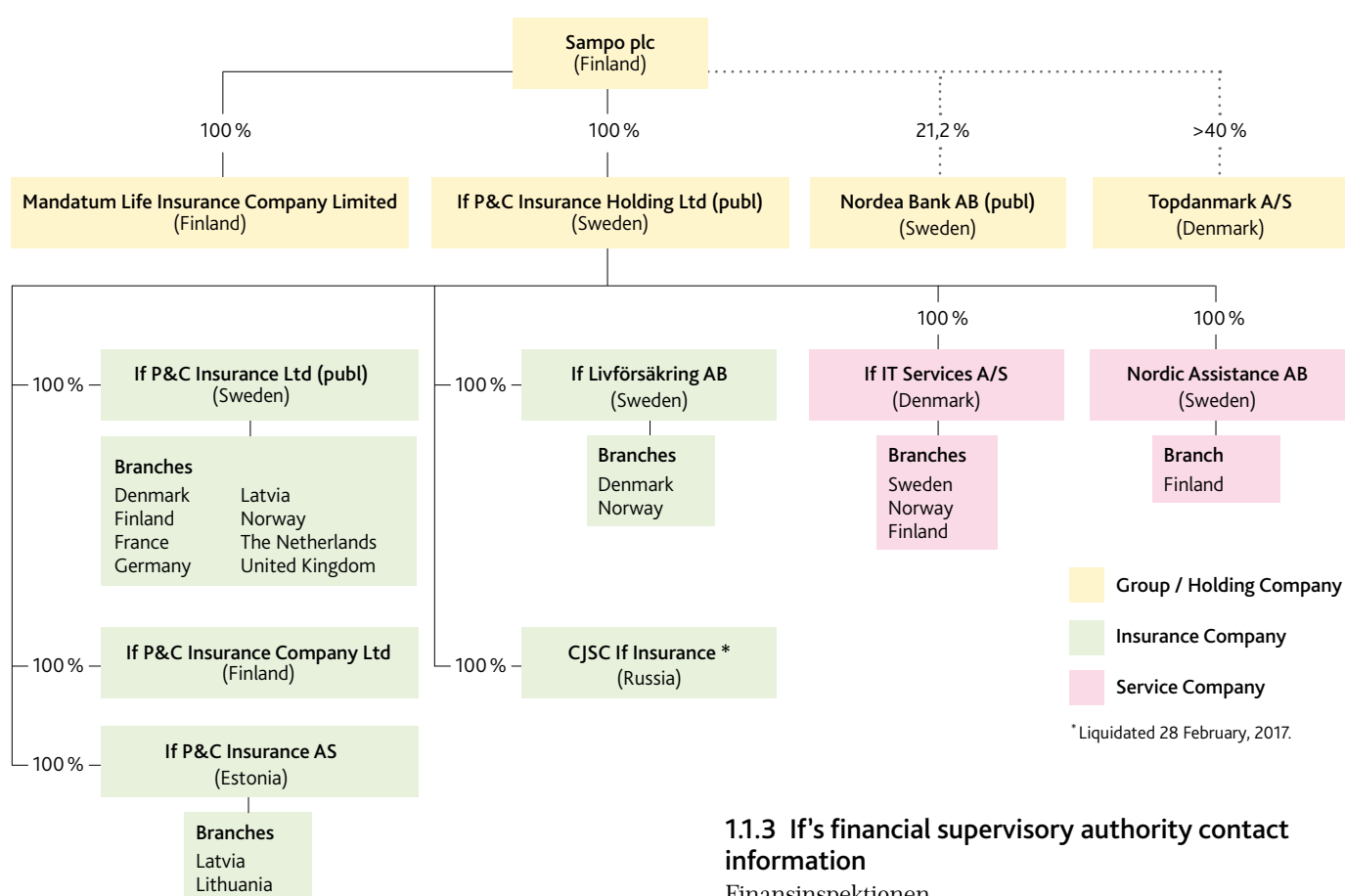
If P&C Insurance Ltd (publ) (If) is a wholly owned subsidiary to If P&C Insurance Holding Ltd (publ) (If Holding), whose headquarters is in Solna, Sweden. If Holding in turn is a wholly owned subsidiary of Sampo abp (Sampo), a Finnish listed company, whose registered office is in Helsinki. The Sampo Group conducts property and casualty insurance operations through If in Sweden, If P&C Insurance Company (Ltd) in Finland, If P&C Insurance AS in Estonia, life insurance operations through

If Livförsäkring AB in Sweden, through the Mandatum Group in Finland and has a substantial holding in Nordea Bank AB (publ) and Topdanmark A/S. Sampo is the ultimate parent.

If P&C Insurance Ltd (publ) (If) conducts property and casualty insurance operations in Sweden and in Norway, Denmark, Finland and Latvia via branches. In addition, If has branch offices in Germany, France, the United Kingdom and the Netherlands for Nordic corporate customers that conduct international operations.

Number of employees amounted to 3,825 at year end. The average number of employees in 2016 was 3,786.

FIGURE 3 – Owner and legal structure, 31 December 2016



1.1.2 Significant events over the reporting period³

When Solvency II⁴ entered into force on 1 January, 2016, If used the Solvency II Standard Formula (SF) for calculating its SCR. In November 2016, If's Partial Internal Model (PIM) was approved by the Swedish FSA and is now used to calculate the SCR for the majority of the insurance risk in If, while other risks are calculated using the standard formula. The PIM better reflects the risk profile of the company, mainly since it captures the geographical diversification in the insurance operations.

1.1.3 If's financial supervisory authority contact information

Finansinspektionen
Box 7821
SE-103 97 Stockholm, Sweden

1.1.4 Sampo's financial supervisory authority contact information

The Finnish Financial Supervisory Authority
PO Box 103
FI-00101 Helsinki, Finland

1.1.5 External auditors contact information

Ernst & Young Aktiebolag
Box 7850
103 99 Stockholm, Sweden

³ The reporting period is equal to 1 January-31 December 2016.

⁴ Being Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) as it is implemented in the Swedish Insurance Business Act. (Försäkringsrörelselagen) and including the laws, regulations, standards and guidelines issued by authorization in the Directive or the Insurance Business Act.

1.2 Underwriting performance⁵

If is one of the leading insurers in Sweden and Norway with market shares of 18.2% and 21.0% respectively. In the Danish market If is the sixth largest insurer with a market share of 5.7%.

The insurance operation in If is organisationally divided into business areas by customer segment Private, Commercial (small and medium sized companies) and Industrial (large corporates). Business areas Private and Commercial dominate new sales.

The technical result increased to 4,406 MSEK (3,858 MSEK) and combined ratio improved to 85.7% (88.4%).

Gross written premiums increased by 1.2% compared to last year excluding currency effects. Positive growth mainly in business area Private Sweden due to record high sales of new cars.

The technical result was positively affected by a non-recurring reserve release of 673 MSEK in Swedish Motor TPL. The reserve was released from the MTPL reserves following a review of mortality tables by the Swedish Insurance federation.

The effect from large claims was lower than expected and compared to last year.

1.2.1 Result per Solvency II lines of business

If's three major lines of business are Motor vehicle liability insurance, Other motor insurance and Fire and other damage to property insurance. The table below presents the development of If's premiums, claims, operating expenses, reinsurers' share and underwriting performance per line of business at 31 December 2016.

TABLE 1 – Total underwriting performance by Solvency II lines of business (MSEK)

Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to health insurance obligations other than health insurance obligations	Total
Premiums written										
3,478	670	3,837	10,094	912	10,447	1,842	142	0	0	31,422
Premiums earned										
3,459	689	3,838	9,777	926	10,486	1,850	148	0	0	31,173
Claims incurred										
2,349	-27	1,558	6,575	508	6,583	1,235	118	313	309	19,521
Operating expense										
738	125	1,172	1,910	174	2,156	353	25	0	0	6,653
Reinsurers share per LoB										
16	26	3	24	101	684	-93	0	0	0	761
Total underwriting performance direct insurance										
356	565	1,105	1,268	143	1,063	355	5	-313	-309	4,238

⁵ The figures in the underwriting performance section are in accordance with the Financial Statement and the lines of business are in accordance with Solvency II.

1.2.2 Operations by geographical area

Revenues per geographical area below are distributed among the countries in which If has companies or branches and corresponds in all material respects with the customers' geographic domicile.

If also underwrites policies for Nordic clients with operations outside the Nordic region. The geographical distribution of underwriting performance is shown in Table 2⁶.

TABLE 2 – Underwriting performance by geographical area, representing the six largest areas (MSEK)

	Sweden	Norway	Denmark	Germany	Finland	France	Total
Premiums written	14,666	12,442	3,814	130	107	102	31,261
Premiums earned	14,225	12,640	3,808	128	107	105	31,013
Claims incurred	8,903	7,823	2,541	7	77	-8	19,341
Operating expense	2,769	2,784	1,024	14	16	17	6,624
Reinsurers share per LoB	221	233	99	69	0	83	706
Underwriting performance direct insurance	2,333	1,800	144	38	14	13	4,342

1.3 Investment Performance

The year started with turbulence in financial markets and declining share prices caused by, for example, concerns regarding the US Federal Reserve's plans to increase interest rates, falling oil prices and worries about economic development in China. During the second half of the year, markets were affected more by political events, such as the outcome of the UK referendum to exit the EU, the US presidential election, OPEC's decision to curtail oil production and improved economic statistics. The year ended with sharply rising prices on stock markets, generally rising market interest rates and a higher oil price. Overall, 2016 was a year when the return was favourable in most stock markets, with slightly higher market interest rates and lower credit spreads.

At full market value, profit from asset management rose to 2,474 MSEK (1,482 MSEK) and the total return ratio was 3.3% (2.0%). The year-on-year improvement in the result of the investment portfolio was mainly attributable to significantly improved results for credit-risk papers in the interest portfolio (due to lower credit spreads). The return on the equity portfolio was healthy albeit slightly lower than in 2015.

⁶ Differences against Table 2, "Total underwriting performance by solvency II lines of business" exists since Table 3 "Underwriting performance by geographical area" are derived from QRT S.05.02.01 and table 2 are derived from QRT S.05.01.02. S.05.02.01 contains underwriting performance by the six most material geographical areas and S.05.01.02 containing total underwriting performance.

1.3.1 Investment result⁷

If's investment result was 1,479 MSEK for 2016 (2,550 MSEK) and the decrease was mainly due to a drop in performance from interest-bearing instruments, shares and participations. The lower result depends primarily on the continuous low level of interest rates and lower gains from shares and participations.

No share losses occurred in 2016 but share profits fell by over 500 MSEK, due to lower turnover and fewer sales during the period.

The average interest rate was a bit lower in comparison with the previous period, which resulted in lower interest income for the interest bearing instruments. The unrealised result declined due to the impairments of bonds. Unrealised losses from derivatives and currency conversion have been affected by changes in currency rates (mostly NOK, EUR and USD).

The table shows investment performance by asset class.

TABLE 3 – Investment performance, 31 December 2016

MSEK Investment Performance	2016	2015
Land and buildings	9	-1
Rental income / losses	9	1
Operating income / expenses	0	0
Other income / expenses	0	-2
Interest bearing securities	1,091	1,515
Interest income / expense	1,299	1,501
Other income / expenses	14	8
Capital gains / losses	-80	-86
Unrealised gains / losses	-142	92
Shares and participations	615	1,235
Dividends	348	382
Other income / expenses	4	6
Capital gains / losses	350	944
Unrealised gains / losses	-87	-97
Derivatives	-169	-108
Interest income	-71	-103
Other income	0	0
Capital gains / losses	137	147
Unrealised gains / losses	-235	-152
Other investment	-67	-91
Exchange rate gains / losses	83	72
Asset management cost	-128	-155
Other interest income / cost (other than interest bearing securities)	-22	-8
Total investment Performance	1,479	2,551

1.3.2 Gains and losses recognised directly in equity

The change in financial assets available for sale during the period is mainly due to higher unrealised results in market values of shares and interest bearing instruments.

TABLE 4 – Gains and losses recognised directly in equity

MSEK Reconciliation of financial assets available for sale	2016	2015
Opening balance, financial assets available for sale	4,107	5,175
Unrealised results, financial assets available for sale	1,014	-212
Recognised in income statement	-19	-856
Closing balance, financial assets available for sale	5,102	4,107
<i>Net change, financial assets available for sale recognized in comprehensive income</i>	<i>995</i>	<i>-1,068</i>

1.4 Performance of other activities

Performance of other operations primarily comprises effects of certain If Group-wide measures and items not allocated to the other business areas, such as If Group adjustments due to reporting of defined-benefit pension plans and interest expense for the If Group's subordinated debt. Other operations include run-off operations. For leasing agreements, see 4.6.1.

1.5 Any other information

Following the If Group's intentions to consolidate the insurance business carried out by If P&C Insurance Ltd (publ) and If Finland, the Boards of Directors of the two companies adopted a joint Merger Plan in February 2017. The merger is subject to the approvals by relevant authorities and is expected to be effective at 1 September 2017. This is a natural step in delivering on the If Group's pan-Nordic strategy and will simplify the corporate governance and legal structure within the group. If will examine the possibility of extending the use of the partial internal model to include the Finnish operation.

⁷ The figures below are in accordance with Swedish GAAP as in the Financial Statement.

2 System of Governance

2.1 General information on If's System of Governance

If's system of governance framework consists of several layers. The organisational set-up, including the legal- and operational structures, forms the outermost layer within which the business is run. To govern the business, corporate bodies and decisions makers have decided a framework of policies and other internal rules and procedures, which must be followed by the employees to which they apply. The system of governance contains the Strategy Process, the Financial Planning Process, and the Internal Control System, including the Risk Management System.

Within this framework, processes are implemented and activities are undertaken to ensure that the strategic and business objectives are met and that If abides by the applicable internal and external rules. If applies the three lines of defence model to address how specific duties within the risk, control and reporting areas are assigned and coordinated within the organisation. Each of the three lines plays a distinct role within the governance framework.

Efficient communication and reporting structures shall ensure that decisions made on all levels are based on the best possible information available, and that the business is followed up in an appropriate way.

2.1.1 Legal structure

As If is a subsidiary of If Holding which in turn is owned by Sampo, the overall principles and divisions of responsibilities are defined on Sampo Group level. If organises its operations in accordance with these principles while taking into account the specific characteristics of the respective countries and business areas.

2.1.2 Operational structure

The insurance operation in the Nordic region is organisationally divided in accordance with customer segments into business areas Private, Commercial and Industrial. The operational structure spans across several legal If entities. Corporate functions such as Finance, Corporate Legal, Human Resources, Communication, IT and Corporate Control and Strategy are organised as support functions to the business areas.

2.1.3 Decision making bodies

2.1.3.1 General meeting

The general meeting is the highest deciding body in If, where the shareholders exercise their right to participate in company decisions. Among other issues, the general meeting decides on the articles of association and appoints members to the Board of Directors.

2.1.3.2 Board of Directors

The Board of Directors is, in accordance with the law, responsible for ensure that the business is organised in an appropriate way. The Board of Directors is also the corporate body with overall responsibility for internal control, risk control and that the company has appropriate risk management systems and processes. The Board of Directors establishes If's policy framework. The Board of Directors approves strategic decisions, establishes appropriate boundaries, oversees execution and ensures accountability, fairness and transparency.

The Board of Directors reviews and decides annually the Rules of Procedure for its work. The Rules of Procedure states how the board's work shall be allocated between the members of the board, how often the board shall meet and to what extent the deputy board members shall participate in the board's work and be summoned to the meetings. Furthermore, the Board of Directors has adopted an instruction for the CEO specifying the CEO's responsibilities. The Board of Directors in If has not appointed any formal committees within the Board's responsibilities.

2.1.3.3 CEO

The CEO is responsible for aligning strategy, processes, people, reporting and technology in order to reach the company's goals. The CEO has the possibility to delegate decision authority concerning the daily business activities to other persons within If, but retain the ultimate responsibility for such decisions. The CEO is the deciding body for a number of instructions within If's policy framework.

The CEO shall also, after consultation with the key functions and the external auditors, supervise that the internal control within the organisation is effectuated in accordance with If's steering documents.

2.1.4 Key functions

Risk Management function

The Risk Management function is organised with the overall responsibility of the legal and operational structure. The function is headed by the Chief Risk Officer (CRO). The function consists of the Risk Control unit and the Capital Management unit. The function facilitates the implementation and development of the Risk Management System in If. The Risk Management function reports to the CEO and to the Board of Directors.

Compliance function

The Compliance function is organised with the overall responsibility of the legal and operational structure and performs tasks for all If legal entities. The function is headed by the Chief Compliance Officer (CCO). The Compliance function performs operationally independent analyses and monitoring activities. The function reports to the CEO and the Board of Directors.

Internal Audit function

If has an Internal Audit function organised with the overall responsibility of the legal and operational structure. The function is headed by the Chief Audit Executive (CAE). The Internal Audit function evaluates the effectiveness of the control systems and reports to the Board of Directors.

Actuarial function

The Actuarial function consists of the Chief Actuary who advises on actuarial matters and fulfils tasks according to the instruction of the Actuarial function. The Actuarial function reports to the CEO and to the Board of Directors.

2.1.5 The remuneration system in If

If's Remuneration policy, together with the Sampo Group Remuneration Principles state the principles for remuneration systems in If. The Remuneration policy is part of If's Risk Management System.

The Remuneration policy is based, inter alia, on the principles that the remuneration structure should not encourage excessive risk taking and that the remuneration of individual employees should not be in conflict with If's long-term interests. The long-term financial stability and value creation of the Sampo Group guide the remuneration design.

2.1.5.1 Principles of the Remuneration policy

The forms of remuneration in If are fixed compensation, pension, other benefits and variable compensation.

Fixed compensation affects If's financial stability. Therefore, a prudent setting of salary levels is crucial. Fixed salaries shall follow market practice. Changes in salaries and setting of salaries when hiring people shall be based on facts, such as market data.

Variable compensation systems shall be designed to create long-term financial stability and value for If. Variable compensation programs shall always include triggers and caps on the payment. The total variable compensation may not be of a size that it threatens or limits the ability to maintain If's capital base. The Board of Directors has the right to determine the variable compensation to zero if necessary due to the company's financial situation.

If an employee's remuneration includes a variable component, there shall be an appropriate balance between the fixed and variable compensation. The fixed and variable remuneration components must be balanced so that the fixed compensation represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on variable compensation and to allow If the possibility of paying no variable compensation. Employees in control functions⁸ are not entitled to variable compensation.

The Remuneration policy contains specific arrangements applicable to identified staff⁹. Part of the payment of the variable compensation to identified staff shall be deferred for a defined period of time as required in the applicable regulatory framework. After the deferral period, a retrospective risk adjustment review shall be carried out and the Board of Directors decides whether the deferred variable compensation shall be paid out/released in full, partly or cancelled in whole.

2.1.5.2 Individual and collective performance criteria related to variable compensation

As a rule, variable compensation increases in relation to increased responsibility and is based on a combination of individual performance, business area and/or business unit results and the overall result of the If Group.

The purpose of the variable compensation programs is to support the fulfilment of If's overall goals. Goals shall balance risk and, if possible, be based on public quantitative key indices.

The majority of employees participate in some form of variable compensation program. If offers annual short-term incentive programs, sales incentives, discretionary rewards and long-term incentive schemes. The outcome of the long-term incentive schemes is based on the development of Sampo plc's share price, on the insurance margin of the If Group and on Sampo plc's return on capital at risk.

2.1.5.3 Supplementary pension or early retirement schemes for AMSB and key function holders

The information below relates only to persons employed in the company. The Swedish members of the AMSB and the Swedish key function holders are entitled to pension according to FTP17¹⁰ or individually agreed defined-contribution pension starting from the age of 65. The premium for individually agreed pension corresponds to 38 % of annual fixed salary and 25 % of paid annual variable compensation.

The Norwegian members are covered by a defined contribution or a defined benefit pension. The defined contribution premium corresponds to 7 % of annual fixed annual salary up to 7.1 G¹¹ and 25.1 % between 7.1 and 12 G. Persons with an annual fixed salary exceeding 12 G are covered by a temporary defined contribution pension between age 67 and 82 and the premium corresponds to 24 % of annual fixed salary.

2.1.6 Material transactions during the reporting period

During the reporting period, the following material transactions have taken place:

- If P&C Insurance Holding Ltd (publ) is the primary account holder in a Group account structure that covers all transaction accounts in If P&C Insurance Ltd's insurance operations. In such a structure, material transactions have, on a regular basis, taken place during the year; and
- If P&C Insurance Ltd and Sampo have an asset management agreement according to which all investment decisions, within the framework of the Investment policy, have been outsourced to Sampo. Compensation for these services is based on a fixed commission calculated in accordance with market value of the managed investment asset.

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

No material changes in the system of governance have taken place during the reporting period.

2.2 Fit and proper requirements

2.2.1 If's Fit and Proper policy

If has adopted the Sampo Group Guidelines for Selecting and Assessing Company Management and Other Key Personnel. The purpose of the Guidelines is to ensure that the companies in the Sampo Group are managed with professional competence and integrity. If has issued the If Fit and Proper policy to supplement the Sampo Group Guidelines. The policy describes the principles, criteria and processes for the fit and proper assessments for If personnel. The policy defines the positions that are subject to the fit and proper assessment which include, inter alia, the persons who are responsible for the key functions. Furthermore, the If Fit and Proper Business Instruction has been established to issue more detailed descriptions of the processes for the assessments of professional competence (fit) as well as good repute and integrity (proper). The Fit and Proper policy and Business Instruction are reviewed annually.

2.2.1.1 Fitness requirements

Detailed descriptions of professional qualifications, knowledge and experience required for the persons who effectively run the undertaking and the persons who have other key functions have been established. The assessment of whether a person is fit, includes an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other business and takes into account the respective duties allocated to that person.

In relation to the AMSB, the fitness assessment takes into account the respective duties allocated to individual persons to ensure appropriate diversity of qualifications, knowledge

⁸ Control functions comprise the Risk Management function, the Compliance function, the Internal Audit function and the Actuarial function.

⁹ Identified staff comprises persons who effectively run the company (members of the Administrative, Management or Supervisory Body and staff with management roles which are essential to the operations of If) and risk takers (employee whose professional activities have a material impact on the company's risk profile).

¹⁰ Insurance industry's occupational pension plan

¹¹ Grunnbeløp, Norwegian base amounts

and relevant experience so that the company is managed and overseen in a professional manner. The members of the AMSB are not each expected to possess expert knowledge, competence and experience within all areas of the company. However, the collective knowledge, competence and experience of the AMSB as a whole have to provide for a sound and prudent management of the company.

2.2.1.2 Assessment of reputation and integrity – proper

Assessed persons shall be of good repute and integrity. The assessment shall include an assessment of the person's honesty and financial soundness based on relevant evidence regarding their character, personal behavior and business conduct.

As a general rule, assessed persons shall be considered to be of good repute if there is no evidence to suggest otherwise.

2.2.2 Description of the process

The If Fit and Proper policy describes the situations when a fit and proper assessment shall be made. It is conducted prior to the appointment of a person for a position that is subject to the fit and proper assessment.

The fitness and propriety of all assessed persons shall be reviewed at least every three years to ensure that the persons meet the fit and proper criteria on an on-going basis. Furthermore, a reassessment shall also be conducted if an event occurs that may cast doubt of the fitness or propriety of an assessed person.

The If Fit and Proper policy further contains detailed rules regarding documentation, corrective measures, division of responsibilities and activities related to the process. It also includes details regarding information, documents and requirements to be taken into account in the fit and proper assessment. The documents and information are collected from various sources, including public registers and individual statements by the assessed persons. The fit and proper assessment is presented to the function or leader responsible for the appointment who decides whether the person is considered fit and proper for the position. The required notification is made to the supervisory authority.

2.3 Risk Management System including own risk and solvency assessment

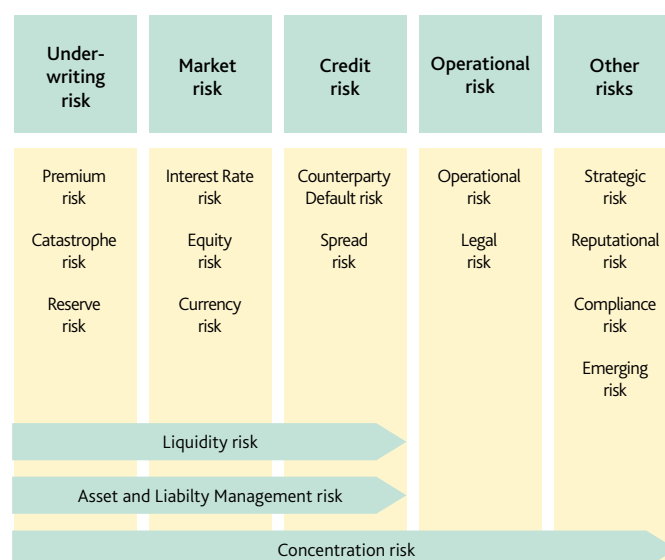
2.3.1 Description of If's Risk Management System

If has an effective Risk Management System comprising strategies, processes and reporting procedures necessary to, on a continuous basis, identify, measure, monitor, manage and report the risks, at an individual and at an aggregated level and their interdependencies, to which they are or could be exposed. The Risk Management function facilitates the implementation and development of the Risk Management System in If.

The Risk Management System is part of the larger Internal Control System and is linked with the If Group Risk Management System ensuring that all risks are managed from a legal entity perspective as well as from a group-wide perspective.

The main risk categories in If are: underwriting; market; credit; operational risks and other risks.

FIGURE 4 – Risks encompassed in the Risk Management System



2.3.2 Objectives of the Risk Management System

The objectives of the Risk Management System are to create value for If's stakeholders by securing its long-term solvency, minimising the risk of unexpected financial loss and giving input to business decisions by taking into account the effect on risk and capital.

A high quality risk management process is a prerequisite for running the business and for assuring a stable result and the delivery of the long term return requirements being:

- a combined ratio less than 95%
- a return on equity higher than 17.5%

2.3.3 If's Risk Management Strategy

If's risk strategy is part of the overall Sampo Group risk strategy and forms part of the governing principles for the operations of If. The Risk Management policy defines the overall risk strategy and the risk appetite for the main risks. The risk management strategies are to:

- Ensure that risks affecting the profit and loss account and the balance sheet are identified, assessed, managed, monitored and reported;
- Ensure that the riskiness of the insurance business is reflected in the pricing;

- Ensure adequate long term investment returns within set risk levels;
- Ensure that risk buffers – in the form of capital and foreseeable profitability – are adequate in relation to the current risks in business activities and external risks;
- Limit fluctuations in the economic values of group companies; and
- Ensure the overall efficiency, security and continuity of operations.

2.3.4 The Risk Appetite Framework

If’s risk appetite framework defines the boundaries for what risk the company is willing to accept in the pursuit of its objectives and it includes the risk appetite statement, risk tolerances, capital adequacy, steering documents, processes, controls, and systems through which the risk appetite is established, communicated and monitored.

The risk appetite framework, the risk profile and the capital situation is analysed and reported in the quarterly risk and solvency assessment process including analyses of the capital adequacy and regulatory capital requirements under various risk scenarios. Consequently, the process influences If’s capital management, business planning and product development and design.

2.3.5 If’s Risk Management Process

The overall risk management process in If includes five main steps:

FIGURE 5 – If’s Risk Management Process



Risk identification. Risks are identified by the first line of defence, the line organisation.

Risk assessment and measuring. In the next step, different methods are used to assess and measure risks, for example stress tests, scenario and sensitivity analyses. For measuring underwriting and market risks, If’s internal model is used. Other risks are calculated based on the standard formula. For risks which are not easily measurable, a risk assessment method is used which encompasses an assessment of what impact a materialised risk would have on the financial plan and the likelihood that the risk will occur.

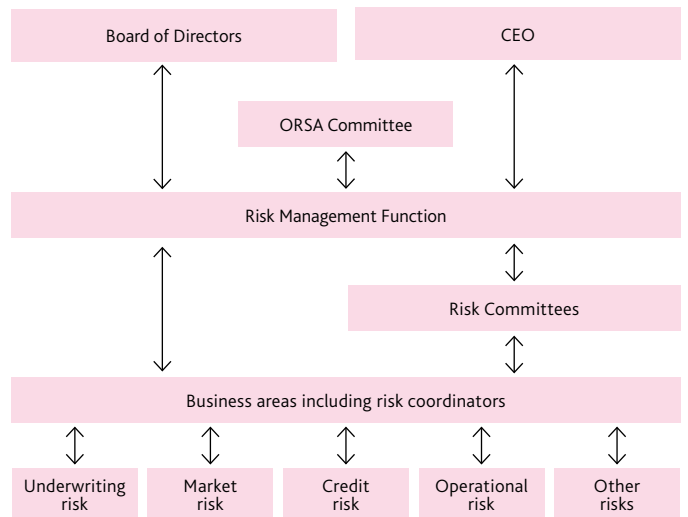
Implementation of risk mitigation actions when deemed necessary. Should the risk impact threaten to exceed the risk appetite or tolerance levels adopted by the Board of Directors, activities for managing the risk will be used.

Regular monitoring. For the main risk categories, monitoring of the risks is performed on a regular basis by both first and second line.

Reporting. The ORSA-report is submitted to the Board of Directors once a year. The report contains a three-year forward looking own risk and solvency assessment. The ORSA is performed in parallel with, and supporting, the financial planning process. Changes in the risk profile could require an update of the ORSA report during the year. Further, an overview of If’s risk profile and capital situation is reported quarterly to the ORSA Committee¹² and to the Board of Directors.

2.3.6 Reporting structure in the Risk Management System

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



2.3.7 Responsibilities within, and the implementation of, the Risk Management System

2.3.7.1 Responsibilities within the Risk Management System

The overall principles of the risk management and responsibilities are defined on the Sampo Group level. If organises its operations according to these principles.

2.3.7.2 The Board of Directors

The Board of Directors is in accordance with applicable law the corporate body overall responsible for internal control, risk control, and that If has appropriate risk management systems and processes. The Board of Directors decides on the policy framework for the operation on yearly basis.

2.3.7.3 CEO

The CEO is in accordance with applicable law responsible for organising and overseeing the daily business activities in accordance with instructions and guidelines from the Board of Directors. The CEO has the ultimate responsibility for the effective implementation of the Risk Management System by ensuring appropriate Risk Management set-up and promoting the sound risk culture within If.

¹² Own risk and Solvency Assessment Committee

2.3.7.4 Risk committees

Own Risk and Solvency Assessment Committee (ORSA committee)

The ORSA committee assists the CEO in fulfilling the responsibility of overseeing If's risk and risk management system. The ORSA committee reviews the effectiveness of If's internal control (including compliance) and gives input to, and follows up on coordination of efforts and actions relating to these areas. The committee is the recipient of analyses and reporting of risks in If on a holistic level.

In addition, the ORSA committee supervises If's solvency position.

Other committees in the Risk Management System

There are separate committees in place for key risk areas. These committees have the responsibility to monitor that risks are managed and controlled as decided by the Board of Directors. The chairmen of the committees are responsible for the reporting intended for the ORSA committee. None of If's committees have any decision making mandate.

2.3.7.5 Risk Management function

The Risk Management function is responsible for coordinating the risk management activities on behalf of the Board of Directors and the CEO. The main responsibilities of the Risk Management function are to:

- Assist the Board of Directors and CEO in the implementation and operation of the Risk Management System by setting requirements on data and processes and coordinating reporting from the line organisation;
- Review and support the business areas and corporate functions in their work to manage all risks.
- Secure a holistic view of the risks If is exposed to, including monitoring, measuring and follow up on If's aggregated risk exposure, position and risk profile;
- Regularly assess If's own funds position in accordance with both internal and external measurements.
- Manage and develop If's internal model, including validation of the model and forecasting risk and capital under normal and stressed circumstances; and
- Give advice to Management on risk management matters in strategic decisions, including the possible effect of such decisions on risk and capital.

The function is headed by the CRO. The units within the function are operationally independent, which is to say not part of the governance of, or the decision making process in, the operations of If's licensed activities.

In accordance with the CRO instruction, the CRO is responsible for the risk reporting to the Board of Directors and to the CEO. This includes the following reports:

- The compilation of the annual summary of the risk and solvency assessment;
- The quarterly ORSA Committee report;
- The annual risk management activity report and risk management plan.

Risk Control unit

The Risk Control unit within the Risk Management function is responsible for operationally independent risk analyses. The risk control activities include tasks such as risk analyses, monitoring activities, coordinating the ORSA process, validation of If's internal model, propose updates of the risk related policies and instructions and risk management related training and information. The Risk Control unit is also responsible for If's common incident reporting framework.

Capital Management unit

The main responsibility of the Capital Management unit is aggregated risk modeling within If. The work is based on statistical and mathematical modeling of both the insurance and investment operations, and the modeling results are used as input in the work with, for example, If's reinsurance strategy, investment allocation, capital allocation and financial target setting, as well as capitalization. In addition, Capital Management is responsible for parts of the risk reporting and various activities related to Solvency II regulation, including calculation of regulatory SCR and maintaining and developing tools for planning of capital and risk.

2.3.7.6 The business areas and corporate functions

The business areas and corporate functions (the line organisation) have the day-to-day responsibility to manage risks within limits and restrictions set by the risk policies, guidelines and instructions. The line organisation shall ensure that it has the resources and tools in place to control and follow up on the risks as well as to report, as required, to the respective risk committee or to the Risk Control unit for analysis.

The line organisation has an obligation to inform the Risk Management function, the Compliance function, the Internal Audit function and the Actuarial function of material risks relevant for the performance of their duties.

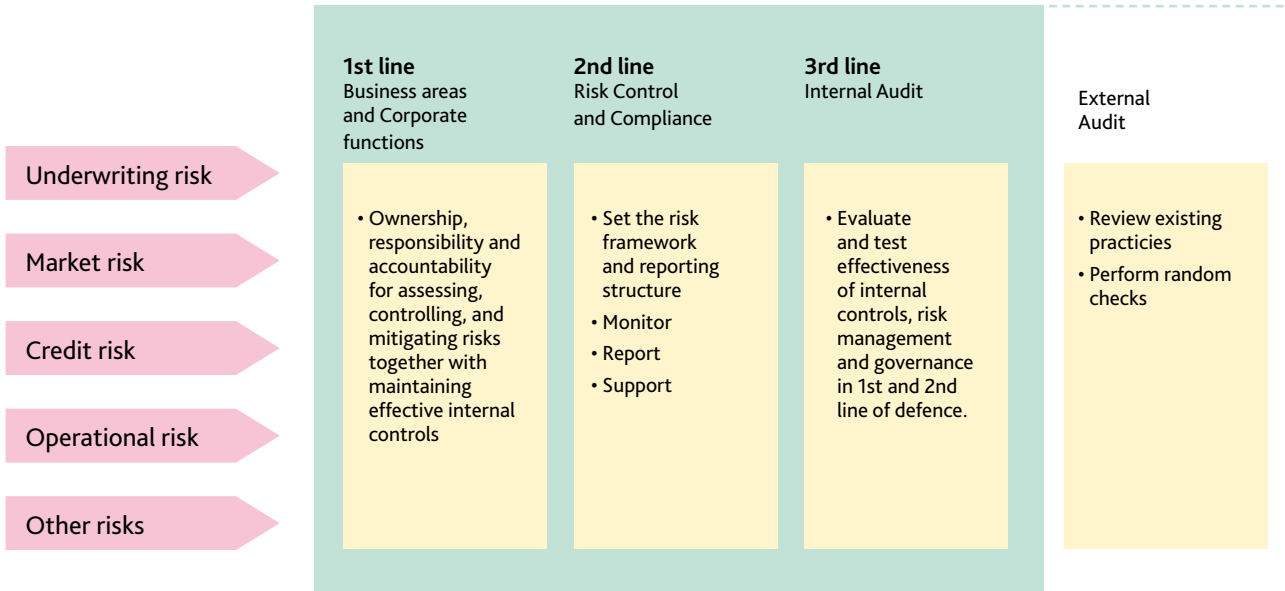
2.3.7.7 Risk coordinator structure

On behalf of the Heads of the business areas/corporate functions, a coordinator structure is established within the first line of defence for the main risk areas; underwriting risk, market risk and operational risk, as well as for anti-money laundering issues. The risk coordinators assist in identifying, assessing and monitoring the respective risks within the first line of defence and report the risk status to the second line and to the respective risk committee at least quarterly. The coordinator structure facilitates the establishment of efficient processes and procedures for managing risks and ensures information and reporting flows within the Risk Management System. The Head of Risk Control and Reporting issues instructions for coordinators where the responsibilities are described.

2.3.7.8 Implementation of the Risk Management System

For effective implementation of the Risk Management System within If, the three lines of defence concept is used:

FIGURE 6 – Three lines of defence



First line of defence

The line organisation has the day-to-day responsibility to manage risks within limits and restrictions set by the risk policies, instructions and guidelines. The Heads of Units shall implement risk mitigation actions. The risk coordinators support the implementation of risk management activities, including reporting to the Risk Management function.

Second line of defence

The Risk Management function performs second line of defence duties by assessing, analysing, monitoring the company level risks independently from the business operations and securing a holistic view of the If risk. Additionally, the second line of defence supports the business in their risk assessment process, gives advice on risk mitigation actions, promotes a sound risk culture and reports regularly risk exposures to the ORSA committee and the Board of Directors.

Third line of defence

The Internal Audit function performs third line of defence duties by giving assurance to the Board of Directors whether the Internal Control including the risk management system within If has been effectively implemented and maintained.

The committee structure together with the coordinator structure, ensures that all material risks are monitored and reported in a clear and consistent way. It also secures that the information originates from the risk owners in the first line of defence and is forwarded to the second line of defence, as well as to the relevant committee.

2.3.8 If's own risk and solvency assessment process (ORSA)

If's risks are measured, reported and aggregated regularly with the purpose of performing an overall assessment of risk and capital. Market risks are followed up and reported monthly while other risks are followed up and reported quarterly. The outcome of these procedures and the follow-up of them are documented as part of the quarterly own risk and solvency process. A report is prepared to the ORSA committee, of which a summary is also sent to If's Board of Directors.

If's comprehensive ORSA assessment is normally run at least annually and occurs in Q3 of each year as it is run in parallel with, and supports, the business plan presented to If's Board of Directors. The ORSA assessment focuses on the overall solvency position complemented by a quantitative and qualitative assessment of If's material risks.

The quantitative part of the ORSA is run in parallel with the financial planning process. The solvency position is assessed partly in relation to If's own view of risk, quantified by the internal model, and partly in relation to the regulatory capital requirement. A support tool in the ORSA process is If's capital planning model, which forecasts the own funds and capital requirements over the planning period. The model covers the If group with separate projections for its operating insurance companies. The assessment includes a number of scenario analyses, stress tests, sensitivity analyses and reverse stress tests. The stress tests cover the main risk types and simultaneous adverse effects from different risk types. The scenarios are developed in cooperation with the risk owners and management.

In addition to a quantification of If's main risk types, a qualitative assessment of If's key risks is conducted. Consequently, the risk owners¹³ views and assessments of current risks over the forward-looking planning horizon are also captured. The risks are assessed on an impact and likelihood basis, that is what

¹³ The business areas and the support functions, i.e. the first line of defense, are responsible for assessing, monitoring and mitigating risks.

impact a materialised risk would have on the financial plan and the likelihood that the risk will occur. The assessment is conducted according to a common grading scale. The concluding assessment for the group is performed by the Risk Management function and is based on the risk owners' views.

The outcome of the annual ORSA is documented in the ORSA report. The ORSA report 2017-2019 was approved by the Board of Directors at the board meeting in December 2016. By approving the ORSA report, the Board accepted it as the basis for deciding on the financial plan. Following approval, the supervisory ORSA report was submitted to Finansinspektionen.

2.3.9 Governance of If's internal model

If applies an internal model for various risk- and capital related purposes. The model has been used in If since 2003. Further development of If's internal model has been conducted since 2011 as part of the so called pre-application process to correspond with the Solvency II requirements. In November 2016 an approval from the Swedish FSA was received to use the internal model for calculation of the main insurance risks, while other risks are calculated according to the Solvency II standard formula with the transitional equity measure. The main uses of the insurance risk model are:

- Calculation of economic capital and SCR;
- Capital allocation to lines of business and calculation of risk-based combined ratio targets;
- Evaluation of reinsurance program structures; and
- Risk and solvency assessment over the planning horizon (ORSA).

The internal control system and governance around the internal model are considered to be adequate taking into account the structure and coverage of the model, as it enforces clear decision processes around all parts of the internal model.

The validation of the model is conducted by resources independent of the modelling team. The objective of the internal model validation is to give assurance to the CRO and the Board of Directors that the internal model is fit for its purpose, appropriately reflects the risk profile and that the regulatory requirements of internal model validation are being met. The validation applies tests performed and the documentation written by the modelling team and other relevant parties (external model vendors, other internal or external experts).

There has been no changes to the internal model governance during the reporting period.

2.3.9.1 Roles, responsibilities and committees

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

Board of Directors

The Board of Directors of If has the ultimate responsibility for the internal model including the compliance of internal model framework with the Solvency II requirements and that there is an effective system of governance in place for the internal model.

The Board of Directors takes the material decisions around the internal model.

Chief Risk Officer

In the Risk Management policy it is stated that two of the main responsibilities concerning the internal model of the Risk Management function are to:

- Design and develop the internal model and maintain a feedback loop of the model performance with the relevant Boards of Directors; and
- Organise an independent validation of the internal model.

As Head of the Risk Management function the CRO has the responsibility to enforce these policy statements. The responsibility to design and develop the internal model has been delegated to Capital Management unit and the responsibility to organise an independent validation of the internal model has been delegated to the Risk Control unit.

As chairman of the Internal Model Committee, the CRO decides on minor changes according to the Internal Model change policy. An absolute limit to this delegation is when a combination of minor changes can be considered a major change.

Capital Management

Capital Management is responsible for:

- The design and development of the internal model, and that output for model use including reporting to committees, is delivered in time and is appropriately documented and presented;
- That documentation for the internal model is kept up to date;
- Maintaining and updating quantitative validation tools and to contribute to any qualitative and quantitative analysis as specified in the yearly validation plan;
- Defining data requirements and quality features for the internal model as outlined in the Accounting and Risk Data Instruction and to periodically assess appropriateness of the data and take appropriate action as a response to data quality deficiencies;
- The Head of Capital Management is given the mandate to decide upon updates as outlined in the internal model change policy. The mandate is subject to updating the internal model documentation, including the model change history document, and presenting such updates in the following Internal Model Committee meeting; and
- Finally, the Head of Capital Management should assure that the internal model is updated at least quarterly and that these updates are quality assured.

Risk Control

The Risk Control unit is responsible for the coordination of the internal model validation, including compilation of the validation plan and report, and for reporting of the performed validation and its findings to the CRO, CEO and to the Board of Directors.

Internal Audit

The Internal Audit function shall receive the validation report. Internal Audit may also perform reviews of various aspects of the internal model, such as audits of data quality, governance, control structures and other aspects.

Internal Model Committee

The Internal Model Committee is the advisory and preparatory body to the Board of Directors and CEO of If, in respect of the tasks listed in the "Instruction for the Internal Model Committee". The Internal Model Committee has not a collective decision mandate.

The Committee is chaired by the CRO. Other permanent members are If's CFO, the Head of Capital Management and at least one business area representative nominated by the Chairman.

The Committee shall ensure that the internal model reflects the risk profile appropriately and to discuss and prioritise actions to be taken based on validation findings and give input to subsequent validation.

Other functions relating to the internal model

In the Accounting and Risk Data Instruction responsibilities regarding data are outlined. The instructions include the responsibilities of the Chief Actuary to define data requirements

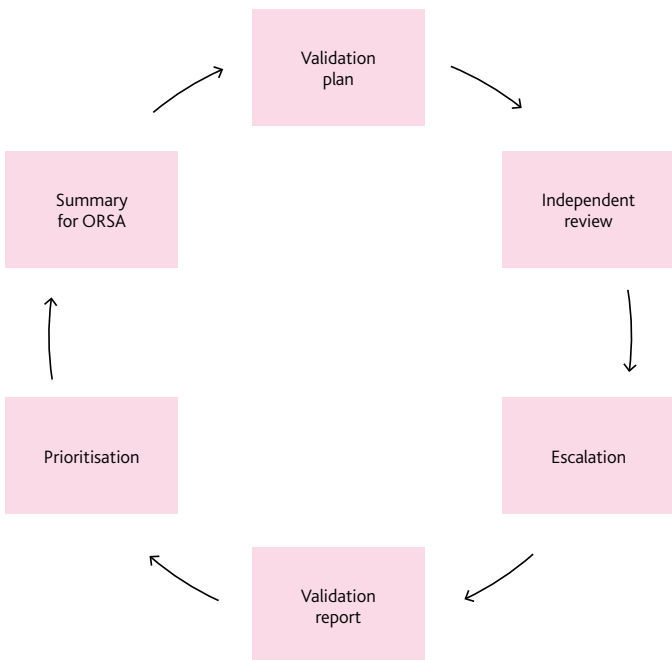
and quality features for technical provisions and to periodically assess appropriateness of the data and take appropriate action as a response to data quality deficiencies. Furthermore the Head of Risk Systems have a responsibility to periodically assess completeness and accuracy of data and to maintain a comprehensive list of data deficiencies and an action plan for improving data quality over time.

In addition to this, the internal model and its outputs are also discussed in the ORSA Committee, Actuarial Committee, Reinsurance Committee and Underwriting Committee.

2.3.9.2 Description of the validation process

The Internal Model Validation is an annual process, visualised in Figure 7 that is carried out in accordance with a validation plan. Validation is also initiated by a major change in the internal model, major events causing a need for re-assessment, by changes in the risk profile or by changes in the external environment that would increase a risk materially.

FIGURE 7 – Annual validation process



Risks within the scope of the model are covered in the process as well as the methods to aggregate the risks, and the methods to integrate the internal model with the standard formula.

The validation also covers model governance. Validation is performed independently from the model maintenance and development.

The purpose of escalation of validation findings is to assure that the users of the model out-put have appropriate awareness of any issue that would make the model less reliable. Escalation of validation findings may take place at any point in the validation process. After the validation results are reported, validation recommendations are prioritised by the CRO. Previous findings are considered when setting the new plan.

2.4 Internal control

2.4.1 If's internal control system

2.4.1.1 Definition and policy

If's Internal Control policy sets the framework for an effective Internal Control System. The purpose of the policy is to ensure that internal control activities are carried out appropriately in accordance with If's nature, size and complexity. This is achieved through a common and consistent approach to internal control activities throughout If. An effective system of internal control provides the Board of Directors and the CEO with reasonable assurance that the company's objectives can be reached. The policy is approved on a yearly basis by the Board of Directors.

Internal control is defined based on the COSO¹⁴ methodology as:

A process effected by the Board of Directors, management and other personnel, designed to provide reasonable assurance regarding achievement of objectives in terms of:

- Efficient and effective operations;
- Accurate reporting;
- Compliance with external and internal regulations; and
- Safeguarding of assets, including sufficient management of risks in operations.

Regarding internal control, If applies the three lines of defence model to address how specific duties related to risk and control are assigned and coordinated within the organisation. For further information see 2.3.7.8.

2.4.1.2 Internal Control Framework

The framework of internal control outlines the principles necessary for an effectively managed Internal Control System within If. The framework provides for three objectives related to operations, reporting, and compliance. These objectives allow If to focus on different aspects of internal control. The Internal Control System within If further ensures the effectiveness and the efficiency of the daily operations taking into consideration If's management's strategic objectives. Furthermore, the framework consists of five components, all required to ensure an effective framework; control environment, risk assessment, control activities, information and communication as well as monitoring.

Control Environment

The control environment is the foundation for all other components of internal control, providing discipline and structure. Control environment factors within If include the organisational structure, roles and responsibilities, integrity, ethical values, policies and the competence of If's employees.

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achieve the objectives related to operations, compliance and reporting, forming a basis for determining how the risks should be managed. If faces a variety of risks which continuously are assessed. Key risks affecting If have dedicated risk management processes within the risk management system.

Control Activities

Control activities are the policies, procedures, and practices that ensure management objectives are achieved and risk mitigation strategies are carried out.

Policies and instructions have been issued for all relevant functions, roles and control activities. Authorisation rules and referrals have been implemented according to appropriate roles and according to the four-eyes principle and the grandfather

¹⁴ The Committee of Sponsoring Organizations of the Treadway Commission.

principle. Routines and tasks are handled according to segregation of duties to ensure that employees do not handle transactions alone throughout the entire process. Furthermore, control activities for identification and management of conflicts of interest are performed.

Information and communication

Through information and communication the control responsibilities are communicated to employees and information is provided in a form and timeframe that allows people to carry out their duties. For example, the Underwriting policy is linked to Underwriting Guidelines that in turn are linked to instructions, mandates, working routines and IT system solutions. Policies and instructions are regularly updated, approved and communicated.

Within the three lines of defence, reporting lines are established to ensure that the Board of Directors and the CEO are able to fulfil their responsibilities to monitor the Internal Control System of If and to ensure its efficiency and suitability.

Monitoring

The monitoring component covers the oversight of internal controls by the three line of defence; which covers evaluations to ascertain whether each of the five components of internal control are present and functioning. This is accomplished through ongoing monitoring activities and separate evaluations. Independent monitoring activities are performed by the second and third line of defence.

2.4.1.3 Accounting in If

The internal control linked to the financial reporting process ensures that If's Board of Directors and executive management have available, timely and reliable information supporting their decision making, and that external interest groups can also rely on the financial information.

Policies and instructions are in place for accounting principles and reporting routines. The accounting principles of If are formally decided by the Board of Directors and published in summary as part of the Annual Report. The Corporate Accounting department has the responsibility to follow changes in regulatory requirements affecting the presentation of If in financial reports.

Control activities within the financial reporting process consist of a combination of general controls in such areas as the division of responsibilities and duties and protection against unauthorised access to registers and software, as well as various controls incorporated in the systems and procedures. Within each function that is responsible for maintaining current accounts, approved instructions in respect of responsibilities and duties are documented and kept up-to-date by regular reviews, at least once per year. Furthermore, no individual is permitted to independently handle a single transaction throughout the entire process. In accordance with the rules for the division of responsibilities and duties, at least two employees must participate in controls of, for example, invoices or an accounting order, and the execution of this control are documented by means of a signature. To ensure correctness of all reporting, the bookkeeping entries in General Ledger and in the base systems are regularly reconciled. Accounting material is filed in an orderly manner according to internal and external requirements.

2.4.2 Compliance function

2.4.2.1 Responsibilities

The Compliance function is responsible for advising the Board of Directors and the CEO on compliance with the rules relevant

for If's licence to conduct insurance business. The Compliance function also assess the adequacy of the measures adopted by If to prevent non-compliance. It further assess the possible impact of any changes in the legal environment on If's operations as well as identify and assess compliance risks. The Compliance function primarily address the rules relevant for If's licence to conduct insurance business however, advice is also provided in other relevant legal areas at the request of the Board of Directors or the CEO, or in the case the Compliance function have identified an increased compliance risk.

To secure effective and purposeful compliance activities, the Compliance function has a right to request and receive all relevant information and documentation as is deemed necessary. All employees further have an obligation to inform the Compliance function of any facts relevant for the performance of the function's duties, such as identified compliance risks or incidents.

The Compliance function is responsible for the tasks within the following categories. A risk based approach is used in deciding the priorities.

Support activities

The Compliance function provide advice and support in compliance matters. This may include training, implementation and other relevant activities related to the Compliance function's area of responsibility. The Compliance function also initiate training activities covering the importance of compliance and ethics.

Policies and instructions

The Compliance function is responsible for ensuring that If has all policies and instructions required by law and that these comply with legal requirements. Board policies and CEO Instructions are published on the policy web to be available to all employees. The work with internal rules is performed in cooperation with the Corporate Legal department.

Regulatory developments

The Compliance function is responsible for establishing effective processes and routines regarding monitoring of new legislation and rules that apply to If's licensed activities. Through their local presence, the legal departments have the competence required for monitoring new legislation and have effective communication channels towards the business. The Chief Legal Counsel and the Nordic Head of Insurance Legal are therefore co-responsible for monitoring, communicating and initiating implementation of new legislation in If. To this end, the Chief Legal Counsel has established the Legal Committee in accordance with a separate instruction. The Compliance function participates in the work of the Legal Committee and report material legal development to the Board of Directors and the CEO.

Compliance risk management

The Compliance function is responsible for ensuring that there are effective processes for identifying, assessing, monitoring and reporting compliance risk exposure. Compliance risks identified by the business areas and Corporate functions are reported to the Compliance function by Heads of Business Areas and IT twice a year, and by Heads of Corporate functions once a year. Compliance risks are also reported when deemed necessary. The risks are confirmed by Heads of BA/Corporate function in accordance with the OCRA-process¹⁵.

Compliance incidents

The Compliance function investigate and report relevant compliance incidents to the Board of Directors and the CEO.

¹⁵ Operational and Compliance Risk Assessment process.

Monitoring compliance with rules

The Compliance function perform relevant planned and ad hoc monitoring activities to detect non-compliance. In case non-compliance is detected, the Compliance function also follow up that mitigating activities are implemented by the operations.

2.4.2.2 Compliance plan

A risk based Compliance plan is annually established and approved by the Board of Directors. It summarises the main areas that should be the year’s focus, which falls outside of the general, recurring tasks of the Compliance function. Further, a detailed compliance plan is decided by the Chief Compliance Officer (CCO). The detailed plan includes compliance monitoring and supporting activities that shall be undertaken by the Compliance function during the year in order to fulfil the Compliance plan decided by the Board of Directors.

Compliance coordinators

Within the legal departments, the Chief Legal Counsel and Head of Insurance Legal have appointed Legal Compliance coordinators. The Heads of Business Areas Private, Commercial, Industrial and Heads of Corporate functions have appointed Business Compliance coordinators. The coordinators act as a link between the business and the Compliance function.

The coordinators engage in compliance activities in addition to their regular tasks and are not part of the Compliance function.

Compliance coordinators do as a general rule not engage in other monitoring or control activities than those that are part of their own business process.

2.5 Internal Audit function

2.5.1 The Internal Audit function, implementation, independence and objectivity

The Internal Audit function (IA) in If is organised under the Board of Directors of Sampo and reports to If’s Board of Directors and to Sampo’s Audit Committee. The function is independent of business operations, and is responsible for evaluating the sufficiency and effectiveness of the internal control system and the quality with which the tasks are performed in If. The IA unit is managed by the Chief Audit Executive (CAE), who is appointed by the Board in Sampo plc. IA is organised to correspond with the business organisation.

2.5.1.1 The Internal Audit policy

The work within IA is carried out in accordance with the Internal Audit policy, approved by the Board of Directors. According to the policy, IA is obliged to comply with the guidelines set out in the International Professional Practices Framework¹⁶. The policy gives IA the mandate to conduct audits, as well as, consultancy work. Further, it gives IA the unrestricted mandate to obtain information and access to management and any documentation and information that is necessary for the internal audit activities. The policy also outlines the division of responsibilities between IA and external auditors. The two audit functions co-ordinate their work in order to ensure adequate audit coverage and in order to minimise duplicate efforts.

2.5.1.2 The Internal Audit Plan

The Audit Committee in Sampo and the Board of Directors annually approve the IA’s three-year audit plan. IA applies a risk based approach, both by reviewing existing material and by gathering information from senior management and the Board of Directors. As the approach is risk based, the amount of audits, the number of countries and the business areas can vary from year to year. Any changes to the audit plan must be approved by the Board of Directors. The external auditors are informed about the internal audit plan and they attend the Audit Committee meetings on Sampo Audit Committee level.

2.5.1.3 Reporting

IA reports on the audits performed to the CEO, the Board of Directors and to the Sampo Audit Committee. The audit observations are reported to If’s CEO and management, as well as, to the If CRO and the If CCO. Before any audit reports are distributed, the reports are discussed with the audit client regarding audit issues, conclusions and recommendations. The final written reports are always approved by the CAE before being distributed.

IA also performs follow-up audits to ascertain that appropriate actions are taken on reported audit issues.

FIGURE 8 – Recurring activities within the Compliance function



2.4.2.3 Organisation

Chief Compliance Officer

The Compliance function is organised across the legal and the operational structure and is constituted by the CCO and several Compliance Officers. The CCO is the Head of the Compliance function and is appointed by the CEO. The CCO is overall responsible for the performance of the responsibilities of the Compliance function throughout If. The Board of Directors has issued an Instruction for the CCO, describing the responsibilities more in detail.

The Compliance function is separate from the business organisation, operationally independent and part of the second line of defence in the internal control system.

The Compliance function shall have sufficient resources and may draw competence from units, departments or persons with the skills and experience necessary to fulfil the tasks assigned to them in relation to compliance activities.

Compliance Officers

The CCO has appointed Compliance Officers to perform compliance activities within If.

¹⁶ IPPF, issued by the Institute of Internal Auditors (IIA).

The CAE also submits activity reports to the Board of Directors twice a year where significant audit findings and recommendations are highlighted. These reports include all potential severe deficiencies which have been detected during the audit work, including any follow-up issues which have not been mitigated or remedied according to agreed-upon action plans.

2.5.1.4 External reviews of the Internal Audit function

As stated in the Internal Audit policy, and in compliance with the IPPF, the IA function should be reviewed by an external party in order to evaluate IA's performance in accordance with IPPF. These reviews are performed by external, qualified persons, who are independent from If and Sampo. These external quality assessments should be performed, if possible, at least every five years.

In all audits, IA thoroughly assesses the objectivity of the auditor, related to the area which is to be audited. The internal auditors are chosen based on their knowledge, skills and integrity, which are essential to the performance of the internal audits.

2.6 Actuarial function

2.6.1 The implementation of the Actuarial function

The Actuarial function consists of the Chief Actuary. The Chief Actuary performs the tasks of the Actuarial function for If, reports to the CEO and is the CEO's advisor on actuarial matters. The Chief Actuary is the Chairman of the Actuarial Committee, a coordination forum for the Actuarial function as well as a preparatory and advisory body for the Chief Actuary. The Chief Actuary is a member of, and participates in the work of, the Underwriting committee and of the Reinsurance committee, and in the latter, work is centred on renewals.

2.6.1.1 Responsibilities and tasks

The Actuarial function is part of the System of Governance and the Risk Management System.

The tasks of the Actuarial function are described in the Instructions for the Actuarial function. The main tasks of the function can be divided into the following areas:

- Coordinating the calculation of technical provisions including their reliability and adequacy;
- Presenting an opinion on the underwriting policy of the company;
- Presenting an opinion on the adequacy of the reinsurance arrangements;
- Presenting an opinion on the solvency position of the company; and
- Contributing, within the framework, to the risk management system and ORSA reporting.

The coordination of the calculation of technical provisions is the most important part of the work for the actuarial function. Calculation of the IFRS technical provisions are the responsibility of the business areas' actuaries. The Solvency II adjustments to the Premium and Claims provisions (including Risk margin) are calculated by the Capital Management unit in the Risk Management function based on input parameters from the business areas' actuaries and the Actuarial function. The Actuarial function supervises the calculations and assesses the uncertainty associated with the estimates by benchmarking fluctuations in reserve ratio by country, line of business and business area (where relevant) over an extended time horizon to detect movements and natural variability. Data quality is regularly assessed by reconciling base system information with information

in actuarial systems. The reconciling procedure is performed monthly and is a formal procedure. If's auditors receive detailed reconciliation sheets with all potential accounted differences.

Policy documents within If govern the internal calculation of technical provisions. The Actuarial function is responsible for compliance with these policy documents and ensures that local rules and regulations are reflected in guidelines or working routines.

2.6.1.2 Reporting

The Actuarial function reports at least annually to the Board of Directors and to the CEO information regarding material tasks that have been undertaken as well as the results. Further, the function suggests how to remedy deficiencies, if any. The report includes methods used, calculation, reliability and adequacy of technical provisions as well as expressing an opinion on the Underwriting policy and the adequacy of reinsurance arrangements.

After each quarterly book closing, the Actuarial function further ensures that a report is submitted to the Board of Directors and to the CEO giving an opinion on the adequacy and appropriateness of the technical provisions as well as other relevant matters.

The Actuarial function is responsible for reporting all relevant matters arising in the Actuarial Committee to the ORSA committee and for coordinating the reporting of reserve and premium risk to the ORSA Committee on a quarterly basis.

2.7 Outsourcing

2.7.1 If's Outsourcing Policy

If's Outsourcing policy sets the framework for If's outsourcing activities. The policy describes what outsourcing is and sets out the criteria for determining whether a function or activity should be considered as critical or important in If.

In order to ensure effective control of the outsourcing of critical or important functions or activities and manage risks associated with such outsourcing, the policy sets out a process which needs to be observed when setting up new outsourcing arrangements or making material amendments to existing outsourcing arrangements. The outsourcing process consists of risk analysis, counterparty evaluation, agreement drafting, follow-up, reporting and information.

The Board of Directors has established an Outsourcing Committee that serves as a forum for supervising If's outsourcing activities in accordance with the Outsourcing policy. Any new or materially amended outsourcing agreements regarding critical or important functions or activities, need to be reported to, and assessed by, the Outsourcing Committee and subsequently, approved by the Board of Directors, prior to the agreements being notified to Finansinspektionen.

2.7.2 Outsourcing of critical or important operational functions or activities

In order to make If's insurance business more efficient, If is outsourcing several critical or important operational activities to internal and external service providers.

Investment and asset management are partially outsourced to Sampo in Finland. As a consequence of If's operational structure with Business Areas Private, Commercial and Industrial operating through several legal entities and branch offices, a number of additional intra-group outsourcing arrangements have been set up.

2 SYSTEM OF GOVERNANCE

If has also outsourced its procurement of IT services to its sister company If IT Services A/S in Denmark, which in turn has entered into agreements with IT service providers.

If has further several claims handling agreements with service providers. These contracts are to a certain extent entered into in order to provide claims handling services in areas where If has no physical presence. There are also certain claims handling agreements which have been entered into as part of larger partner co-operations. These also include sales and franchising arrangements and the partners are located mainly in the Nordic countries.

2.8 Any other information

2.8.1 Adequacy of system of governance

If's system of governance is assessed as adequate to the nature, scale and complexity of the risks inherent in If's business.

2.8.2 Any other material information

There is no other material information regarding the system of governance.

3 Risk Profile

If's overall strategy is to focus on both capital efficiency and a sound risk management. Available capital shall exceed both the SCR and the economic capital requirements as well as maintaining an A-rating by both Standard & Poor's and Moody's. This means that the risk exposure for If is quantified using different measures¹⁷ for different purposes.

In this chapter, If's risk profile is described as well as If's measurement of risks. The risk profile on an overall level is presented, followed by a more detailed description and analysis of each major component within each risk category. The main risk categories described in this chapter are; underwriting risk, market risk, credit risk, liquidity risk, operational risks and other risks. In the stress tests which have been performed is the effect on the economic capital as well as on the Solvency Capital Requirement displayed.

3.1 If's measurement of risk

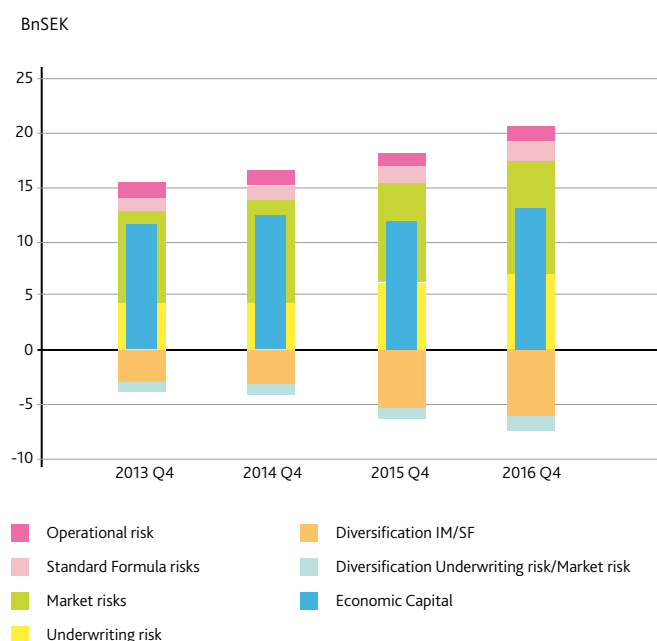
For internal risk measurement and reporting, as well as for management decisions, the measure economical capital is used. The economic capital is based on the internal model for insurance risk and market risk including their diversified aggregation. Operational risk and less material risks are quantified using the standard formula.

In addition to the quantitative measures, qualitative assessments are conducted of all risks including those risks that are not possible to quantify such as liquidity risk, strategic risk, reputational risks, compliance risk, legal risk, emerging risks, group specific risks and other concentration risks.

3.2 If's risk profile

The figure below shows economic capital as per 31 December 2013 to 31 December 2016.

FIGURE 9 – Development of EC



The main risk types for If are underwriting and market risks. The increase in underwriting risk 2015 (from 4.3 BnSEK to 6.1 BnSEK) is due to that the inflation risk was reclassified from market risk to underwriting risk. However, this reclassification also increased the diversification effects between underwriting and market risk. Except from this reclassification, the allocation of economic capital to different risk categories has been relatively stable over the past four years. The increase in economic capital 2016 is due to increased market risk, mainly driven by higher exposure.

3.3 Underwriting risk

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

In accordance with the economic capital calculation, premium risk, catastrophe (CAT) risk, reserve risk and inflation risk are included in the underwriting risk.

3.3.1 Risk exposure

For quantification of underwriting risk in the internal model, actuarial and statistical methods are used to reflect the characteristics of the insurance operations, complemented by external modelling for natural catastrophe risk and inflation risk. Lapse risk and revision risk are calculated in accordance with the standard formula.

If's economic capital for underwriting risk reflect the exposure to underwriting risk over a one-year horizon and increased by 0.9 BnSEK to 7.0 BnSEK during 2016. This was driven by a 1.3 BnSEK increase in inflation risk due to the calibration in the new interest risk model and increased inflation volatility.

3.3.1.1 Premium risk and catastrophe risk

Premium risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events that have not occurred at the balance date. Catastrophe risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

Individual large claims constitutes a risk on gross level but is mitigated by reinsurance.

Main factors affecting premium risk

Risk factors underlying premium risk are reviewed twice a year by each business area on an impact and likelihood basis. The main premium risks are claims volatility, risk concentration and errors in data that may affect the risk assessment.

¹⁷ Measures based on regulatory requirements, i.e. the solvency requirements for the partial internal model (PIM SCR), internal economic measures (economic capital (EC)) and rating agency measures. Rating agency measures are not specifically handled in the report.

TABLE 5 – Main factors affecting premium risk

Risk factor	Risk description
Claims volatility	Claims volatility is the risk that a higher number of claims occur than expected during a specific time period. This may be caused by e.g. a period of adverse weather conditions that increase the frequency of motor claims.
Risk concentration/accumulation	Concentration risk is the risk that several claims are caused by the same risk event. A risk event such as fire or a flood might affect several insured objects in the same geographical area, which hence is a concentration risk.
Data quality for analysis and pricing	Errors in data or lack of data may affect the risk assessment. An incorrect risk assessment might lead to losses due to inadequate pricing.

3.3.1.2 Reserve risk and inflation risk

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

The main reserve risks for If are stemming from uncertainty in the claim amounts caused by higher claim inflation and life expectancy than expected, with the consequences that both annuities and lump sum payments would increase.

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

The reserves in If are dominated by long tailed business, in particular Motor Third Party Liability, which forms 48% of the Solvency II claims reserve. The Swedish Motor Third Party Liability (MTPL) portfolio represents the highest reserve risk due to its size and the long duration.

Some of the provisions for MTPL and Workers Compensation (WC) include annuities that are sensitive to changes in mortality assumptions and discount rates. The effect on provisions from an increase in discount rates is damped for provisions with long duration due to convergence towards the ultimate forward rate. In 2016, the proportion of Solvency II claims reserve related to MTPL and WC was 59%. For further information on Solvency II technical provisions, refer to Solvency II quantitative reporting templates (QRT) S.12.01.02, S.17.01.02 and S.19.01.21.

Main factors affecting reserve risk

Risk factors underlying reserve risk are reviewed twice a year by the Chief Actuary on an impact and likelihood basis. The main risk factors affecting reserve risk are emerging risk, claims inflation, development in medical practice and increase in life expectancy, as per 31 December 2016.

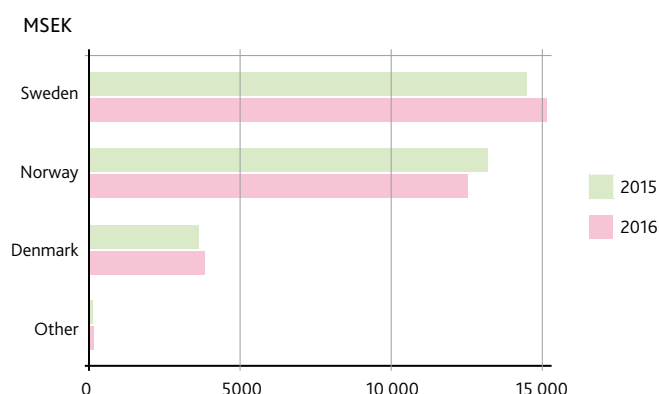
TABLE 6 – Main factors affecting reserve risk

Risk factor	Risk description
Emerging risk	New technology such as nano materials and devices emitting electromagnetic fields may cause adverse health effects and impact worker's compensation and liability insurance. Cyber risks in the insureds own operation may materialize as liability claims through e.g. loss of data. The lack of climate change adaption increases the likelihood of severe impact for people and ecosystems.
Claims inflation	The anticipated inflation trend is taken into account when calculating all provisions and is essential for claims settled over a long period of time, such as Motor Third Party Liability (MTPL) and Workers' Compensation (WC). An underestimation of claims inflation can result in inadequate reserves.
Development in medical practice	The development in medical practice affects the number of claims for example through more accurate diagnosis of whiplash injuries that can arise long after the actual accident. New and more expensive treatments might increase the costs of incurred claims.
Increase in life expectancy	The longevity of the population affects both the length of annuities and lump sum amounts. An underestimation of life expectancy may cause run off losses.

3.3.2 Risk concentration

The insurance portfolio is well diversified, given the fact that If has a large customer base and the business is underwritten in different geographical areas and across several lines of business. The geographical distribution of gross written premium for 2016 is shown in the table below.

TABLE 7 – Gross Written Premium per country, MSEK



Despite the diversified portfolio, risk concentrations and consequently severe claims may arise through for example, exposures to natural catastrophes such as storms and floods. The economic impact of natural disasters and single large claims is managed using reinsurance and through diversification.

For further data on If's premium distribution across lines of business, please refer to S.05.01.02.

3.3.2.1 Concentration risk within business areas

One risk event can sometimes affect several risks. Example of accumulations of risks are typically a fire in a shopping center or a major natural catastrophe. Major accumulations identified in If are within BA Industrial. Concentration risks are mitigated by reinsurance programs. Accumulation of risks within the BA Industrial portfolio is monitored by detailed latitude/longitude data registration of locations as well as overall portfolio monitoring.

3.3.3 Risk mitigation

3.3.3.1 Premium risk and catastrophe Risk Management and Control

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

3.3.3.2 Reserve risk Management and Control

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

The provisions for annuities are calculated as discounted values based on the amounts and payment periodicity in each individual case, taking expected investment income, expenses, indexation, other possible adjustments and mortality into account.

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

3.3.3.3 Reinsurance

If's Reinsurance policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated by comparing the expected cost versus the benefit of the reinsurance, the impact on result volatility and capital requirement. The main tool for this evaluation is If's internal model in which small claims, single large claims and natural catastrophes are modelled.

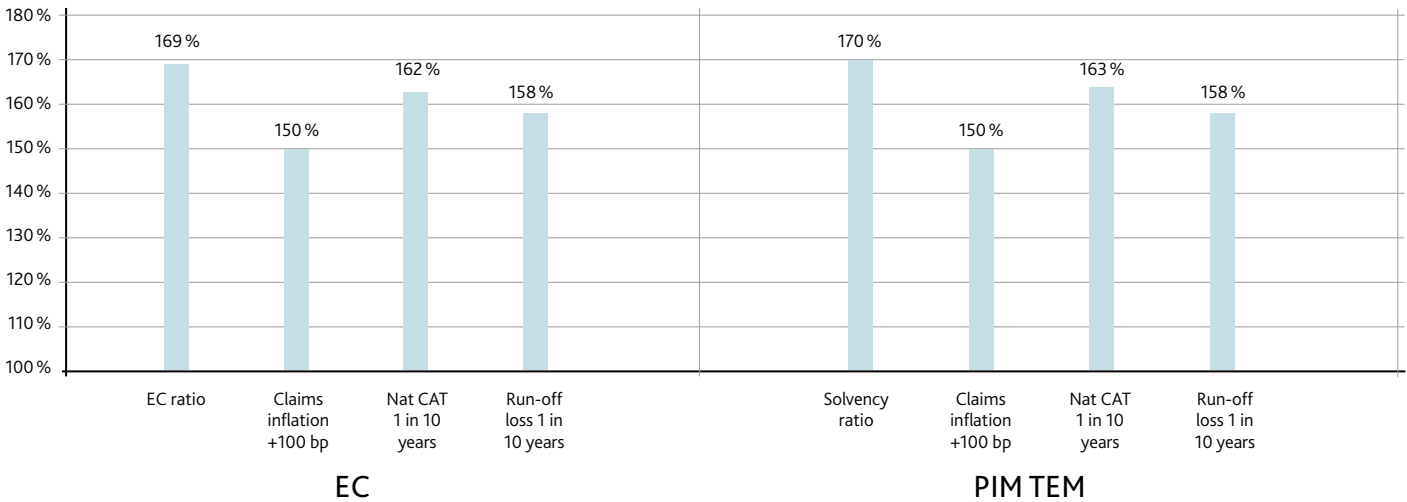
In the Reinsurance policy, there are limitations regarding allowed reinsurers and their ratings for each line of business, as well as limits relating to concentration risk, single reinsurance counterparty exposure, counterparty exposure within a program or captive retrocession. In addition, the reinsurers are continuously assessed and evaluated through own financial and qualitative pre-defined analyses. If has no special purpose vehicles.

To mitigate the inherent uncertainty in EML calculations, If has an EML break through reinsurance cover floating on top of treaties and facultative covers, EML stress tests are regularly performed.

3.3.4 Risk sensitivity

Stress tests have been performed to assess If's sensitivity against major risk factors. The effect on the EC and the Solvency II ratios, at 31 December 2016, is displayed in the table below. The EC solvency ratio is based on the internal model for insurance risk and market risk, while the PIM solvency ratio is based on the internal model for insurance risk. Other risks not covered by the internal model are calculated using the standard formula. In each sensitivity test, If maintains a solvency ratio above 100%.

FIGURE 10 – Solvency II Sensitivity underwriting risk



3.3.4.1 Claims inflation stress

Stress description

The purpose of the stress is to estimate the impact on the capital position of a higher claims inflation than expected. In the calculation, the claims inflation has been stressed with 100 basis points.

Key assumptions

- Technical provisions increase which decreases EOF;
- The increase of technical provisions increase inflation risk, reserve risk and interest rate risk; and
- The increase in interest rate risk is due to higher expected future cash flows from technical provisions although the discount rate is assumed unchanged.

3.3.4.2 Natural catastrophe stress

Stress description

The purpose of the natural catastrophe stress is to estimate the impact on the capital position of a 1 in 10 year catastrophe.

Key assumptions

- Only the EOF are affected since this is assumed to be a one-off and is paid out directly from cash with immaterial effect on underwriting risk or market risk; and
- The magnitude of the natural catastrophe claim is based on the internal model and is calculated net of reinsurance.

3.3.4.3 Run-off loss stress

Stress description

The purpose of the run-off loss stress is to estimate the impact on the capital position of a 1 in 10 year run-off loss.

Key assumptions

- The increase in technical provisions decreases EOF and increase inflation risk, reserve risk and interest rate risk; and
- The magnitude of the run-off loss is based on the reserve risk module in the internal model and measured from the expected run off loss at the 90th percentile.

3.4 Market risk

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

3.4.1 Risk exposure

Market risk, in accordance with the calculation of economic capital, consists of currency-, equity-, interest rate- and spread risk. Spread risk is included when calculating market risk but its exposure, concentration, mitigation and sensitivity are described in 3.5, since If views spread risk as being part of credit risk together with the counterparty default risk. Asset and Liability Management (ALM) risk is not calculated separately but is comprised in the interest rate and currency risk figures. The main risk component is the equity risk. If benefits from diversification effects through its well-diversified portfolio. The market risk has increased during 2016 which mainly is due to an increase in spread and currency risk.

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

The market risks related to investment are typically non-complicated since If applies mark-to-market procedures to most of its investments, there are a limited number of instruments that require mark-to-model procedures. If pledges collateral for letters of credit (in the insurance operations) and for cleared derivatives.

Main factors affecting market risk:

FIGURE 11 – Main factors affecting market risk

Risk factors	Risk description
Renewed Euro-zone turbulence.	There is a clear uncertainty on the Eurozone development after the Brexit vote and the coming referendums in the EU. Markets have now however had some time to digest the outcome of Brexit but the political uncertainties remain.
Drop in house prices in Sweden and Norway.	The housing markets show little signs of weakness, although price levels are very sensitive to development in interest rates and employment.
Equity markets down.	The US economy continues to improve and monetary policy is being reconsidered. At some stage, European rate policies will follow which means less support for riskier assets.
Concentration towards Nordic financials.	The banking sector is in a good shape but consequences would be substantial in case of a banking crash.
Low interest rate over long period.	The interest rates have stabilised, but low yield environment will give low returns over the medium term.
Prolonged period of weak oil prices.	Oil prices have decreased over the past years but have now stabilised above lows.

3.4.1.1 Currency risk

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

If's corporate structure with branches in different countries generates currency exposures since the base currency for If is Swedish kronor. In addition, If's business activities and investment decisions create currency exposure. Compared to 31 December 2015, the currency risk has increased mainly due to increased exposure.

3.4.1.2 Equity risk

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

The equity portfolio consists of Nordic shares and a diversified global funds portfolio, at year-end 2016, If's exposure amounted to 12,324 MSEK. Compared to 31 December 2015, the equity risk has increased mainly due to an increased exposure.

3.4.1.3 Interest rate risk

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

The duration of fixed income investments was 1.3 years at year-end 2016. Compared to 31 December 2015, the interest

rate risk has increased mainly due to a higher asset duration and increased interest rate volatility.

3.4.1.4 Spread risk

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

Compared to 31 December 2015, the spread risk has increased mainly due to increased credit exposure. For information on spread risk exposure, concentration, mitigation and sensitivity, see 3.5, credit risk.

3.4.1.5 Asset and Liability Management (ALM) risk

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

The Asset and Liability Management (ALM) risk consists of interest rate risk and currency risk. In the accounts, most of the technical provisions are nominal, while the annuity and annuity IBNR reserves, are discounted using interest rates in accordance with the regulatory rules. Accordingly, from an accounting perspective, If is mainly exposed to changes in inflation and regulatory discount rates. From an economic perspective, whereby the technical provisions are discounted using prevailing interest rates, If is exposed to changes in both inflation and nominal interest rates.

3.4.2 Risk concentration

The figures below show the market risk concentration of the investment portfolio in If. Figure 12 shows the market values per type of asset whereas Figure 13 shows how much EC they contribute with to the total undiversified market risk.

FIGURE 12 – Market values per type of asset, 31 December 2016

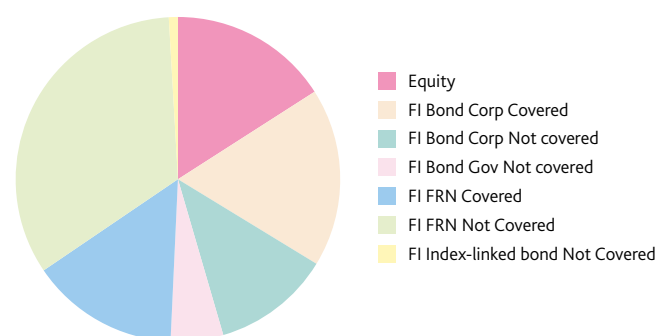
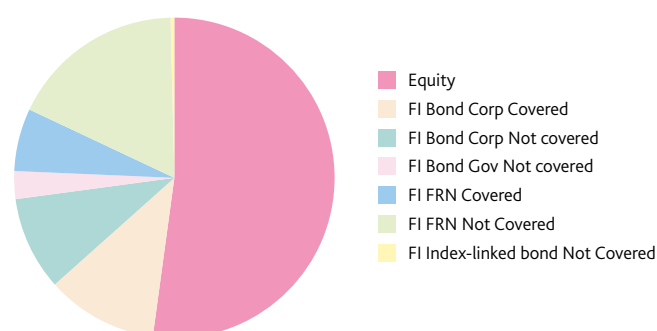


FIGURE 13 – Economic Capital per type of asset, 31 December 2016



3 RISK PROFILE

3.4.2.1 Currency risk

If's currency positions against the base currency are shown in the table below. The currency exposure that arises when consolidating the financial statements of branches that have a different base currency than If is not hedged, since those investments are regarded as being of long-term nature and the currency effects related to them will not affect the profit and loss accounts.

TABLE 8 – Currency risk 31 December 2016

MSEK Currency	EUR	NOK	DKK	GBP	USD	JPY	ÖVRIGA
Open position (SEK), 2016	-383	362	45	43	-42	-3	-233

Above IFRS values give a fair picture of currency risk concentrations and do not materially differ from Solvency II values.

3.4.2.2 Equity risk

The total investment portfolio of If consisting mainly of fixed income 84.3% and equities 15.7%.

TABLE 9 – Breakdown of equity investments by industry sectors

MSEK	2016		2015	
	Carrying amount	%	Carrying amount	%
Machinery	2,178	20.2	1,579	15.8
Household Durables	2,073	19.2	2,327	23.3
Specialty Retail	1,317	12.2	1,387	13.9
Construction and Engineering	1,210	11.2	1,040	10.4
Electrical Equipment	846	7.9	666	6.7
Telecommunication Services	591	5.5	667	6.7
Health Care	541	5.0	489	4.9
Others	2,016	18.7	1,835	18.3
Total	10,771	100	9,990	100

* The sector allocation of equity excludes investments made through mutual equity funds of MSEK 1,583 (1,760).

Above IFRS values gives a fair view of risk concentrations and do not materially differ from Solvency II values.

TABLE 10 – Breakdown of equity investments by geographical regions

MSEK	2016		2015	
	Carrying amount	%	Carrying amount	%
Scandinavia	10,771	87.2	9,990	85.0
North America	845	6.8	1,146	9.8
Far East	500	4.0	437	3.7
Latin America	239	1.9	177	1.5
Total	12,354	100	11,750	100

The IFRS values above gives a reasonable picture of risk concentrations and does not materially differ from Solvency II values.

3.4.2.3 Interest rate risk

The duration of fixed income investments was 1.3 years at year-end 2016. The duration of fixed income investments is shown in the table below.

TABLE 11 – Duration and breakdown of fixed income investments per instrument type

MSEK	2016			2015		
	Carrying amount	%	Duration	Carrying amount	%	Duration
Scandinavian government securities/credits	57,558	87.3	1.3	52,572	89.3	1.1
Euro government securities/credits	4,707	7.1	0.7	4,209	7.1	0.6
Swedish index-linked bonds	698	1.1	3.8	1,227	2.1	4.9
Short-term fixed income	2,680	4.1	0.2	879	1.5	0.2
US government securities/credits	255	0.4	1.3	-	-	-
Total	65,898	100	1.3	58,887	100	1.1

IR Derivatives are included.

Above IFRS values gives a fair view of instrument type concentrations and do not materially differ from Solvency II values.

3.4.2.4 Spread risk

For information on spread risk exposure, concentration, mitigation and sensitivity, see section 3.5 credit risk.

3.4.3 Risk mitigation

The Investment policy is the principal document for managing If's market risks. It sets guiding principles, for instance prudent person principle, specific risk restrictions and decision making structure for the investment activities.

The structure of If's technical provisions, the overall risk appetite, risk tolerance, regulatory requirements, rating targets and the nature of the technical provisions are taken into account when deciding limits and when setting return and liquidity targets. The Board of Directors decides on the Investment policy at least once a year. The Investment policy is supplemented with guidelines defining mandates and authorisations and guidelines on the use of derivatives.

The market risk is actively monitored and controlled by the Investment Control Committee and reported to the ORSA Committee quarterly.

3.4.3.1 Currency risk

The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives. The currency exposure in the insurance operations is hedged to the base currency on a regular basis. The currency exposure in investment assets is controlled weekly and is hedged when the exposure reaches a specified level, which is set with respect to cost efficiency and minimum transaction size. If is also exposed to translation risk i.e. the currency exposure that arises when consolidating the financial statements of branches that have a different base currency than the parent company shall not be hedged, since those investments are regarded as being of long-term nature and the currency effects related to them will not affect the results.

3.4.3.2 Equity risk

If's equity portfolio is actively managed with a long-term investment horizon. The equity risk is reduced by diversifying the investments across industry sectors and geographical regions. According to If's Investment policy, equity investments in relation to the total investment portfolio and the exposure towards an individual issuer are to be limited.

3.4.3.3 Interest rate risk

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

3.4.3.4 Spread risk

For information on spread risk exposure, concentration, mitigation and sensitivity, see 3.5, credit risk.

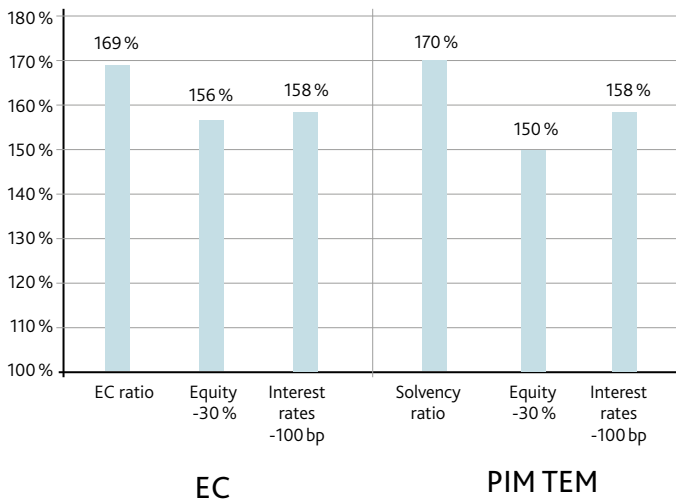
3.4.3.5 Asset and Liability Management (ALM) risk

The ALM risk in If is managed in accordance with Sampo's Group-wide principles. ALM is taken into account through the risk appetite framework and is governed by If's Investment policy. To maintain the ALM risk within the overall risk appetite, the cash flows of insurance liabilities may be matched by investing in fixed income instruments and by using currency derivatives.

3.4.4 Risk sensitivity

To test sensitivity for major risk factors, equity and interest rate stresses have been performed showing the effect both on the internal economic capital as well as on the solvency capital requirement as per 31 December 2016. In both stresses, If maintains a solvency ratio above 100%.

FIGURE 14 – Solvency II Sensitivity market risk



3.4.4.1 Equity stress

Stress description

The equity stress estimates an impact on the solvency ratio for a 30% decrease in the market value for equities.

Key assumptions

The equities in the investment portfolio and the equity risk decrease with the same proportion as the market value.

3.4.4.2 Interest rate stress

Stress description

The interest rate stress estimates an impact on the solvency ratio for a 100 basis points decrease in the interest rates.

Key assumptions

- The decrease of interest rates increases the investment assets and technical provisions;
- Due to a longer duration the increase of technical provisions is larger than increase of investment assets, which is mainly reflected in a decrease of EOF and also an increase of SCR; and
- The interest rate stress is based on parallel shift of the market rates used as input to the calculation of the Solvency II yield curves. The effect is then dampened for the highest maturities due to convergence to the unstressed ultimate forward rate used in the long end.

3.5 Credit risk

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

3.5.1 Risk exposure

Credit risk, or spread risk as it is referred to within If, is measured as economic capital calculated by If's internal model as seen under 3.4. The standard formula is used for the calculation of concentration risk and counterparty default risk. Credit risk refers to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

3.5.1.1 Credit risk in Investment Operations

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

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

The economic capital for credit risk is to be found under 3.4, market risk.

3.5.1.2 Credit risk in Reinsurance Operations

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

3.5.2 Risk concentration

3.5.2.1 Concentration in Reinsurance Operations

The distribution of reinsurance recoverables is presented in table 12.

TABLE 12 – Reinsurance recoverables

MSEK Rating (S&P)	2016	%	2015	%
AAA	-	-	-	-
AA	702	35.0	609	31.1
A	148	7.4	206	10.5
BBB	7	0.4	11	0.6
BB - CCC	-	-	-	-
Not rated	15	0.7	15	0.7
Captives and statutory pool solutions	1,135	56.5	1,120	57.1
Total	2,007	100.0	1,961	100.0

The distribution of ceded treaty and facultative premiums per rating category is presented in table 13.

TABLE 13 – Ceded treaty and facultative premiums per rating category

MSEK Rating (S&P)	2016	%	2015	%
AAA	0	0	0	0
AA	236	52.2	244	49.4
A	216	47.8	250	50.6
BBB	0	0	0	0
BB - CCC	0	0	0	0
Not rated	0	0	0	0
Total	452	100	494	100

3.5.2.2 Concentration in Investment Operations

A large part of If's fixed income investments is concentrated to financial institutions, whereof the main part is in the Nordic area.

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

TABLE 14 – Fixed income exposure by sector, assets classes and rating 2016

MSEK	AAA	AA+ - AA-	A+ - A-	BBB+ - BBB-	BB+ - C	D	Not rated	Total ¹⁾	Equities	Proper- ties	Derivatives (Counter- party Risk)	Total ²⁾	Change 31 Dec 2015
Basic Industry				351	203		294	848	339			1,187	122
Capital Goods				278				278	5,171			5,449	817
Consumer Products			278	735			356	1,369	3,528			4,897	551
Energy			605		273		1,938	2,816	83			2,899	592
Financial Institutions		3,646	4,451	1,661	377		113	10,248	330		28	10,606	36
Governments	594							594				594	-694
Government Guaranteed	959	501						1,460				1,460	38
Health Care									541			541	51
Insurance			293	505	38		49	885				885	475
Media							152	152				152	103
Public Sector, Other	7,355	1,553						8,908				8,908	-798
Real Estate		55	541	106			3,703	4,405		2		4,407	421
Services					967		157	1,124				1,124	588
Technology and Electronics							362	362	64			426	36
Telecommuni- cations			712				312	1,024	591			1,615	93
Transportation		984	421	369			1,100	2,874	105			2,979	615
Utilities				2,483	462		448	3,393				3,393	760
Others								-	8			8	0
Asset-Backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	24,290	897						25,187				25,188	3,930
Funds								-	1,583			1,583	-177
Total	33,198	7,636	7,301	6,488	2,320	-	8,984	65,927	12,343	2	28	78,300	7,560
Change compared to 31 Dec 2015	2,375	-40	1,402	2,395	866	-	33	7,031	593	0	-64	7,560	

¹⁾ Total fixed income exposure excluding derivatives.

²⁾ Total exposure excluding derivatives, except for OTC derivatives where only counterparty risk is taken into account.

The IFRS values above gives a reasonable picture of risk concentrations and does not materially differ from Solvency II values.

3.5.3 Risk mitigation

The development of the portfolio with respect to credit risk is monitored and reported to the Investment Control Committee and Reinsurance Security Committee on a regular basis.

3.5.3.1 Risk mitigation in Investment Operations

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

The default risk of derivative counterparties is a by-product of managing market risks. The risk is mitigated by careful selection of counterparties, diversification of counterparties to prevent risk concentrations and by using collateral techniques.

Credit exposures are reported by ratings, instruments and industry sectors.

3.5.3.2 Risk mitigation in Reinsurance Operations

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

The Reinsurance Security Committee (RSC) shall give input and suggestions to decisions in respect of various issues regarding reinsurance default risk and risk exposure, as well as proposed deviations from the Reinsurance Security policy. The Chairman is responsible for the reporting of policy deviations and other issues dealt with by the committee.

3.5.4 Risk sensitivity

3.5.4.1 Risk sensitivity in Investment Operations

To test sensitivity for major risk factors, a credit spread stress has been performed showing the effect on the Solvency II ratios as per 31 December 2016. If maintains a solvency ratio above 100% after the stress.

Spread stress

Stress description

The spread stress estimates an impact on the solvency ratio for a 100 basis points increase in the spreads.

Key assumptions

This stress does not have an impact on technical provisions.

3.5.4.2 Risk sensitivity in Reinsurance Operations

The simulated credit loss due to counterparty default gives a view of the risk profile. Non-rated captives and pools are treated as BBB rated. Based on an assumption that the recovery rate in case of a counterparty default can be approximated with a probability distribution with a 50 % mean, the estimated credit loss is simulated using 50,000 simulations.

TABLE 15 – Risk sensitivity

Credit loss in MSEK

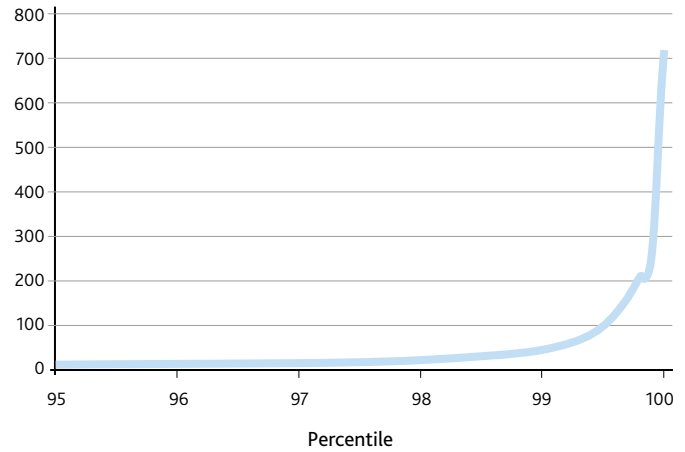
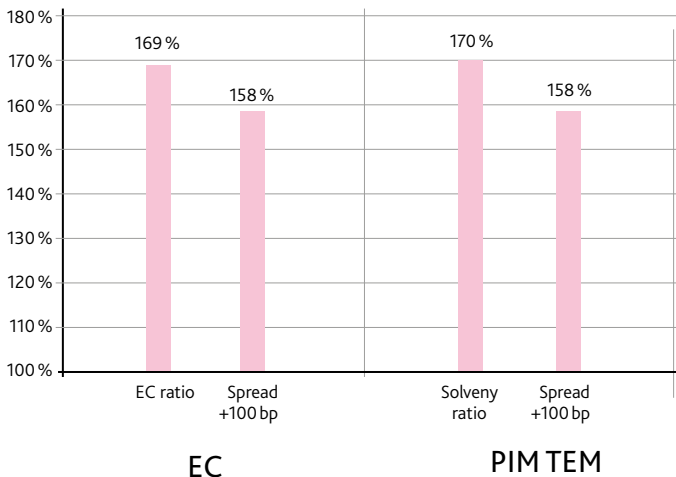


FIGURE 16 – Risk sensitivity

Probability	Q4 2016
5.0%	5
2.5%	10
1.0%	38
0.5%	92
0.03%	349

Assumptions: 1 year horizon, correlations between recoverables assumed to be 0.5, a probability distribution for the recovery rate, with a mean of 50%, is used and the calculations are based on discounted values in line with Solvency II (from 31 December 2016).

FIGURE 15 – Solvency II Sensitivity credit risk in Investment Operations, EC and PIM TEM, 31 December 2016



3.6 Liquidity risk

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

3.6.1 Risk exposure

The liquidity risk is deemed not to be material, since premiums are collected in advance and large claims payments are usually known well in advance before they fall due, thus limiting the liquidity risk. Liquidity risk is identified and managed but no solvency needs are quantified.

3.6.2 Risk concentration

The maturities of cash flows for technical provisions, financial assets and liabilities are presented in Table 16. In the table, financial assets and liabilities are divided into contracts with a contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. The table also shows expected cash flows for net technical provisions, which are inherently associated with a degree of uncertainty.

TABLE 16, Maturities of cash flows for financial assets and liabilities and net technical provisions 31 December 2016

MSEK	Carrying amount			Cash flows						
	Carrying amount	Without maturity	With contractual maturity	2017	2018	2019	2020	2021	2022-2031	2032-
Financial assets	89,560	13,064	76,496	22,165	11,406	14,323	16,034	13,498	4,652	0
Financial liabilities	7,842		7,842	-6,729	-72	-70	-68	-1,120	0	0
Net technical provisions	59,987			23,120	8,279	4,887	3,423	2,674	12,161	6,776

3.6.3 Risk mitigation

The Investment policy and guidelines, for instance prudent person principle, and the Instruction for the Investment Control Committee establish strategies, objectives, processes and reporting procedures for the liquidity risks that If takes, and the procedure to manage those risks. The Cash Management function manages the liquidity risk on a day-to-day basis with target level of liquidity for different currencies taking into account known out- and inflows. The risk is monitored and controlled by the Investment Control Committee and reported to the ORSA committee quarterly.

3.6.4 Risk sensitivity

To identify the liquidity risk exposure, expected cash flows from investments assets and technical provisions are analyzed regularly. Cash flows from investment assets are measured both from availability and maturity point of view. When measuring availability, normal market conditions as well as stressed and extreme conditions are taken into consideration. When deemed necessary, the analysis cover identification and costs of alternative financing tools and consideration of the effect on the liquidity situation of expected new business. The expected cash flows from investment assets and technical provisions are also compared to measure the level of mismatch.

3.6.5 Expected profit included in future premiums

The total amount of the expected profit included in future premiums (EPIFP) was 1,233 MSEK at 31 December 2016.

3.7 Operational risk including legal risks

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

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

3.7.1 Risk exposure

Operational risk is included in the economic capital measure calculated in accordance with the standard formula which means that changes in the risk exposure are not reflected in the quantitative measure. Therefore, the main focus to assess operational risk is through the qualitative Operational and Compliance Risk Assessment (OCRA) process. Through this process, operational risk is identified, assessed, mitigated and reported through different self-assessment processes. The OCRA process is supported by an operational risk coordinator network.

Identified risks are assessed from a likelihood and impact perspective. The control status for each risk is assessed using a traffic light system. Risks identified by the business are aggregated and reported into five different categories. The five operational risk categories are: process execution failure; business disruption and system failures; customer, products and business practices; employment practices; and internal and external fraud. The risks that are assessed to be the most important and the ones that presently are assessed to be the highest are reported to the operational Risk Committee (ORC).

Various risk indicators are used in order to both identify and follow the development of various risks, where incident reporting and quality assurance reviews are two important examples.

Possible external and internal cases of fraud are identified and reported via dedicated processes.

Trend analyses, mainly based on the strategic risks and emerging risks, see 3.7.4 and 3.8.2, are performed on a yearly basis, during which the most important trends affecting the insurance industry are identified and the effects on If are assessed. In these processes, possible external operational risks are identified.

The legal risk exposure can mostly be identified in advance, e.g. in conjunction with new regulations or ongoing litigation. The legal risk identification and assessment process is a self-assessment process performed by the legal risk co-ordinators each quarter. Identified risks are discussed in the Legal Committee and reported to the ORC and the ORSA committee.

Material risks for If within operational risk are insufficient IT and data quality. During the reporting period, there have been no material changes of the risk exposure.

3.7.2 Risk mitigation

Examples of key techniques are clear and implemented instructions, set mandates, four-eyes- and grandfather principles, clear roles and divided responsibilities, employee training, proactive and reactive key controls in processes, both automated and manual. The processes are supported by various IT-systems. To further strengthen key processes and to increase the efficiency, new IT systems are currently being developed, including automated support functions.

In addition to the key steering documents for operational risks, If has dedicated guidelines addressing how to manage possible external and internal cases of fraud. Internal training on ethical rules and guidelines is a continuous process.

In order to manage legal risks, If's Chief Legal Counsel has issued an instruction for the Legal risk co-ordinators and legal risks are regularly discussed in the Legal Committee.

The mitigating techniques are being monitored and evaluated by second and third lines of defence in order to assess their effectiveness.

3.7.3 Risk sensitivity

The sensitivity of operational risks is equal to the loss of a possible risk event. Such a risk event would therefore result in a one-off effect on own funds but would not have any impact on the EC or solvency requirement.

3.8 Other material risks

3.8.1 Strategic risk

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

3.8.1.1 Risk exposure

Strategic risk is identified by the business in the yearly financial plan process and is reported to the Corporate Control and Strategy unit. The risks are aggregated and assessed by impact and likelihood. In the assessment external changes affecting the current strategic risks are also taken into account.

Strategic risk relates to changes in the operational environment and the capability to pro-actively adjust to the changes. For If's strategic risk is related to actions of competitors, mainly market share acquisitions through price reductions or distribution

capacity increases. Furthermore, recessionary economic conditions and distress in financial markets may have a negative effect on If. In addition, regulative environment evolves constantly and often has direct impact on If's business.

3.8.1.2 Risk mitigation

The development of the identified material risks are continuously followed up by both the business and the Corporate Control and Strategy unit. The risks are evaluated annually in the yearly financial plan process.

3.8.2 Compliance risk

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

3.8.2.1 Risk exposure

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

The main compliance risk within If, currently and expected during the business planning time period, is the risk of breaching Data Protection Regulations.

3.8.2.2 Risk mitigation

The internal control system encompass a range of various mitigating techniques. Examples of key techniques are clear and implemented policies and instructions, employee training and other proactive activities.

The main compliance risk within If, currently and expected during the business planning time period is the risk of breaching Data Protection Regulations. Various activities and projects are ongoing and in pipeline to continuously assess, mitigate, and monitor the risk.

3.8.3 Reputational risk

Reputational risk is the risk of damage to If through deterioration of our reputation among customers and other stakeholders.

3.8.3.1 Risk exposure

Reputational risk from a top-down perspective is being identified in a stand-alone process, in parallel with the OCRA process, see 3.7 and 3.8.1. The Communication unit is responsible for identifying and reporting the risks. The risks are identified in close cooperation with the business. The risks are assessed by impact and likelihood. Identified root causes are managed by the business and when applicable also by the Communications department. Twice a year the material risks are reported to the ORC by Head of Communication.

To maintain a good reputation, two important focus areas for If are; clear insurance conditions as well as transparent and fair claims adjustment. Customers are informed about how to proceed if they want to file a complaint. The Customer ombudsman and the Customer panels are the internal channels to be used by the customers.

The reputational risks are being well-controlled and no material changes have occurred during the reporting period.

3.8.3.2 Risk mitigation

Reputational risk is often an effect of a materialised operational or compliance risk. When assessing the possible consequences of these two risks, the business takes reputation impairment into consideration. Mitigating techniques used to minimise the operational and compliance risks also have a positive effect on the reputational risk. Additional mitigating techniques are:

- Clear and implemented steering documents, e.g. Ethics policy and Social media instructions, as well as an internal Whistle-blowing process;
- Close monitoring of all types of media in order to identify possible negative trends at an early stage; and
- Training in media communication.

3.8.4 Emerging risks

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

3.8.4.1 Risk exposure

When new risks materialise or old risks change, this is primarily identified, assessed and managed by the underwriting and claims teams in the different business areas as part of the regular risk assessment processes. However, in order to capture cross business area risks and in order to additionally proactively identify emerging risks, If has established an Emerging Risks Core Team (ERCT) with expert members from all business areas. The team meets on a regular basis and discusses emerging risks. The aim with the Core Team is to facilitate work in If's underwriting units in identifying risks, collecting and sharing information about the risks, to evaluate the significance and to arrange further studies or workshops and to suggest actions if necessary. The risks are assessed by impact and likelihood. The actions needed to control the exposures and accumulations are carried out in the underwriting units. The major risks that have been under continuous observations during 2016 are cyber risks and the potential lack of climate change adaptation.

3.8.4.2 Risk mitigation

The main principle is that each business area is responsible for managing and taking action with regard to potential emerging risk exposures in its portfolios. The awareness of new risks from internal and external sources in combination with constant review of insurance contracts terms are necessary means of managing and mitigating new risks. Identified emerging risks can be excluded from future insurance policies or an appropriate premium element can be added to the policies for such insurable risks. Reinsurance is also used as a mitigating tool.

3.8.5 Risk sensitivity other material risks

Strategic, compliance, reputational and emerging risks are not included in the quantitative risk measures. An increased risk exposure for strategic and compliance risk, or an occurred risk event would not have any impact on the economic capital or the solvency capital requirement. The sensitivity of these risks is equal to the loss of a possible risk event. Such a risk event would therefore result in a one-off effect on own funds. For reputational risks and emerging risks, due to their nature, the sensitivity is difficult to evaluate.

4 Valuation for Solvency Purposes

4.1 Introduction

If's Solvency II balance sheet is derived from If's statutory accounts (prepared according to Swedish GAAP), which are adjusted in accordance with rules in Solvency II. For purposes of comparison values derived from If's statutory accounts are used, but classified in accordance with the Solvency II balance sheet presentation. Both the qualitative and quantitative reports are presented in If's reporting currency, which is SEK.

The accounting standards under Swedish GAAP used for If's statutory accounts have not been subject to any significant amendments in 2016 causing new divergences to occur between Solvency II and Swedish GAAP.

4.1.1 Summary of adjustments affecting using Solvency II valuation

Chapter 4 details the adjustments made to the statutory accounts due to Solvency II valuation. Overall, as an effect of the Solvency II revaluations per the year ended 31 December 2016, the excess of assets over liabilities is 1,446 MSEK higher in the Solvency II balance sheet compared to the statutory accounts.

Table 17 below provides an overview of adjustments from the statutory accounts to the Solvency II balance sheet. More detailed comments are also included in 4.2-4.5.

4 VALUATION FOR SOLVENCY PURPOSES

TABLE 17 – Balance sheet adjustment for Solvency II purpose

Classification	Solvency II value	Statutory accounts value	Adjustments (MSEK)
Assets			
Goodwill	0	609	-609
Deferred acquisition costs	0	985	-985
Intangible assets	0	111	-111
Property, plant & equipment held for own use	88	88	0
Investments (other than assets held for index-linked and unit-linked contracts)	77,385	77,385	0
<i>Property (other than for own use)</i>	2	2	0
<i>Equities</i>	10,743	10,743	0
<i>Bonds</i>	64,932	64,932	0
<i>Collective Investments Undertakings</i>	1,580	1,580	0
<i>Derivatives</i>	129	129	0
Loans and mortgages	255	255	0
Reinsurance recoverables	1,888	2,121	-233
<i>Non-life and health similar to non-life</i>	1,888	2,121	-233
Insurance and intermediaries receivables	2,736	9,342	-6,605
Reinsurance receivables	120	120	0
Receivables (trade, not insurance)	1,667	1,667	0
Cash and cash equivalents	742	742	0
Any other assets, not elsewhere shown	84	227	-143
Total assets	84,966	93,653	-8,687
Liabilities			
Total Technical Provisions	51 035	62 108	-11 073
<i>Technical provisions – non-life (excluding health)</i>	34,927	44,523	-9,596
<i>Technical provisions - health (similar to non-life)</i>	10,118	11,372	-1,254
<i>Technical provisions - life (excluding index-linked and unit-linked)</i>	5,990	6,212	-222
Provisions other than technical provisions	317	348	-31
Pension benefit obligations	756	288	468
Deferred tax liabilities	1,132	707	425
Derivatives	333	333	0
Insurance & intermediaries payables	1,337	1,337	0
Reinsurance payables	248	253	-5
Payables (trade, not insurance)	4,549	4,549	0
Subordinated liabilities	1,161	1,049	112
<i>Subordinated liabilities in Basic Own Funds</i>	1,161	1,049	112
Any other liabilities, not elsewhere shown	1,179	1,208	-29
Total liabilities	62,047	72,180	-10,133
Excess of assets over liabilities	22,919	21,473	1,446

Solvency II valuation

Goodwill amounts are not recognised in the Solvency II balance sheet.

Deferred acquisitions cost (DAC) is not recognised in the Solvency II balance sheet.

Intangible assets for which there is a market value would be recognised at fair value, other intangible assets should be valued at zero.

Reinsurers' share of the best estimate, less expected counterparty default.

The remaining balance in Solvency II relates only to the amounts due for payment by policyholders, insurers, and others linked to If's insurance business. Receivables balances "not yet due" at the balance sheet valuation date are instead considered in the cash-in flows of the best estimate technical provisions.

Relates to reclassification of prepaid pension expenses to be netted against the pension obligations.

In Solvency II the "market value" of technical provisions (including premium provisions) is equal to the sum of a best estimate and a risk margin. Consideration is also taken of future cash-inflows, meaning the best estimate provision should include amounts not yet due for payment by policyholders, insurers, and others linked to If's insurance business as part of the best estimate, and not forming part of the "premium receivable".

The best estimate is arrived at by discounting the future cash flows and the risk margin is calculated with the cost of capital method. If's method applies the SF SCR for the risk margin calculation.

Amount in relation to the so-called "62 year reserve" is moved to Pension benefit obligation line for Solvency II purposes.

Following IAS 19 treatment, the pension benefit obligations increase, due to differing recognition principle for pension obligations when compared with the statutory accounts.

Changes mainly reflect the tax value implications of Solvency II revaluation/elimination of assets and liabilities in the statutory accounts.

The remaining balance consists of amounts payable, due to reinsurers. Similarly to technical provisions, payables balances "not yet due" at the reporting date are instead considered in the cash-in flows of the reinsurance recoverables.

Subordinated liabilities are valued by calculating the spread at the time of inception and thereafter at each reporting date discounting the future cash flows with government yields plus the spread at inception.

Similarly to DAC, ceded DAC is not recognised in the Solvency II balance sheet

As stated above, the methods for valuing assets and liabilities (other than technical provisions) are disclosed in below sections separately for each material class of assets or liability. The level at which assets and liabilities are aggregated into “material classes” is based on the nature and function of the assets and other liabilities and with consideration to their materiality for solvency purposes.

4.2 Assets

4.2.1 Introduction

Asset adjustments are explained by four large adjustments:

- Assets which have no carrying amount recognised in Solvency II, e.g. Goodwill and Intangibles, being de-recognised from the regulatory balance sheet;
- Assets related to the technical provisions which are affected as a result of a Solvency II valuation being applied, i.e., DAC, reinsurance recoverables and premium receivables;
- Introduction of IAS 19 treatment of If’s pensions obligations also affects the solvency balance sheet through an increased liability; and
- Movements in the carrying amount of deferred tax assets and liabilities (discussed below in the reconciliation of deferred tax assets and liabilities).

No major adjustments to the statutory accounts numbers are necessary for financial (investment) assets, as these are considered to be commensurate with treatment for both IFRS and solvency purposes. The description below describes the detailed valuation for material classes of assets and liabilities as reportable in the Solvency II balance sheet template (see attached QRT S.02.01.01).

Below qualitative comments are given separately for each material class of asset the bases, methods and main assumptions used for valuation for solvency purposes as well as a quantitative and qualitative explanation of any material differences between those used for the valuation for solvency purposes and those used for valuation in the statutory accounts.

4.2.2 Valuation used for solvency purposes compared to valuation in the financial statements

4.2.2.1 Goodwill

In If’s statutory accounts, goodwill is recognized pertaining to acquisition of companies and portfolios, as well as goodwill arising from the merger of Skandia’s and Storebrand’s property and casualty insurance portfolios. The total carrying value for the year ended 2016 was 609 MSEK. Goodwill is valued at zero value for solvency purposes.

4.2.2.2 Intangible assets other than goodwill

In If’s statutory accounts, If recognizes other intangible assets of 111 MSEK for the year ended 2016, mainly relating to capitalized costs for the development of various insurance systems (including patents, licenses and other contractual rights in relation to computer software).

These intangible assets are valued at zero value for solvency purposes as the intangible assets in the statutory accounts don’t have a listed market value and hence do not fulfil the requirements for recognition in the solvency balance sheet.

4.2.2.3 Property, plant and equipment (PPE)

Property Plant and Equipment 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 useful life.

The current treatment in the statutory accounts is applicable also for Solvency valuation purposes.

Disclosure in relation to If’s leased assets and leasing liabilities is included in section 4.6.1.

4.2.3 Solvency II Investment assets (corresponding broadly to If’s Financial Investment Assets and Participations)

4.2.3.1 Introduction Investment assets

For its financial statements, If has chosen to apply a classification according to IAS 39 that means that the dominant share of financial investment assets, apart from associated companies and loans and mortgages, are fair valued. Since the valuation of the assets is essentially based on observable market listings, this accounting method offers a good presentation of the company’s holdings of investments assets. The main part of the financial assets that are not derivatives has been classified as available for sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realised.

Financial investment assets are reported in the original currency and at fair value with, as a main principle, changes in value recognized in other comprehensive income until being realized. The purchase and sale of money market and capital market instruments on the spot market are reported in the balance sheet on the transaction date. In the statutory accounts, 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.

4.2.3.2 Equities

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

The treatment of shares in the statutory accounts, mainly consisting of equities and shares in investment funds, is also applicable for solvency valuation. Investment funds which mainly consist of investment in equity instruments are split out from the equities and shown separately in the solvency balance sheet.

4.2.3.3 Bonds

Interest-bearing securities are fair valued and accounted for separating the amortised cost value from change in fair value. The amortised cost value is the discounted present value of future payments, for which the discount rate consists of the effective rate of interest on the acquisition date. This means that acquired surplus and deficit values on coupon instruments are distributed over the period as interest during the bond’s remaining time to maturity, in the case of loans with adjustable interest rates, to the next rate-adjustment occasion. For discount instruments, the reported interest income pertains only to distribution of deficit values in conjunction with the acquisition. The return on interest-bearing securities is divided up as interest income and changes in value. The change in value is calculated as the

difference between the fair value (market value) of the securities holding and its accrued acquisition value. When valuing at fair value, the listed bid price or yield-curve models, based on listed bid prices, are used.

The treatment of interest-bearing securities in the statutory accounts, consisting mainly of Government and Corporate Bonds, is applicable also for solvency valuation. Investment funds which mainly invest in interest-bearing instruments are split out from the bonds and shown separately in the solvency balance sheet.

4.2.3.4 Investment Funds

The treatment of Investment Funds in the statutory accounts is commensurate with the treatment of Equities and interest bearing securities above. Investment Funds relate to undertakings of which the sole purpose is the collective investment in transferrable securities and/or in other financial assets.

The valuation of investment funds in the statutory accounts is applicable also for solvency valuation.

4.2.3.5 Derivatives (assets and liabilities)

These are financial instruments which have values, based on the expected future price movements of the underlying assets to which they are linked. All derivative instruments are fair valued and are valued individually.

The treatment of derivatives in the statutory accounts is also applicable for solvency valuation.

4.2.3.6 Loans and mortgages

For recognition in If's accounts, loans are initially recognised at acquisition value, including transaction costs that are directly attributable to the acquisition of the asset. Loans are subsequently measured at the lower of their accrued acquisition value or probable value.

The treatment in the statutory accounts is applicable also for solvency valuation.

4.2.3.7 Other receivables (excluding loans)

Receivables from customers, reinsurance receivables and other receivables are recognized at nominal value when incurred (on the transaction date), and, subsequent to initial recognition, in the amounts expected to be received. Receivables are measured on an individual basis. Provisions for doubtful receivables are normally posted on the basis of individual valuation of the receivables.

This means that receivables are effectively carried at the amounts at which they are expected to be received.

The treatment of other receivables in the statutory accounts is applicable also in the Solvency II balance sheet as the carrying value is considered to be a reasonable approximation of the fair value. The exception to this is those assets specifically listed below as being affected by technical provision valuation in the Solvency II framework.

4.2.3.8 Cash and cash equivalents

In the statutory accounts, cash balances are valued at nominal value. In addition to small 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.

Cash and cash equivalents are treated consistently between the statutory accounts and for solvency purposes.

4.2.3.9 Deposits other than cash equivalents

In line with the Solvency II Complementary Identification Code (CIC) classification, these balances relate to cash equivalents that cannot be used to make payments regardless occasion and

that are not exchangeable for currency or transferable deposits without any kind of significant restriction or penalty. In the statutory accounts, these deposits are valued at nominal value (accrued interest is in prepayment and accrued income).

For cash, cash equivalents and deposits, there are no differences between valuation in the statutory accounts and the Solvency II balance sheet.

4.2.4 Assets in the IFRS balance sheet which are linked to the calculation of If's Solvency II technical provisions

4.2.4.1 Deferred acquisition costs and revenue

Deferred acquisition costs and revenue ("DAC" and "DAR") in If's accounts relates to selling costs that have a clear connection with the writing of insurance contracts. 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. These costs are reported as an asset in the statutory accounts. The selling cost is deferred in a manner that corresponds to the amortisation of unearned premiums. The amortisation period ordinarily does not exceed 12 months.

DAC assets and DAR liabilities in the statutory accounts are de-recognised from the Solvency II balance sheet. DAC and DAR arise from accrual accounting in the statutory accounts. These items are unrelated to the timing of the acquisition cost cash flows which is the criteria under which Solvency II technical provisions would be recognised. Future acquisition cost cash flows (i.e., those cash flows expected but not yet incurred in relation to policies in force) are instead considered through the Solvency II calculation of the best estimate technical provisions.

4.2.4.2 Insurance and intermediaries receivables

In line with Solvency classification, this balance relates to receivables amounts due by policyholders, other insurers, and those linked to insurance business. Under a full Solvency II classification, the technical provisions should fully take account of all cash in- and outflows. Therefore, rather than recognise a receivables amount in relation to future premiums expected on policies in force but not yet due, as is done in the statutory accounts treatment of premium receivables, the future premiums are instead fully considered within the Solvency II best estimate premium provision in the Solvency II balance sheet.

The remaining balance in Solvency II relates only to the amounts due for payment by policyholders, insurers, and other receivables linked to If's insurance business. These are treated consistently with the equivalent receivables as recognised in the statutory accounts, as other receivables (refer above comments).

4.2.4.3 Reinsurance recoverables

The movements in the Reinsurers' share of technical provisions is covered in more detail under section 4.3 for Technical Provisions, refer below section.

Changes to the valuation of technical provisions gross similarly affect the ceded part of the technical provisions, which are referred to as "reinsurance recoverables" for solvency purposes.

4.2.4.4 Other assets not shown separately

If's assessment is that all remaining assets not listed separately above either are not material on an individual basis or in aggregation, and therefore constituent balances are not afforded separate disclosure or dis-aggregation into individual material asset classes.

Except for the treatment of pension assets and liabilities, as discussed above and in further detail in section 4.4, no

differences arise in the treatment of these balances between the statutory accounts and for Solvency purposes, as such assets are considered to be valued in a consistent manner.

4.2.5 Treatment of deferred tax liabilities and assets (DTL, DTA)

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

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

Deferred tax assets and liabilities are not discounted and are measured at the tax rates expected to apply when the asset is realised or the liability is settled. The following tax rates were used during the year when calculating deferred tax assets and liabilities at 31 December 2016;

TABLE 18 – Tax rates

Sweden	22%
Norway	25%
Denmark	22%
Finland	20%
Netherlands	0%
UK	22%
Germany	27%
France	35%

For the year ended 2016, If recognised a net DTL position of 707 MSEK in its statutory accounts. As an effect of Solvency II valuation adjustments, the DTL liability amount was increased by 425 MSEK to a net DTL position of 1,132 MSEK.

TABLE 19 – Reconciliation of net DTA position in Solvency II balance sheet, December 31 2016

Reconciliation of net DT position	MSEK
Financial statement accounts (DTL)	707
1. Goodwill eliminated in Solvency II accounts	-134
2. Other intangible assets eliminated in Solvency II accounts	-27
3. DAC (net of ceded DAC) eliminated in Solvency II accounts	-225
4. Ceded technical provisions (reinsurers' share) recalculated according to Solvency II	-52
5. Technical provisions recalculated according to Solvency II	1,022
6. Pension obligations recognised in line with IAS 19 in Solvency II	-134
7. Subordinated liabilities	-25
Solvency II accounts (DTL)	1,132

The main drivers for this change, as shown in the table above, are the differing treatments of certain assets (goodwill, DAC and intangible assets), technical provisions liabilities (including reinsurance recoverables), as well as the impact of IAS 19 recognition of pension obligations.

For solvency purposes, If does not recognise deferred taxes in relation to allocations made to its untaxed reserves (this refers to the Swedish Security Reserve or "säkerhetsreserv"). As a result of this, there is no quantitative difference arising from the solvency treatment when comparing to the treatment of these reserves in the statutory accounts.

4.3 Technical Provisions

4.3.1 Introduction

Section 4.3 sets out If's comments to its solvency valuation for technical provisions. Liability adjustments result from five main changes:

- Unearned premium reserve is replaced with Premium provision with significantly different valuation approach, including netting of expected future premium payments;
- All technical provisions are on discounted basis;
- The introduction of an explicit risk margin based on projection of future SCR;
- As discussed above in section 4.2, assets linked to the technical provisions in the financial statement balance sheet are also affected by changes to Solvency II technical provisions, including regulatory treatment of DAC, reinsurance recoverables and premium receivables; and
- Movements in the carrying amount of deferred tax assets and liabilities (discussed above in section 4.2 in the reconciliation of deferred tax assets and liabilities).

4.3.2 Valuation used for solvency purposes compared to valuation in the statutory accounts

Different principles are used for calculating the technical provisions in Solvency II and in the statutory accounts of If, the latter which rely on requirements as defined in both national law and in IFRS and national GAAP regulations. As a result, material valuation differences mainly exist with regards to:

- Recognition of the premium provisions in Solvency II compared with the Unearned Premium Reserve of the statutory accounts;
- Application of discounting;
- In addition to the best estimate calculation of the provisions, there is also an additional requirement in Solvency II of calculating an explicit risk margin; and
- Some minor valuation differences also arise due to the counterparty default calculation in relation to reinsurer's share of technical provisions.

Some of the more important changes affecting If's business as a result of using these different principles are included:

- Movement to a cash flow basis for valuation of both gross and ceded business;
- The requirement to hold an unearned premium provisions using an accounting recognition basis is replaced by a Solvency II premium provision valued on a best estimate basis. This also includes a requirement to take account of future premium cash inflows when calculating the best estimate provisions and reinsurance recoverables. In the financial statements, the unearned premium provision is equal to the part of the written premium that is yet to be accrued to premiums earned. In Solvency II the premium provision is cashflow based and, in line with a best estimate, only includes the part of written premiums which is dedicated to cover future claims and other expenses stemming from present insurance policies. In addition to this, premiums expected to be paid in future date and related to the future risk periods are included in the premium provisions. The basis for recognising existing contracts will also impact reinsurance contracts and their expected cash-flows;
- Introduction of discounting for all technical provisions;
- Introduction of the principle of a market consistent basis and calculation of a Solvency II defined risk margin, in addition to the best estimate provisions; and

- Liabilities are segmented in accordance with Solvency II requirements. This applies for example in the solvency reporting by Solvency II, which occurs according to defined lines of business, as opposed to current insurance class segmentation according to local IFRS/GAAP requirements.

The total effect of revaluation of net technical provisions for Solvency II purposes, including the effects of netting the premium receivable discussed in section 4.2 above as well as removal of Deferred Acquisition Costs, add up to a reduced liability by 3,283 MSEK, which is explained by the following movements.

TABLE 20 – Revaluation of technical provision for Solvency II purposes

	MSEK
Change in gross DAC	-985
Change in ceded technical provisions	-233
Change in premium receivable asset	-6,605
Total change in assets	-7,823
Change in technical provisions gross (excl. RM)	-12,502
Change in reinsurance payable liability	-5
Change in ceded DAC	-29
Introduction of risk margin	1,430
Total change in liabilities	-11,106
Overall movement, technical provisions	-3,283

Methods, assumptions and techniques for reserving give rise to differences between Solvency II valuation and the statutory accounts, where on one hand, technical provisions present the “best estimate” and on the other, are set up to provide prudent technical provisions to enable the undertaking to meet all commitments that could reasonably be expected to be arising out of insurance contracts at any time. There are also differences when comparing accruals based reserving to reserving based on cash flow projections.

4.3.2.1 Main quantitative differences explained

Table 21 displays quantitatively the material differences arising between differing bases, methods and main assumptions used for the valuation for solvency purposes and those used for valuation of technical provisions in the statutory accounts.

TABLE 21 – Split of technical provisions by Solvency II lines of business

Type of technical provisions	Reinsurance share of best estimates			Technical Provisions, gross			Risk Margin
	Solvency II	Statutory accounts		Solvency II	Statutory accounts		Solvency II
Total MSEK	1,887	2,121	-234	49,605	62,108	-12,503	1,430
Health similar to life	-	-	-	1,311	1,352	-41	10
Income protection insurance (annuities)	-	-	-	161	179	-18	3
Medical expense insurance (annuities)	-	-	-	-	-	-	-
Workers' compensation insurance (annuities)	-	-	-	1,150	1,173	-23	7
Health similar to non-life	360	378	-18	9,793	11,372	-1,579	324
Income protection insurance	9	16	-7	5,748	7,072	-1,324	162
Medical expense insurance	-	-	-	-	-	-	-
Workers' compensation insurance	351	362	-11	4,045	4,300	-255	162
Life excluding health	0	0	0	4,600	4,861	-261	70
Fire and other damage to property insurance (annuities)	-	-	-	46	49	-3	1
Life insurance	-	0	-	-	-	-	-
Motor vehicle liability insurance (annuities)	-	0	-	4,456	4,709	-253	68
General liability insurance (annuities)	-	-	-	98	103	-5	1
Other motor insurance (annuities)	-	-	-	0	0	0	0
Non-life excluding health	1,527	1,743	-216	33,901	44,523	-10,622	1,026
Fire and other damage to property insurance	225	301	-76	7,595	10,303	-2,708	296
Marine, aviation and transport insurance	107	129	-22	819	987	-168	57
Other motor insurance	15	32	-17	3,521	7,709	-4,188	69
Motor vehicle liability insurance	5	5	0	16,275	19,324	-3,049	443
General liability insurance	1,175	1,276	-101	5,651	6,143	-492	159
Assistance	-	-	-	40	57	-17	2

The largest revaluation effect is due to the inclusion of future cash-inflows for payments not yet due by policyholders that are instead part of premium receivables in the statutory accounts. Discounting also has an effect on the size of technical provisions. The majority of technical provisions (with the exception of vested annuities in the Claims Provision Reserves) are undiscounted in the statutory accounts whereas in Solvency II all reserves are subject to discounting. Offsetting the positive difference above is the introduction of a risk margin.

4.3.3 Assumptions underlying the calculation of If's technical provisions

4.3.3.1 Adherence with solvency requirements

In line with the best estimate and risk margin definitions, If's technical provisions correspond to the current amount undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another undertaking. The value of technical provisions is equal to the sum of a best estimate and a risk margin.

4.3.3.2 General Provisions

If's technical provisions are calculated within clearly defined homogeneous risk groups and lines of business, and all assumptions are reviewed quarterly and material changes reviewed in the actuarial opinion of each business area actuary. Assumptions are recorded and reviewed in light of data. The methodology is documented in "Guiding Technical Principles Policy" and "General Reserving Policy".

The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts (these are calculated separately, refer separate disclosure in relation to reinsurance recoverables below). The calculation of the technical provisions takes into account the time value of money by using the relevant risk-free interest rate term structure.

The risk margin is calculated by determining the cost of providing an amount of EOF equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of EOF is called Cost-of-Capital rate. The SCR used in the risk margin calculation is the partial internal model SCR.

4.3.3.3 Data quality

Directories of all the data used in the calculation of the technical provisions exist separately for Norway, Sweden and Denmark.

The data used in the calculation of technical provisions is primarily the company's own historical claims data. This includes for instance payments, reserves and number of claims. Since the products and risks are similar from year to year within the defined homogenous risk group, the data is consistent with the purpose for which it is used (i.e. estimating future claims development based on experience) and reflects the risks to which the company is exposed.

4.3.3.4 Risk-free interest rate term structure

The rates of the risk-free interest rate term structure used to calculate the best estimate with respect to insurance or reinsurance obligations are calculated separately for each material currency, based on information and data relevant for that currency. The risk-free interest rate term structures are determined in a transparent, prudent, reliable and objective manner. Volatility adjustment or matching adjustment is not applied.

4.3.3.5 Basic risk-free interest rate term structure

The basic risk-free rates are derived for the following currencies: DKK, EUR, GBP, NOK, SEK and USD and these currencies cover more than 99 % of technical provisions. For technical provisions in other currencies than these, either EUR or USD risk-free interest rate term structure is used. For each material currency, the basic risk-free interest rates are derived on the basis of swap rates of the relevant currency, adjusted for credit risk and currency risk where applicable.

4.3.3.6 Segmentation and setting up of homogenous risk group

If segments it's (re)insurance obligations into homogeneous risk groups, and as a minimum by line of business, when calculating technical provisions. This segmentation operates on more granular basis than the Solvency II line of business level. Where required and whenever practicable, unbundling of package products is done.

Lines of business as defined by Solvency II differ from EU classes of insurance which is mainly used for the presentation statutory accounts data.

4.3.3.7 Methods and assumptions

Actuarial and statistical methods used to calculate If's technical provisions are proportionate to the nature, scale and complexity of the risks supported by the undertaking. Actuarial and statistical methods used for calculating best estimates of technical provisions are based on recognised actuarial and statistical techniques. The information on which the calculation of technical provisions is based largely is the company's own historical claims data. External data used, such as Consumer Price Index (CPI), various branch indices, are based on official sources, which are considered reliable and transparent as well as publicly available.

4.3.3.8 Assumptions on future management actions

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

4.3.3.9 Assumptions on policyholder behaviour

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

If takes into account future policyholder behavior through a policy lapse assumption which is based on an analysis of past policyholder behavior for the relevant line of business.

4.3.3.10 On proportionality and the use of simplifications

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

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

4.3.3.11 Boundary of contract

With regards to the boundary of insurance contract used for solvency purposes, a proportionate approach is adopted, whereby the following policy is applied: "An insurance contract is recognized when the premiums become due, but at the latest when the insurance cover begins, unless this interpretation has a material impact on the solvency assessment".

In certain cases an insurance contract cannot be cancelled even though the risk coverage period has not yet incepted, and thereby the above interpretation might not lead to the exact same definition of the boundaries of contract as Solvency II definition. Currently contracts falling into the aforementioned class are not accounted for in the valuation of technical provisions, leading into negligible overestimation of technical provisions. All insurance contracts are subsequently derecognised at expiry date after which it is the insurance company's right to adjust the premium for a new period to fully reflect the risk.

The policy is not expected to give rise to material differences in the valuation of technical provisions.

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

Cash-flow projections used in the calculation of the best estimate include all claims payments that will be paid to policyholders and beneficiaries (including third parties for Liability and Motor Liability insurance), as well as payments to builders, repair shops etc. for services rendered and expected recoveries from reinsurance contracts. Recoveries and payments for salvage and subrogation are taken into account. In line with previous discussion regarding contract boundaries, cash flows for premium provisions will include future premium payments on existing contracts where this has a material effect on the result.

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

Expenses in claims provisions are taken into account implicitly since they are part of the historical claims data (and allocated to each claim). Claims handling expenses for incurred claims are taken into account when estimating the Claims Adjustment Reserve, while all expenses for non-incurred claims are taken into account when estimating the premium reserve. The allocation of claims handling expenses to homogeneous risk groups are done using keys maintained by the controller departments and are regarded as being realistic and consistent over time.

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

Actuarial and statistical methods used for calculating best estimates of technical provisions are based on recognised actuarial and statistical techniques. Reserves are calculated in a transparent manner and would be possible to review by a qualified expert.

4.3.3.13 Derivation of the risk margin

The risk margin is calculated at a legal entity level and is based on partial internal model SCR for If.

The risk margin is intended to represent a technical provision corresponding to the cost of capital for holding the insurance liabilities to full run-off, in an empty reference undertaking that is assumed to take over the liabilities.

If does apply a simplified method for calculation of risk margin. It is assumed that the assets are selected in such a way that the SCR for market risk the reference undertaking is exposed to is zero, i.e. there is no residual market risk. To calculate the risk margin, cash flows are recalculated to best estimates, which in turn are used to calculate a Basic SCR. The Basic SCR for the relevant risks together with operational risk are discounted and a Cost-of-Capital is introduced to arrive at the final risk margin. The risk margin for the legal entity is then distributed over its corresponding lines of business, reflecting their contribution to the SCR, to arrive at the LOB allocated risk margin.

4.3.3.14 Recoverables from reinsurance contracts and special purpose vehicles

The amounts recoverable from reinsurance contracts for non-life insurance obligations are calculated separately for premium provisions and provisions for claims. The adjustment relating to expected losses due to counterparty default is calculated as the expected present value of the change in cash flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty, including insolvency or dispute. The calculation takes into account the probability of defaults over the lifetime of the reinsurance obligations. It is carried out separately per counterparty and per reserve type. In cases where a deposit has been made for the cash flows, the amounts recoverable are adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

If has no special purpose vehicles.

4.3.3.15 Uncertainties connected to the calculations

The nature of technical provisions means that there is always uncertainty associated with the calculations since it inevitably involves assumptions about future events. If's main risk factors affecting reserve risk is described further in 3.7.

4.4 Liabilities (other than technical provisions)

4.4.1 Introduction

Liability adjustments are explained by four large adjustments;

- Subordinated liabilities are revalued from being recognised at amortised cost in the financial statements to being recognised using fair value consistent methods;
- Following IAS 19 treatment, the pension benefit obligations liability increases, due to differing recognition principle for pension obligation when compared to treatment in the statutory accounts;
- Liabilities related to the technical provisions which are affected as a result of a Solvency II valuation being applied, i.e., ceded DAC and reinsurance payables; and
- Movements in the carrying amount of deferred tax assets and liabilities (discussed above in section 4.2 in the reconciliation of deferred tax assets and liabilities).

Below qualitative comments give separately for each material class of liability the bases, methods and main assumptions used for valuation for solvency purposes as well as a quantitative and qualitative explanation of any material differences between those used for the valuation for solvency purposes and those used for valuation in the statutory accounts.

4.4.2 Valuation used for solvency purposes compared to valuation in the financial statements

4.4.2.1 Financial liabilities (including payables)

Financial liabilities (including payables) are initially accounted for at their acquisition cost consisting of the fair value of the consideration given.

Thereafter, financial liabilities are measured at their amortized cost by using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability. Any expenses related to the financial liability (incl. interest expenses) are charged to the expenses of the period on accrual basis.

Aside from subordinated liabilities included in Basic Own Funds and derivatives, there are currently no other material financial liabilities recognised in If's Solvency II balance sheet.

Subordinated liabilities

In the statutory accounts, subordinated liabilities are recognised at accrued acquisition value (in their original currency). 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, the subordinated loans are reported at amortised cost, 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 the reporting currency (SEK) using the closing exchange rate.

For purposes of classification in the Solvency II Balance Sheet, the subordinated liabilities fully meet the requirements for inclusion in BOF, and therefore, the whole balance is recognised under the caption "Subordinated liabilities in BOF".

For solvency II valuation purposes, subordinated loans are initially measured at fair value less issue costs. At subsequent valuations, the discounted value is recalculated using the current government yield and the spread observable at inception.

For the year end 2016, the valuation difference between Solvency II and statutory accounts gives rise to an increase in liabilities of 113 MSEK (this also gives rise to a change in deferred tax).

Derivatives

Refer to treatment of Derivatives as discussed in 4.2 above (covering both assets and liabilities).

Insurance & Intermediaries payables

In line with Solvency classification, this balance includes amounts due to policyholders, other insurers, and business linked to the insurance business, but which is not recognised as forming part of the technical provisions.

The treatment of these items in the statutory accounts is applicable also in the Solvency II balance sheet as the carrying value is considered to be a reasonable approximation of the fair value.

Payables (trade not insurance)

The treatment of other payables in the statutory accounts is applicable also in the Solvency II balance sheet as the carrying value is considered to be a reasonable approximation of the fair value. The exception to this is those payables specifically listed below as being affected by technical provisions valuation in the Solvency II framework.

4.4.2.2 If's pension obligation

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

The reporting of pension costs and obligations in the statutory accounts mainly complies with the policies applied locally in each particular country. The reporting policies for pensions in Sweden and Denmark resemble each other, in that the pension cost consists of the premium paid for securing pension obligations via insurance in a life insurance company. In Norway, however, other policies apply, which essentially entail that the booked cost of defined benefit pensions is calculated on the basis of assumptions regarding pensionable income at the retirement age and also taking into account the financial consequences arising from the pension plan's assets and obligations.

In terms of the Solvency II balance sheet, this liability relates to any existing net obligation in relation to staff pension schemes.

The reporting of funded and unfunded defined benefit pension plans in the Solvency II accounts is consistent with the IFRS standard IAS 19 Employee benefits. According to this standard, the present value of future pension obligations less the market value of the plan assets covered by the plan is to be recognized as a pension liability in the balance sheet.

Differences exist in treatment of pension obligations in the accounts of the legal entity level (applying non-IFRS policies) and Solvency II, which applies IFRS-consistent recognition of pension obligations.

Moving from legal entity recognition of pension obligations to IAS 19 recognition of the liabilities has mainly two effects on If when comparing between Solvency II and statutory information in the balance sheet:

- The net position of an undertaking's pension obligations are presented. As a result, as mentioned above in 4.1 as well, pre-paid expenses of 143 MSEK (assets) and provisions other than technical provisions of 32 MSEK (liabilities) are netted with pension obligations in the accounts of 288 MSEK, leading to net position of 177 MSEK; and

- As a result of revaluation of Pension Obligations using IAS 19 the net liability increase by 579 MSEK when compared with the statutory accounts, leading to a revalued net position of 756 MSEK.

Further information in relation to pension liabilities is found in 4.5.

4.4.2.3 Provisions other than technical provisions

According to the classification in Solvency II balance sheet, this balance should relate to liabilities of uncertain timing or amount. Provisions other than technical provisions for If relate mainly to funds reserved for restructuring measures and provisions in relation to law suits and other uncertain obligations.

This balance is recognised consistently in the Solvency II balance sheet with treatment in the statutory accounts, with the exception of the recognition of pension obligations under IAS 19. Due to this reclassification an adjustment of 32 MSEK occurs between the financial statement and Solvency II accounts. In the Solvency II accounts the amount, which relates to If's DB "62 year" reserve, is recognised netted with other pension obligations (refer comments above).

4.4.2.4 Contingent liabilities

No material contingent liabilities exist that should be recognised on balance sheet for solvency purposes.

4.4.2.5 Liabilities in the statutory accounts which are linked to the calculation of If's Solvency II technical provisions

Reinsurance payables

In line with Solvency classification, this balance includes amounts due to reinsurers and business linked to reinsurance (however, excluding deposits, which are disclosed separately).

Under Solvency II classification, the technical provisions should fully take account of all cash in- and outflows. Therefore, rather than recognising a payables amount in relation to future ceded premiums expected on policies in force but not yet due, as is done in the statutory accounts, the future premiums are instead fully considered within the ceded part of the Solvency II best estimate premium provisions (in the reinsurance recoverables) in the Solvency II balance sheet. Payables of 5 MSEK are reclassified from reinsurance payables to the ceded part of the insurance obligation. The remaining balance consists of amounts payable, due to reinsurance. These are treated consistently with other payables (refer above comments).

4.4.2.6 Ceded deferred acquisition cost (DAC)

Refer comments to DAC in 4.2 and 4.3. An amount of 29 MSEK of reinsurers' share of DAC (ceded DAC) is eliminated in the Solvency II balance sheet.

4.4.2.7 Other liabilities not shown separately

Similarly to "Any other assets not elsewhere shown" on the assets side of the balance sheet, this caption includes any liabilities not elsewhere included in the Solvency II balance sheet. These liabilities are not material on an individual basis or in aggregation, and therefore not presented separately. No differences arise in the treatment of these balances between the statutory accounts and for solvency purposes, with the exception of the adjustment relating to the elimination of reinsurers' share of DAC (ceded DAC) described separately above.

4.5 Alternative Methods for Valuation (AVM)

4.5.1 Introduction

The default valuation method for solvency purposes is to value assets and liabilities using quoted market prices for the same assets or liabilities ("QMP"). If quoted market prices in active markets for the same assets or liabilities are not available companies should, as a second option, use quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences ("QMPS"). When that option is also not available companies should revert to alternative methods for valuation ("AVM") This section describes If's use of AVMs.

No major adjustments to the statutory accounts are necessary for investment assets or liabilities (with the exception of subordinated liabilities). If's recognition of financial assets and liabilities for Solvency II purposes remains close to the methodology also used in the statutory accounts. In these accounts, as a main principle, financial investment assets are reported in the original currency and at fair value with changes in value recognised in other comprehensive income until being realised.

As is evident, the Solvency II framework bears many affinities and similarities to the identification, measurement and classification of financial assets and liabilities in the IFRS framework, including how the fair value hierarchy applies to an undertaking's holdings in financial instruments which are measured at fair value, consisting of:

- Level 1: Quoted prices, in active markets;
- Level 2: Level 1 quoted prices are not available but fair value is based on observable market data; and
- Level 3: Inputs that are not based on observable market data.

Against this background, If has chosen to base its classification for reporting purposes on the foundation already in place for disclosure on financial instruments in the financial reporting, to ensure a level of consistency is applied between the two frameworks.

Table 22 provides information on how the assets are split between categories QMP/QMPS and AVM for the purposes of the Solvency II valuation. Technical provisions and those classes of assets and liabilities where the carrying value is considered to be a reasonable approximation for the fair value are not included in the table. If assess the level of uncertainty as immaterial since only a minor part of the investment asset is classified as AVM.

TABLE 22 – Solvency II assets split between QMP and AVM

Type of assets	AVM	QMP/QMPS	Total (MSEK)
Government bonds	0	10,962	10,962
Corporate Bonds	0	53,970	53,970
Derivatives	0	130	130
Equities	8	10,735	10,743
Investment Funds	0	1,579	1,579
Mortgages and Loans	510	0	510
Property	2	0	2
Total	520	77,376	77,896

4.5.2 Comments to items designated as "AVM" include the following:

Equities. In the case of some If's unlisted shares external evaluations are obtained, which are used for valuation. The external valuations are based on models that contain non-observable assumptions.

Mortgages and Loans. Mortgages and loans are valued at accrued acquisition value (amortised cost).

Property. Valuation of property is described in 4.2.2 above.

4.6 Any other information

4.6.1 Lease arrangements

Leases where a company has substantially all the risks and rewards of ownership are classified as finance leases whereas leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases.

If only have significant operating lease arrangements in the capacity of lessee. Leasing arrangements pertain to leasing of premises and vehicles as described below. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. No assets or liabilities are recognised in the balance sheet.

TABLE 23 – Operating leases MSEK

Asset class	Total future minimum lease payments			Total	Total lease payments during the period
	<1 year	1-5 years	>5 years		
Property, plant & equipment (PPE)	191	720	415	1,326	212

4.6.2 Employee Benefits

This section includes a further breakdown of If's Employee Benefits - defined benefit plans, as required in the guidelines on reporting and public disclosure.

If has defined benefit plans in Sweden and Norway.

TABLE 24 – Employee benefit obligations at 31 December 2016

MSEK	2016
Present value of estimated pension obligation, including social costs	2,804
Fair value of plan assets	2,048
Net pension obligation recognised in the Solvency II balance sheet	756

Since 1 January, 2008, the main Swedish pension plan has been closed to new employees born in 1972 or later. The corresponding Norwegian pension plan has been closed to new employees since 1 January, 2006 regardless of age. In May 2015, If decided that all employees born in 1958 or later that were covered by the Norwegian defined-benefit pension plan would be transferred to a defined-contribution plan at 1 January, 2016. At the same date, it was also decided that existing retirees would no longer be covered by the plan, and that future retirees would cease being covered by the plan when they are no longer employed by If. Accordingly, the Norwegian pension plan now consists solely of active people employed prior to 2006 and born no later than 1957.

The pension benefits referred to are old-age pension and survivors' pension in Sweden. In Norway, old-age pension, and survivors' pension are included as well as disability pension in up to 1 July 2016. Following an amendment to the plan, all employees will instead be covered by a defined-contribution plan

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

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

The anticipated retirement age in connection with life-long pension is 65 years in Sweden and 67 years in Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of approximately 10% of the pensionable salary between 0 and 7.5 income base amounts, 65% of salary between 7.5 and 20 income base amounts and 32.5% between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of approximately 70% of the pensionable salary up to 12 Norwegian base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise or fall. Pension payments from the Norwegian plans were earlier indexed upwards in an amount corresponding to 80 - 100 % of the change in the consumer price index. Instead, from 1 January, 2016, a paid-up policy is issued on retirement, whereby If is no longer responsible for and has no obligation in respect of future indexation of the insured plans.

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

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

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material

risks regarding the final amount of the benefits, the market risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated obligation is discounted to the present value using interest rates based on the extrapolated yield-curves in Sweden and Norway for AAA and AA corporate bonds, including mortgage-backed bonds, at 30 November, approximately updated to reflect market conditions mid-December. The discount rate chosen takes into account the duration of the company's pension obligations. After a deduction for the plan assets, a net asset or net liability is recognised in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. As apparent from the tables, the said amendment to the insured disability plan in Norway has been taken into account when preparing the annual accounts for 2016 and had a not immaterial impact on both recognized costs and assets and obligations. The carrying amounts have been stated including special payroll tax in Sweden (24.26%) and a corresponding fee in Norway (14.1%-19.1%).

TABLE 25 – Specification of employee benefit obligations by geographical area

MSEK	Sweden	Norway
Recognised in income statement and other comprehensive income		
Current service cost	-51	-34
Past service cost	-4	64
Interest expense on net pension liability	-9	-11
Total in income statement	-64	19
Remeasurement of the net pension liability	-79	23
Total in comprehensive income statement	-143	42
Recognised in balance sheet		
Present value of estimated pension liability, including social costs	1,969	835
Fair value of plan assets	1,582	466
Net liability recognised in balance sheet	387	369
Distribution by asset class		
Debt instruments, level 1	39%	54%
Debt instruments, level 2	0%	13%
Equity instruments, level 1	28%	6%
Equity instruments, level 3	10%	3%
Property, level 3	11%	12%
Other, level 1	2%	9%
Other, level 2	6%	3%
Other, level 3	4%	0%

4 VALUATION FOR SOLVENCY PURPOSES

TABLE 26 – Actuarial assumptions used for the calculation of defined benefit pension plans

	Sweden	Norway
	2016	2015
Discount rate	2.75%	2.75%
Future salary increases	2.75%	3.00%
Price inflation	1.75%	2.00%
Mortality table	FFFS 2007:31 +1 year	K2013
Average duration of pension liabilities	22 years	13 years
Expected contributions to the defined benefit plans during 2016 and 2017	91	25

TABLE 27 – Sensitivity analysis of effect of reasonably possible changes

MSEK	2016		Total
	Sweden	Norway	
Discount rate, +0,50%	-236	-56	-292
Discount rate, -0,50%	270	62	332
Future salary increases, +0,25%	79	7	86
Future salary increases, -0,25%	-73	-7	-80
Expected longevity, +1 year	76	21	97

TABLE 28 – Analysis of the employee benefit obligation

MSEK	2016		Total
	Funded plans	Unfunded plans	
Present value of estimated pension liability, including social costs	2,484	320	2,804
Fair value of plan assets	2,048	-	2,048

5 Capital Management

5.1 Own funds

5.1.1 Objectives, policies and procedures for managing own funds

5.1.1.1 Capital management framework

Capital management in If is defined as the process of determining and maintaining the quantity and quality of capital to support If's business operations. Capital management should ensure financial strength over time and to allow for growth opportunities and to meet other objectives by maintaining a sound risk management and within the business objectives.

The Board of Directors has the overall responsibility for the risk and capital management strategy, which is governed by If's risk management policy, see 2.3.

If's strategy for capital management focuses on capital efficiency and sound risk management by keeping its capital resources at an appropriate level in relation to the risks taken over its business planning horizon. The regulatory SCR sets the level of capital at which If is able to conduct its business without regulatory intervention and is the starting point when the needed level of capital is considered. In addition, other internal and external capital measures are considered. A sufficient capital buffer is further required in order to be solvent at all times. In order to maintain a sufficient level of capital, the following capital management procedures are conducted in If:

- Calculation of risk and capital position at least quarterly, using regulatory as well as internal solvency measurements;
- Estimation of buffers and capital needs;
- Projection of risks and capital according to the financial plan;
- Allocation of capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation;
- Assurance of dividend capacity through the effective use of reinsurance, group synergies and diversification benefits; and
- Performance of stress and scenario tests to evaluate If's risk sensitivities and to evaluate the future capital situation.

The Risk Management function, through its ongoing monitoring, assess If's own funds position in accordance with both external and internal measurements.

If's risks are measured, reported and aggregated in order to perform an overall assessment of risk and capital. Market risks are followed-up and reported monthly while other risks are followed-up and reported quarterly. The outcome of these procedures and the follow up of them are duly documented as part of the quarterly ORSA process. An ORSA report is prepared to the ORSA committee, of which a summary is also sent to If's Board of Directors.

A key tool in assessing whether own funds will be sufficient in the present time as well as over If's medium term time horizon used for its business planning cycle (three years) is the annual ORSA, which is described in 2.3.8.

The ORSA process as well as the regular monitoring also provide input to If's medium term capital management plan. The medium term capital management plan is conducted for three years and considers any planned capital issuances, redemptions or repayments of own funds items as well as outlines how the distribution policy will effect own funds.

The combination of the above procedures enables If to effectively monitor and project its capital needs over its business

planning period, ensuring that the Board of Directors is provided with relevant input to their strategic management process and decision-making framework. This takes into account both medium and long term risks, as appropriate, and given the regular updates, accounts for any likely or foreseeable changes to the risk profile and business strategy that could alter previous analysis made over the projection period and/or the sensitivity of the assumptions used.

5.1.1.2 Capital adequacy measures

According to the regulation an insurance company must have enough own funds to cover a 99.5% confidence level (1 in 200 year's event) at any time. The SCR reflects a level of own funds that enables an undertaking to absorb significant unforeseen losses and that gives reasonable assurance to policyholders and beneficiaries. A breach in SCR triggers first intervention in the supervision of the entity's solvency. The MCR reflects a level of own funds where the company in 85% of all possible outcomes during a year can meet its commitments and is a solvency level below which policyholders and beneficiaries would be exposed to an unacceptable level of risk where the insurance undertakings is allowed to continue its operations.

Apart from the regulatory capital requirements, If applies other measures to describe its risk and capital position:

- Economic capital is an internal measure and is used for establishing internal risk limits as well as measuring and managing the aggregated risk exposure; and
- Measures from external rating agencies – such as maintaining an A rating from Standard & Poor's and Moody's.

5.1.1.3 Regulatory capital adequacy measures

The SCR forms an integral part of the risk based solvency framework and seeks to cover all potential quantifiable risks to which an insurance company may be exposed. The SCR aims for a comprehensive approach, including all relevant quantifiable risks, taking into account diversification between the different risk types.

In November 2016, If received regulatory approval from the Swedish Financial Supervisory Authority (FSA) in order to use a partial internal model for calculating its SCR and MCR. The development of If's internal model has been conducted since 2011 as part of the so called pre-application process to correspond with the Solvency II requirements. The internal model models the most significant insurance risks while other risks, including market risks, are calculated based on the Solvency II standard formula with the transitional equity measure. Prior to November 2016 If applied the Solvency II standard formula with transitional equity measures for calculating its SCR and MCR.

5.1.1.4 Internal economic capital measure

Economic capital is an internal measure showing the deviation from the expected result calculated at a confidence level corresponding to 99.5% over a one-year horizon. If's major quantifiable risks are included in the calculation of economic capital which is modelled by the internal model. The calculations are based on an economic, market-consistent valuation, apart from operational risk and less material risks which are quantified using the Solvency II standard formula.

Economic capital is used as a basis for:

- Allocation of capital to business areas and lines of business, ensuring that a risk-based approach is used for target setting and profitability evaluation;
- Evaluation of investment policy and limits;

- Evaluation of reinsurance programs;
- Evaluation of the effect on the risk profile related to changes in the investment portfolio; and
- Evaluation of risks over the business planning horizon.

5.1.1.5 Rating agency measures

If is rated A+ by Standard & Poor’s and A1 by Moody’s. If’s objective is to retain a single A rating, based on requirements from mainly larger corporate customers and the broker sales channel. The If Group’s Enterprise Risk Management (ERM) is rated “Strong” by Standard & Poor’s. The ratings from Standard & Poor’s and Moody’s are given as part of an interactive rating process, focusing on the If Group.

5.1.2 If’s own funds and solvency position at 31 December 2016

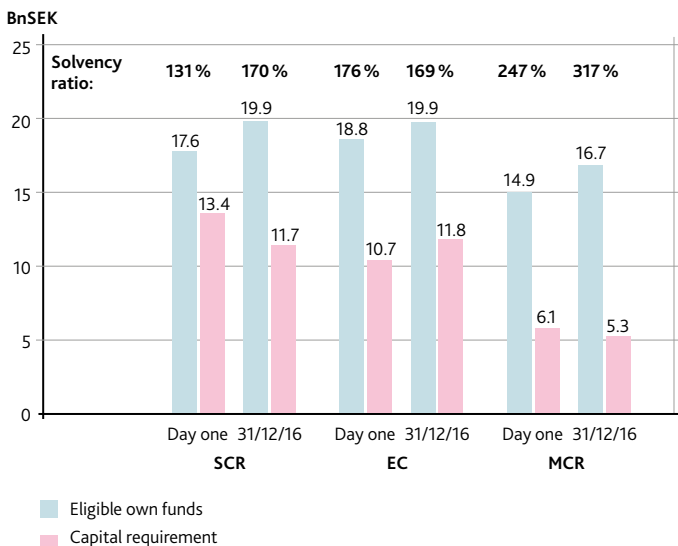
At 31 December 2016, If had a ratio of EOF to SCR of 170% and a ratio of EOF to MCR of 317%. Transitional equity measures are applied.

For regulatory solvency calculations prior to November 2016 If applied the standard formula with transitional equity measures. At 1 January 2016 (Solvency II Day 1 reporting), If had a ratio of EOF to SCR of 131% and a ratio of EOF to MCR of 247%. The increase in solvency position over the year is a result of If’s partial internal model has been approved as well as an increase in EOF.

At 31 December 2016, the ratio of EOF to economic capital was 169%, compared to 176% at 31 December 2015.

The capital structure and the solvency of If are considered to be strong. The level of If’s profitability is good and profit is stable. If is considered to be in a good position to generate further capital and to maintain a capital level needed to support its risks and business objectives going forward.

FIGURE 17 – If risk, capital and solvency overview at 1 January 2016 and 31 December 2016.



5.1.2.1 Change in own funds position over the reporting period

Total EOF for SCR coverage has increased by 2,317 MSEK over the reporting period. This change is mainly explained by retained net profit earned and an increase in Solvency II valuation adjustments. The change from using the standard formula SCR as the applicable regulatory capital requirement at 1 January 2016 to the partial internal model SCR at 31 December 2016 has contributed to the increase in valuation adjustments as a result of applying a lower risk margin when calculating the technical provisions in the Solvency II balance sheet. The increase in tier 2 own funds, see 5.1.2.3 below, is mainly an effect of an increase in the Norwegian natural perils capital. Also, the value of If’s tier 2 subordinated debt is affected by changes in interest rates and currencies. There have been no own funds items issued or redeemed over the reporting period.

TABLE 29 – Changes in If’s own funds position over the reporting period

EOF for SCR coverage at 1 January 2016	17,564
Change in Swedish GAAP excess of assets over liabilities	5,457
Change in Solvency II valuation adjustments (excess of assets over liabilities)	1,008
Change in subordinated liabilities	51
Proposed dividend	-4,200
EOF for SCR coverage at 31 December 2016	19,880

TABLE 30 – Changes in tiering for If’s own funds over the reporting period

MSEK	2016	2015	Total change, per tier
Tier 1	15,642	13,726	1,916
Tier 2	4,238	3,838	401
Tier 3	0	0	0

5.1.2.2 Composition of eligible own funds for SCR and MCR coverage

If’s own funds comprise the sum of basic own funds and ancillary own funds. Basic own funds consist of the excess of assets over liabilities and any subordinated liabilities in the Solvency II balance sheet which may be called up in order to absorb losses. If has no own funds items currently qualifying for ancillary own funds treatment.

If’s available own funds are tiered based on their eligibility to cover If’s SCR and MCR. The tiers reflect the degree of loss absorbency of an undertaking’s own funds in the event of a winding up.

5.1.2.3 Tiering of basic own funds items

TABLE 31 – The tiering of If's own funds

MSEK	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital	104	104			
Reconciliation reserve	15,538	15,538			
Subordinated liabilities	1,161			1,161	
Other own fund items approved by the supervisory authority	3,077			3,077	
Total own funds, in own funds QRT template S.23.01.01	19,880	15,642	0	4,238	0

At 31 December 2016 If's ordinary share capital of 104 MSEK meets the requirement for inclusion in Tier 1 unrestricted items.

The reconciliation reserve in If amounts to 15,538 MSEK at 31 December 2016. The reconciliation reserve consists of equity and reserve for development costs, fair value reserve for available for sale ("AFS") assets, retained earnings, net income for the year and untaxed reserves (excluded from Norwegian natural perils capital) according to the statutory accounts, as well as Solvency II valuation adjustments. A proposed dividend of 4,200 MSEK has been deducted from the reconciliation reserve.

Through the Norwegian branch, If provides property insurance that also provides protection against damage caused by natural events. As a consequence, the branch is a member of the Norwegian Natural Peril's Pool and is obliged to make equity provisions in the form of natural perils capital. If's Norwegian natural perils capital of 3,077 MSEK is included as Tier 2 own funds and presented as other items approved by the supervisory authority.

Other items included as Tier 2 own funds consist of If's subordinated debt of 1,161 MSEK, nominal amount 110 MEUR. The 110 MEUR subordinated debt is dated, with a final maturity in 2041. The subordinated debt has limited incentives to repay with a first call option at 8 December 2021 (10 years from the

date of issuance). The subordinated debt qualifies for Tier 2 own funds inclusion through the transitional arrangements. If may, subject to regulatory approval and a sufficient solvency situation, choose to redeem the subordinated debt on the first call option date or on any quarterly interest payment date falling after 8 December 2021.

5.1.2.4 Minimum duration requirements criteria for basic own funds items, in particular subordinated liabilities

All items included in Tier 1 own funds items are undated and thus fulfill the permanence requirements. The 110 MEUR (nominal amount) in subordinated liabilities which is included in Tier 2 own funds is not undated, but given its final maturity in 2041, it is considered to be of sufficiently long duration. This could be compared to the weighted average duration of If's technical provisions of 4.4 years.

5.1.2.5 General eligibility limit application

If has sufficient EOF to meet both with the SCR and MCR capital requirements. There are no eligibility constraints on Tier 2 own funds for If's SCR coverage but an eligibility constraint does set in for MCR coverage, as Tier 2 owns funds are limited to cover maximum 20% of the MCR.

TABLE 32 – If's assessment of eligible own funds at 31 December 2016 (including tiering)

MSEK	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total EOF to meet the SCR	19,880	15,642	0	4,238	0
Total EOF to meet the MCR	16,697	15,642	0	1,055	0
SCR	11,717				
EOF/SCR ratio	170%				
MCR	5,273				
EOF/MCR ratio	317%				

5.1.2.6 Reconciliation of shareholders' equity in If to its Solvency II excess of assets over liabilities

The excess of assets over liabilities is derived as a residual equity component when all assets and liabilities are revalued in accordance with the Solvency II regulations, as reported in QRTs S.02.01.01 and S.23.01.01.

Subordinated liabilities that meet requirements for inclusion in own funds are subsequently recognized as part of the basic own funds, together with the excess of assets over liabilities. The subordinated liabilities are recognised in Basic Own Funds using a Solvency II consistent method for valuation.

Table 33 reconciles shareholders' equity as classified in accordance with Swedish GAAP with the excess (net) of assets over liabilities as recognised for solvency purposes.

TABLE 33 – Excess of assets over liabilities

MSEK	
Excess of assets over liabilities, Swedish GAAP	21,473
a Eliminations for goodwill and intangible assets	-721
b Changes in deferred taxes	-425
c Changes in net technical provisions	3,283
d Pension benefit obligations	-468
e Changes in other assets and liabilities	-112
f Change in valuation, subordinated liabilities	-113
Excess of assets over liabilities, valuation for solvency purposes	22,919
Sum of all reconciling movements a-f, due to differences in valuation	1,446

Table 34 provides a further breakdown of shareholders' equity when classified as a Swedish GAAP valued excess (net) of assets over liabilities compared to the Solvency II valued excess of assets over liabilities.

TABLE 34 – Excess of assets over liabilities Solvency II

MSEK	
Ordinary share capital	104
Statutory reserve	388
Fund for costs of development	14
Fair value reserve	3,980
Retained earnings and net income for the year	9,897
Untaxed reserves	7,090
Total equity reserves, statutory accounts (corresponding to Swedish GAAP excess of assets over liabilities)	21,473
Adjustments for Solvency II purposes	1,446
Excess of assets over liabilities, valuation for Solvency II purposes	22,919

Table 35 reconciles the excess (net) of assets over liabilities as recognised for solvency purposes with If's basic own funds.

TABLE 35 – Total basic own funds for solvency purposes

MSEK	
Excess of assets over liabilities, Solvency II, reported in balance sheet template	22,919
Subordinated liabilities in basic own funds (added back)	1,161
Proposed dividend	-4,200
Total available basic own funds, reported in the own funds template	19,880
Of which:	
Ordinary share capital	104
Subordinated liabilities	1,161
Other own fund items approved by the supervisory authority	3,077
Reconciliation reserve	15,538
Total basic own funds for solvency purposes	19,880

5.1.3 Recent and coming developments relevant to the capital management processes and own funds

The main significant change which has occurred during the year is the change from calculating the regulatory capital requirements and the EOF with the standard formula to using an approved partial internal model from November 2016.

5.2 Solvency Capital Requirement and Minimum Capital Requirement

5.2.1 Introduction

According to Solvency II the capital requirements for If are the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR). The SCR is calculated by combining a number of separate risk charges and is allowing for diversification credits by means of correlation matrices or other methodologies. The SCR is calibrated to the Value-at-Risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of approximately 99.5% over a one-year time horizon.

If applies the Partial Internal Model for its regulatory SCR calculation. The modelling of insurance risk in the Partial Internal Model is combined with the other risk modules calculated using the standard formula. Since the Partial Internal Model was approved, the SCR is a combination of the major insurance risks calculated using the Partial Internal Model and the other risks, including market risks, calculated using the standard formula with the transitional measure for equity risk. If does not apply any undertaking-specific parameters in the life, non-life and health underwriting risk modules based on the standard formula. Also, If is not applying simplified calculations for any of the risk modules (or sub-modules) of the standard formula.

To arrive at If's SCR, a tax adjustment is subtracted from the pre-tax SCR figure representing the loss absorbing capacity of deferred taxes. If's assumption is that the company can fully utilise the tax adjustment using either existing deferred tax liabilities in the Solvency II balance sheet or against future profits after the occurrence of the 200 years stress event. As the untaxed reserves of If are fully included in the own funds the SCR tax computation is adjusted to take account of these reserves absorbing losses firstly on a pre-tax bases. This affects the tax computation as it means that If's calculation of the loss absorbing capacity of deferred taxes only takes account of the SCR pre-tax which exceeds the untaxed reserves.

The MCR is calculated for each If's individual line of business by adding:

- A factor applied to technical provisions (not including the risk margin) for each line of business, net of reinsurance, subject to a minimum of zero; and
- A factor applied to written premiums in each line of business over the last 12 month period, net of reinsurance, subject to a minimum of zero.

The intention is that the MCR is calibrated to the Value-at-Risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of approximately 85% over a one-year time horizon. As If has both non-life and life exposures, its minimum capital requirement (linear formula component) is derived separately for life (this includes If's non-life and health annuities) and non-life exposures. To the linear MCR If applies the floor and cap of 25% and 45% of the SCR respectively. The

final MCR computation then takes the linear MCR above, taking into account that the MCR must be in range of:

- Minimum 25% and maximum 45% of the SCR; and
- 3.7 MEUR (which is the applicable absolute floor for If).

As If's linear MCR is above MCR cap, the MCR is determined to be the MCR cap. The MCR for 31 December 2016 equates to the MCR cap (5.3 BnSEK, or 45% of the SCR). For further detail in relation to If's MCR calculation, this is included in QRT S.28.01.01.

Further disclosure of If's SCR and MCR are included in QRTs S.25.01.01 and S.28.01.01, respectively.

5.2.2 Overview of If's regulatory capital adequacy requirements

The figure below summarizes If's SCR, which are based on the partial internal model.

At 31 December 2016, If has based on the partial internal model a solvency ratio of 170% for the SCR and 317% for the Minimum Capital Requirement (MCR), the two capital levels at which If is assessed in the Solvency II framework, also analysis of own funds and solvency position in 5.1.

FIGURE 18 – Solvency Capital Requirement at 31 December 2016

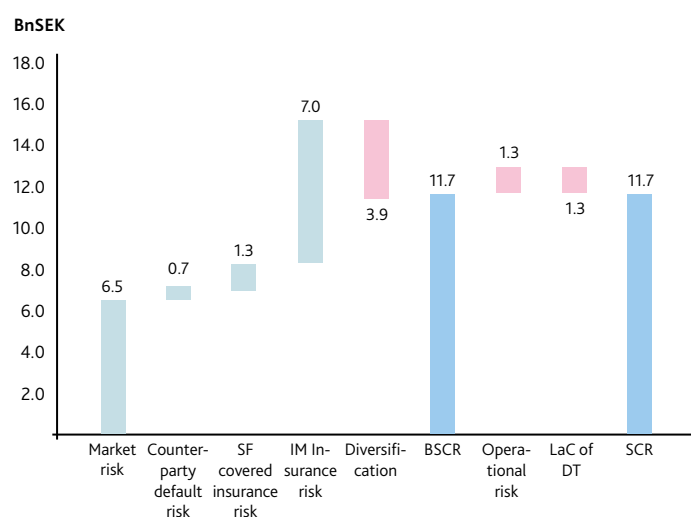


Figure 18 above shows that, aside from insurance risk, market risk is predominant in If's calculation of the Basic Solvency Capital Requirement (BSCR). The largest components of the market risk relevant to If are spread risk, equity risk and currency risk. A breakdown of the risks modelled using the partial internal model is shown in QRT S.25.02.21.

5.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

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

5.4 Differences between the standard formula and the internal model

5.4.1 Introduction

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

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

- Calculation of economic capital and SCR;
- Capital allocation to lines of business and calculation of risk-based combined ratio targets;
- Evaluation of reinsurance program structures; and
- Risk and solvency assessment over the planning horizon (ORSA).

In the partial internal model, the insurance business is modelled by countries, business areas and insurance classes divided into homogenous risk groups called lines of business. Insurance risk includes premium risk, reserve risk, catastrophe risk and inflation risk. The modelling of premium risk and reserve risk is based on statistical methods for modelling of insurance risk, applied on If's historical data. Risks not covered by the internal model regulatory scope are market risk, operational risk, counterparty default risk, lapse risks and revision risk of annuities. These are instead calculated with the Solvency II standard formula and the internal model results are aggregated with them to arrive at the final SCR. Market risk and operational risk are significant compared to the other standard formula based risks.

In terms of insurance risk, the use of correlation matrices is mainly relevant for insurance risk excluding catastrophe risk, but also inflation is a significant driver. The setting of correlations for insurance risk is based on a process where quantitative analysis and qualitative reasoning from business experts is combined. Catastrophe risk is modelled using third party catastrophe models explicitly modelling events and their impact across our whole portfolio. The inflation scenarios as such are considered to be independent of the claims outcome, as the uninflated attritional claims, large claims, reserve risk or catastrophe claims are not considered to be dependent on the development of CPI – rather, by adding inflation to the uninflated claims outcome, the effect of inflation is captured as a risk driver throughout the modelling of insurance risk, capturing dependencies both within countries and between countries from this variable.

On the BSCR level, capital requirements for risks covered by the standard formula are aggregated with the capital requirement from internal model by using a specified correlation matrix based on the standard formula correlation parameters. Operational risk is added to the resulting capital requirement without assuming any diversification benefits.

The modelling horizon is one year and the risk measure used for the Solvency II SCR is Value at Risk (VaR) at the 99.5% percentile of the change in own funds. As the internal model is based on simulations it provides a full distribution of outcomes and it is therefore not limited to a specific risk measure or confidence level. The main risk measures reported from the model are the SCR and the economic capital 99.5%.

The main driver of the differences between the results of the standard formula and the partial internal model is due to differences in the measurement of diversification effects. It underwrites policies that cover risks of individuals and corporations on a geographically diverse area covering mainly Sweden, Norway and Denmark but it underwrites also policies for Nordic clients' activities outside the Nordic countries. In addition to the geographical diversification, the business is well-diversified over lines of business. In addition, the standard formula does not recognize geographical diversification benefits between countries

in the Nordic area that is a key driver for the business model.

The data needed for the different stages of the internal model is the responsibility of the Capital Management unit to specify. Risk data, including the data for the internal model, is collected and stored in a customised database. Different types of data used in the internal model include data used for the risk parameterisation, exposure data such as reserves and financial plan data.

All data specifications are part of the database documentation. Quality requirements for the data and the data quality attributes of accurateness, completeness and appropriateness are described in the Data Directory, and follow the Accounting and Risk Data Instruction.

5.5 Any other information

No other material information regarding the capital management is considered relevant to disclose.

APPENDIX 1 – Explanation of measures used to monitor If's capitalisation

Measure	Capital base
<p>EC (Economic Capital): The economic capital is based on If's internal model and is a risk measure used in internal and external risk reporting as well as for supporting decision-making.</p> <p>The economic capital is a method to measure risk and includes the risks calculated in If's internal model (PIM SCR) and risks captured by the Solvency II standard formula (SF SCR). The economic capital arrived at by aggregating the insurance risk and the market risk from the internal model with the remaining risks calculated with the standard formula. The internal model part of the economic capital is defined as the difference between the expected result and the simulated result at the 99.5% percentile over a one year horizon ("the 1 in 200 year event").</p> <p>Note that If's partial internal model (PIM SCR) and the economic capital risk measure differ as while the economic capital models market risks, in PIM SCR the scope is smaller, and instead calculated using the standard formula market risk SCR module. Similarly to the SF SCR, the loss absorbing capacity of deferred taxes is included in the scope of the PIM SCR calculations.</p>	<p>The economic capital should be seen mainly as a risk measure and not a capital requirement.</p> <p>The capital base is mainly based on a Solvency II compliant balance sheet, where EOF including the risk margin are based on the economic capital internal model SCR and not the regulatory SCR (refer also what is said for SCR below).</p>
<p>Solvency capital requirement (SCR) (Solvency II): The SCR is defined as the change in own funds over a one-year horizon, the loss at the 99.5% percentile ("the 1 in 200 year event").</p> <p>SF SCR: The SCR arrived at by using the Solvency II standard formula (also taking the loss absorbing capacity of deferred tax into account). In If's application of the standard formula, the transitional equity measures are taken into account and thus reduce the SF SCR full equity risk charge.</p> <p>PIM SCR: The SCR arrived at by aggregating the insurance risk from the internal model with the remaining risks calculated with the standard formula and taking the loss absorbing capacity of deferred tax into account. This represents the regulatory scope of the internal model application for If. The internal model part of the PIM SCR is defined as the difference between the expected result and the simulated result at the 99.5% percentile over a one year horizon ("the 1 in 200 year event"). The internal model is used in internal and external risk reporting as well as for supporting decision-making.</p> <p>SF or PIM MCR: The use of SF SCR or PIM SCR similarly impacts on the MCR level. The level of the minimum capital requirement is linked to the SCR, as it should normally be equivalent to 25-45% of the SCR.</p>	<p>Solvency II own funds based on a Solvency II valuation of the balance sheet and tiering of balance sheet items.</p> <p>The valuation adjustments applied in deriving the Solvency II economic balance sheets for solvency purposes is further detailed in chapter 4 of the report.</p> <p>SF EOF: The own funds are mainly based on a Solvency II compliant balance sheet, where EOF with risk margin calculated is based on the SF SCR.</p> <p>PIM EOF: The own funds are mainly based on a Solvency II compliant balance sheet, where EOF with risk margin calculated is based on the PIM SCR.</p> <p>EOF MCR: The EOF to cover the minimum capital requirement are derived from the same available own fund items as the EOF to cover the SCR (SF or PIM OF), but with the difference that additional limits apply as to the eligibility of those own funds items to also cover the minimum capital requirement.</p>

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

APPENDIX 2

**QUANTITATIVE REPORTING
TEMPLATES (QRT)**

S.02.01.02**Balance sheet****Assets**

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities — listed
Equities — unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life

	Solvency II value
	C0010
R0030	
R0040	
R0050	
R0060	87 933
R0070	77 385 143
R0080	1 659
R0090	
R0100	10 742 805
R0110	10 734 882
R0120	7 922
R0130	64 931 865
R0140	10 961 665
R0150	53 970 200
R0160	
R0170	
R0180	1 579 563
R0190	129 251
R0200	
R0210	
R0220	
R0230	255 111
R0240	
R0250	
R0260	255 111
R0270	1 887 534
R0280	1 887 534
R0290	1 527 371
R0300	360 163
R0310	
R0320	

Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	2 736 601
Reinsurance receivables	R0370	119 839
Receivables (trade, not insurance)	R0380	1 667 265
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	742 291
Any other assets, not elsewhere shown	R0420	84 768
Total assets	R0500	84 966 486
Liabilities		C0010
Technical provisions — non-life	R0510	45 044 700
Technical provisions — non-life (excluding health)	R0520	34 927 044
TP calculated as a whole	R0530	
Best Estimate	R0540	33 901 387
Risk margin	R0550	1 025 657
Technical provisions — health (similar to non-life)	R0560	10 117 657
TP calculated as a whole	R0570	
Best Estimate	R0580	9 793 250
Risk margin	R0590	324 407
Technical provisions — life (excluding index-linked and unit-linked)	R0600	5 990 329
Technical provisions — health (similar to life)	R0610	1 320 346
TP calculated as a whole	R0620	
Best Estimate	R0630	1 310 524
Risk margin	R0640	9 823
Technical provisions — life (excluding health and index-linked and unit-linked)	R0650	4 669 983
TP calculated as a whole	R0660	
Best Estimate	R0670	4 600 034
Risk margin	R0680	69 948
Technical provisions — index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	

Provisions other than technical provisions	R0750	316 786
Pension benefit obligations	R0760	756 005
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	1 132 020
Derivatives	R0790	332 947
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	1 337 329
Reinsurance payables	R0830	248 298
Payables (trade, not insurance)	R0840	4 549 258
Subordinated liabilities	R0850	1 161 370
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	1 161 370
Any other liabilities, not elsewhere shown	R0880	1 178 260
Total liabilities	R0900	62 047 303
Excess of assets over liabilities	R1000	22 919 183

S.05.01.02

Premier, ersättningar och kostnader per affärsgren

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross — Direct Business	R0110		3 478 213	669 822	3 836 859	10 093 956	884 583	10 038 819	1 568 826	
Gross — Proportional reinsurance accepted	R0120						27 603	407 907	273 469	
Gross — Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140		28 797	40 070	5 202	40 481	156 298	785 136	316 860	
Net	R0200		3 449 416	629 753	3 831 657	10 053 475	755 888	9 661 590	1 525 435	
Premiums earned										
Gross — Direct Business	R0210		3 459 198	688 578	3 837 309	9 776 729	897 864	10 072 678	1 581 689	
Gross — Proportional reinsurance accepted	R0220						28 447	413 684	268 258	
Gross — Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240		27 887	39 787	5 202	56 442	161 877	785 355	325 889	
Net	R0300		3 431 311	648 791	3 832 108	9 720 286	764 434	9 701 007	1 524 057	

Claims incurred										
Gross — Direct Business	R0310		2 348 928	-26 600	1 557 553	6 574 924	513 471	6 334 675	703 406	
Gross — Proportional reinsurance accepted	R0320						-5 068	248 190	531 972	

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Gross — Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340		11 926	14 092	2 290	32 007	61 043	100 881	419 181	
Net	R0400		2 337 003	-40 691	1 555 263	6 542 917	447 360	6 481 984	816 196	
Changes in other technical provisions										
Gross — Direct Business	R0410									
Gross — Proportional reinsurance accepted	R0420									
Gross — Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550		737 536	125 259	1 171 994	1 909 612	174 518	2 155 545	353 089	
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written									
Gross — Direct Business	R0110		141 983						30 713 061
Gross — Proportional reinsurance accepted	R0120								708 979
Gross — Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								1 372 842
Net	R0200		141 983						30 049 198
Premiums earned									
Gross — Direct Business	R0210		148 327						30 462 372
Gross — Proportional reinsurance accepted	R0220								710 389
Gross — Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								1 402 439
Net	R0300		148 327						29 770 322

Claims incurred									
Gross — Direct Business	R0310		117 688						18 124 046
Gross — Proportional reinsurance accepted	R0320								775 094
Gross — Non-proportional reinsurance accepted	R0330								

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Reinsurers' share	R0340								641 420
Net	R0400		117 688						18 257 720
Changes in other technical provisions									
Gross — Direct Business	R0410								
Gross — Proportional reinsurance accepted	R0420								
Gross — Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550		25 556						6 653 110
Other expenses	R1200								484 508
Total expenses	R1300								7 137 618

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610					312 657	309 256			621 913
Reinsurers' share	R1620									
Net	R1700					312 657	309 256			621 913

Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Other expenses	R2500									
Total expenses	R2600									

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Premier, ersättningar och kostnader per land

		Home Country	Top 5 countries (by amount of gross premiums written) — non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		NORWAY	DENMARK	GERMANY	FINLAND	FRANCE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross — Direct Business	R0110	14 174 618	12 267 929	3 770 378	130 478	106 846	101 910	30 552 160
Gross — Proportional reinsurance accepted	R0120	491 123	174 545	43 311				708 979
Gross — Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	700 759	300 002	153 370	68 365		67 510	1 290 005
Net	R0200	13 964 982	12 142 472	3 660 319	62 113	106 846	34 401	29 971 134
Premiums earned								
Gross — Direct Business	R0210	13 738 592	12 458 249	3 766 604	128 315	105 818	105 361	30 302 937
Gross — Proportional reinsurance accepted	R0220	486 776	181 425	41 409				709 609
Gross — Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	721 345	303 704	160 353	68 100		67 803	1 321 306
Net	R0300	13 504 022	12 335 970	3 647 659	60 214	105 818	37 557	29 691 240

Claims incurred								
Gross — Direct Business	R0310	8 052 129	7 649 386	2 177 025	6 631	66 887	-7 776	17 944 281
Gross — Proportional reinsurance accepted	R0320	544 575	117 488	113 031				775 094
Gross — Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	500 213	70 940	61 249	-1 342		-15 520	615 540
Net	R0400	8 096 491	7 695 933	2 228 808	7 973	66 887	7 744	18 103 836
Changes in other technical provisions								
Gross — Direct Business	R0410							
Gross — Proportional reinsurance accepted	R0420							
Gross — Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	2 767 876	2 784 461	1 024 365	14 395	15 368	17 161	6 623 626
Other expenses	R1200							484 508
Total expenses	R1300							7 108 134

		Home Country	Top 5 countries (by amount of gross premiums written) — non-life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		NORWAY	DENMARK	GERMANY	FINLAND	FRANCE	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410							
Reinsurers' share	R1420							
Net	R1500							
Premiums earned								
Gross	R1510							
Reinsurers' share	R1520							
Net	R1600							
Claims incurred								
Gross	R1610	305 896	55 746	250 748		9 523		621 913
Reinsurers' share	R1620							
Net	R1700	305 896	55 746	250 748		9 523		621 913

Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900							
Other expenses	R2500							
Total expenses	R2600							

**S.12.01.02
Life and Health SLT Technical Provisions**

**Technical provisions
calculated as a whole**

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted re-insurance	Total (Life other than health insurance, incl. Unit-Linked)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070			
R0010										
R0020										

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted re-insurance	Total (Life other than health insurance, incl. Unit-Linked)	
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees				Contracts with options or guarantees
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	R0030							4 600 034		4 600 034
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080									
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	R0090							4 600 034		4 600 034
Risk Margin	R0100							69 948		69 948

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions — total

R0110								
R0120								
R0130								
R0200						4 669 983		4 669 983

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030				1 310 524		1 310 524
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080						

	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees			
	C0160	C0170	C0180			
Best estimate minus recoverables from reinsurance/SPV and Finite Re — total	R0090			1 310 524		1 310 524
Risk Margin	R0100			9 823		9 823
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions — total	R0200			1 320 346		1 320 346

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Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060		353 486	130 107	631 894	2 444 661	103 335	2 014 066	365 578	

Direct business and accepted proportional reinsurance									
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	3 847	1 379		10 880	25 134	93 414	72 227	
Net Best Estimate of Premium Provisions	R0150	349 639	128 728	631 894	2 433 781	78 201	1 920 652	293 350	
Claims provisions									
Gross	R0160	5 394 610	3 915 046	15 642 961	1 076 618	715 526	5 581 250	5 285 938	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	5 695	349 242	4 705	3 669	82 363	132 259	1 102 720	
Net Best Estimate of Claims Provisions	R0250	5 388 915	3 565 804	15 638 256	1 072 949	633 164	5 448 991	4 183 219	
Total Best estimate — gross	R0260	5 748 097	4 045 153	16 274 855	3 521 280	818 862	7 595 316	5 651 516	
Total Best estimate — net	R0270	5 738 555	3 694 532	16 270 150	3 506 730	711 365	7 369 643	4 476 569	
Risk margin	R0280	162 406	162 001	442 624	69 229	56 957	296 220	159 131	

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions — total										
Technical provisions — total	R0320		5 910 502	4 207 155	16 717 478	3 590 509	875 819	7 891 536	5 810 647	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330		9 542	350 622	4 705	14 550	107 496	225 673	1 174 947	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340		5 900 960	3 856 533	16 712 773	3 575 959	768 322	7 665 863	4 635 700	

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation	
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
	C0110	C0120	C0130	C0140	C0150	C0160		C0170
Technical provisions calculated as a whole	R0010							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050							
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	R0060		18 638					6 061 766

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0110	C0120	C0130	C0140	C0150	C0160	C0170	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140							206 882
Net Best Estimate of Premium Provisions	R0150	18 638						5 854 883
Claims provisions								
Gross	R0160	20 921						37 632 872
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240							1 680 652

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0110	C0120	C0130	C0140	C0150	C0160		C0170
Net Best Estimate of Claims Provisions	R0250		20 921						35 952 220
Total Best estimate — gross	R0260		39 560						43 694 637
Total Best estimate — net	R0270		39 560						41 807 103
Risk margin	R0280		1 496						1 350 063
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
	C0110	C0120	C0130	C0140	C0150	C0160	C0170	
Technical provisions — total								
Technical provisions — total	R0320	41 055						45 044 700
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330							1 887 534
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340	41 055						43 157 166

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**Non-life insurance claims
Total Non-Life Business**

Accident year/ Underwriting year	Z0010	Accident year
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Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	Development year										In Current year	Sum of years (cumulative)				
		0	1	2	3	4	5	6	7	8	9			10 & +	C0170	C0180	
Prior	R0100														R0100	724	724
2007	R0160	9 304	4 554	1 262	546	340	293	162	113	75	62			R0160	62	16 712	
2008	R0170	10 292	4 785	964	518	346	255	182	107	70			R0170	70	17 517		
2009	R0180	10 965	4 667	1 020	704	305	291	153	97				R0180	97	18 201		
2010	R0190	11 598	5 119	1 118	460	646	236	176					R0190	176	19 354		
2011	R0200	11 965	6 178	1 323	565	322	244						R0200	244	20 595		
2012	R0210	11 618	5 790	1 375	425	319							R0210	319	19 528		
2013	R0220	11 332	5 045	1 091	623								R0220	623	18 089		
2014	R0230	11 369	4 660	1 014									R0230	1 014	17 042		
2015	R0240	11 397	4 927										R0240	4 927	16 323		
2016	R0250	11 659											R0250	11 659	11 659		
	Total												R0260	19 914	175 022		

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year										Year end (discounted data)			
		0	1	2	3	4	5	6	7	8	9		10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360	
Prior	R0100											9 994	R0100	9 086	
2007	R0160									1 337	1 165		R0160	1 070	
2008	R0170							1 437	1 255				R0170	1 153	
2009	R0180						1 696	1 429					R0180	1 320	
2010	R0190					1 790	1 524						R0190	1 411	
2011	R0200				2 149	1 789							R0200	1 689	
2012	R0210			2 560	2 016								R0210	1 871	
2013	R0220			2 969	2 430								R0220	2 278	
2014	R0230		4 116	3 331									R0230	3 157	
2015	R0240	10 511	4 231										R0240	4 072	
2016	R0250	10 902											R0250	10 528	
													Total	R0260	37 633

S.23.01.01
Own funds

	Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	R0010 104 431	104 431			
Share premium account related to ordinary share capital	R0030				
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	R0040				
Subordinated mutual member accounts	R0050				
Surplus funds	R0070				
Preference shares	R0090				
Share premium account related to preference shares	R0110				
Reconciliation reserve	R0130 15 537 866	15 537 866			
Subordinated liabilities	R0140 1 161 370			1 161 370	
An amount equal to the value of net deferred tax assets	R0160				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180 3 076 886			3 076 886	

	Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220				
Deductions					
Deductions for participations in financial and credit institutions	R0230				
Total basic own funds after deductions	R0290	19 880 553	15 642 297	4 238 256	
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	R0310				
Unpaid and uncalled preference shares callable on demand	R0320				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330				

	Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360				
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370				
Other ancillary own funds	R0390				
Total ancillary own funds	R0400				
Available and eligible own funds					
Total available own funds to meet the SCR	R0500	19 880 553	15 642 297	4 238 256	
Total available own funds to meet the MCR	R0510	19 880 553	15 642 297	4 238 256	
Total eligible own funds to meet the SCR	R0540	19 880 553	15 642 297	4 238 256	
Total eligible own funds to meet the MCR	R0550	16 696 844	15 642 297	1 054 547	
SCR	R0580	11 717 188			
MCR	R0600	5 272 734			

	Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Ratio of Eligible own funds to SCR	R0620 169,67%				
Ratio of Eligible own funds to MCR	R0640 316,66%				

	C0060
Reconciliation reserve	
Excess of assets over liabilities	R0700 22 919 183
Own shares (held directly and indirectly)	R0710
Foreseeable dividends, distributions and charges	R0720 4 200 000
Other basic own fund items	R0730 3 181 317
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740
Reconciliation reserve	R0760 15 537 866
Expected profits	

		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Expected profits included in future premiums (EPIFP) — Life business	R0770					
Expected profits included in future premiums (EPIFP) — Non- life business	R0780	1 232 737				
Total Expected profits included in future premiums (EPIFP)	R0790	1 232 737				

S.25.02.21**Solvency Capital Requirement — for undertakings using the standard formula and partial internal model**

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
1	Market risk	6 529 573			
2	Counterparty default risk	743 143			
3	Life underwriting risk	138 001			
4	Health underwriting risk	206 364			
5	Non-life underwriting risk	1 239 564			
7	Operational Risk	1 337 437			
9	Loss-absorbing capacity of deferred taxes	-1 305 090			
11	IM UW	7 017 916	7 017 916		

S.28.01.01**Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity
Linear formula component for non-life insurance and reinsurance obligations**

	C0010
MCRNL Result	R0010 6 524 457

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030	5 738 555	3 449 416
Workers' compensation insurance and proportional reinsurance	R0040	3 694 532	629 753
Motor vehicle liability insurance and proportional reinsurance	R0050	16 270 150	3 831 657
Other motor insurance and proportional reinsurance	R0060	3 506 730	10 053 475
Marine, aviation and transport insurance and proportional reinsurance	R0070	711 365	755 888
Fire and other damage to property insurance and proportional reinsurance	R0080	7 369 643	9 661 590
General liability insurance and proportional reinsurance	R0090	4 476 569	1 525 435
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	39 560	141 983
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040		
MCRL Result	R0200	124 122		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
Obligations with profit participation — guaranteed benefits	R0210			
Obligations with profit participation — future discretionary benefits	R0220			
Index-linked and unit-linked insurance obligations	R0230			
Other life (re)insurance and health (re)insurance obligations	R0240	5 910 558		
Total capital at risk for all life (re)insurance obligations	R0250			

Overall MCR calculation

		C0070
Linear MCR	R0300	6 648 579
SCR	R0310	11 717 188
MCR cap	R0320	5 272 734
MCR floor	R0330	2 929 297
Combined MCR	R0340	5 272 734
Absolute floor of the MCR	R0350	36 489
		C0070
Minimum Capital Requirement	R0400	5 272 734



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