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## Q1 2002 Report

May 21, 2002

- Operating result MSEK -541
- Combined ratio 111.3 % (110.9% pro forma)
- Investment return 0.9% YTD (3.8% annualised)
- Negative claims result from prior years, partly offset by favourable claims development
- Net cash flow from underwriting MSEK 2 039
- New organisation decided and Nordic management appointed following the merger with Sampo P&C, completed January 2.

<b>Result If Group</b>	<b>Q1 2002</b>	<b>Q1 2001</b>	<b>FY 2001</b>
		<b>pro forma</b>	<b>pro forma</b>
Gross written premiums	14 602	13 724	34 731
Operating result, incl. normalised investments <sup>1)</sup>	-232	61	-1 248
Operating result <sup>2)</sup>	-541	n.a.	n.a.
Combined ratio	111.3%	110.9%	113.1%

1) In addition to the statutory results, If shows an operating result based on a normalised investment result as well as the statutory investment result. This approach is taken because as equity investments are fully marked to market in the profit and loss account, short-term fluctuations in equity market returns affect the statutory operating result. The normalised investment result for Q1/2002, was calculated based on If's applicable investment mix, assuming 5 per cent investment return on fixed income, 7.7 per cent on equities and 6.1 per cent on other investments.

2) Q1 2001 actuals not available due to legal restructuring during 2001.

### Comments from Torbjörn Magnusson, CEO:

“During Q1, comprehensive measures to improve profitability have been implemented. A new management team has been appointed. Organisational and other changes supporting accountability have been made. Financial reporting has been enhanced and intensified. Also, the differentiated premium increases have continued, with good effect in the Q1 renewals. We expect these actions to lead an improvement in core underwriting performance already this year.

The Q1 operating result is unsatisfactory. The result is partly explained by the weak investment result, but the overall underwriting performance has been insufficient to ensure profitability. However, several business areas show good results. Commercial in Scandinavia continues to meet improvement targets with a combined ratio of 105.9%. Private and Commercial in Finland has a combined ratio close to 100 per cent, as does Marine & Energy.

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*If P&C Insurance is the leading property & casualty insurance company in the Nordic area with an annual turnover in 2001 of SEK 35 billions (pro forma) and 8000 employees.*

The key improvement areas are Private in Scandinavia and Industrial across the Nordic region. Decisive actions are implemented to reduce costs, achieve fair pricing levels and stress management accountability.

If has made significant structural progress since 1999, and is now a company with leading positions in several of the Nordic markets. Distribution in Private Norway has been reformed. Commercial across Scandinavia now manages a significant part of the small segment customers through call centres and claims centres. Industrial has improved the profitability in captive insurance and customer profitability analysis overall. Underwriting guidelines in Marine & Energy have been tightened significantly and the portfolio pruned. A number of completed pricing and screening projects enhance our underwriting capabilities. In Finland, If has an excellent market position and profitable Private and Commercial operations. We have much to gain from transferring local know-how into Nordic practices, and the size of If will give significant benefits of scale, in particular within IT.

The process of integration with the previous Sampo P&C operations has run smoothly. All the business areas now have Nordic structures with Nordic managers. Before the end of May, each individual employee will have a defined position in the new structure.

The new group management has its focus set on the core business operations and on achieving sustainable profitability rapidly. One important goal is to create a cost-conscious corporate culture. To this end, the corporate functions are small, changes in purchasing procedures have been made and IT-spending is controlled more closely. Detailed financial plans have been established and incentivisation tied to the plans has been implemented for all managers.

We have more than 3.5 million customers across the Nordic region. It is key to our success that we continue to offer them market-leading products and outstanding service.”

## **Group results**

Premiums earned for Q1 2002 were MSEK 7 753 (MSEK 6 629). Claims incurred were MSEK -6 837 (MSEK -5 810) and expenses were MSEK -1 794 (MSEK -1 542). The statutory operating result before tax was MSEK -541.

The claims ratio was per cent 88.2 (87.6) and the expense ratio was per cent 23.1 (23.3). The combined ratio was per cent 111.3 (110.9).

<b>Group result highlights (MSEK)</b>	<b>Q1 2002</b>	<b>Q1 2001<sup>1)</sup> pro forma</b>	<b>FY 2001<sup>1)</sup> pro forma</b>
Premiums earned, net	7 753	6 629	30 271
Claims incurred, net	-6 837	-5 810	-27 409
Operating expenses	-1 794	-1 542	-6 815
Underwriting result	-878	-723	-3 953
Normalised investment result	933	873	3 619
Operating result, incl. normalised investment result <sup>2)</sup>	-232	61	-1 248
Investment result <sup>4)</sup>	624	n.a.	n.a.
Operating result <sup>4)</sup>	-541	n.a.	n.a.
Claims ratio	88.2 %	87.6 %	90.6 %
Expense ratio	23.1 %	23.3 %	22.5 %
Combined ratio	111.3 %	110.9 %	113.1 %
Cost ratio <sup>3)</sup>	30.9 %	32.0 %	30.4 %

1) Pro forma including Sampo P&C.

2) In addition to the statutory results, If shows an operating result based on a normalised investment result as well as the statutory investment result. This approach is taken because as equity investments are fully marked to market in the profit and loss account, short-term fluctuations in equity market returns affect the statutory operating result. The normalised investment result for Q1/2002, was calculated based on If's applicable investment mix, assuming 5 per cent investment return on fixed income, 7.7 per cent on equities and 6.1 per cent on other investments.

3) Operating expenses and claims handling costs in relation to premiums earned, net.

4) Q1 2001 actuals not available due to legal restructuring during 2001.

## Cyclical variations

Property and casualty insurance is subject to cyclical variations. When the economy is at its peak one often sees an increased frequency of claims and higher average cost of claims. If is thus subject to the business cycle in the countries in which it operates. In addition, spring and summer usually have a lower claims frequency than late autumn and winter.

Furthermore, because equity investments are fully marked to market in the profit and loss account, short-term fluctuations in equity market returns affect the statutory operating result.

## Business area comments

The Private and Commercial Scandinavia comments below cover the previous If structure, with the corresponding information about Finland given separately. The results will be presented per business area across the company as soon as the split of the insurance portfolios is finalised. The comments about Industrial and Marine & Energy include the Finnish business and are hence compared with pro forma figures for Q1 2001.

**Private Scandinavia** had net earned premiums in Q1 2002 of MSEK 2 949 (MSEK 2 557). The combined ratio was 116.6 per cent (109.5), with an expense ratio of 21.2 per cent (21.0).

The implementation of differentiated premium increases has continued and renewals are at a normal rate. The price on risk has improved, but still needs to be enhanced. The need for improvements is mainly connected to a continued increase in average claims costs in Motor. The claims result for prior years, mainly related to Personal Accident Sweden and Norway Motor and Home, has affected the combined ratio by approximately 6.1 per cent.

Actions are undertaken to ensure a profitability focus in every channel of distribution. A cost efficiency program has been launched, including less use of consultants and more focused marketing, which already has contributed to a reduction in costs. The new organisation is designed with clear profit responsibilities throughout to a greater extent than previously.

**Commercial Scandinavia** had net premiums earned of MSEK 1 787 in Q1 2002 (MSEK 1 636). The combined ratio was 105.9 per cent (108.7), with an expense ratio of 23.8 per cent (22.9).

The combined ratio has improved compared to same period last year, as well as compared to the 2001 year-end results. Property premiums and renewals are developing positively. Over all, the volume has increased with 7.4 per cent relative to the first quarter last year and the largest increases are observed within the affinity and broker channels. The large claims cost was below normal. Extraordinarily few large Property claim losses in Norway in addition to an improved Motor claims frequency have resulted in a positive development of the claims ratio.

The expense ratio is somewhat higher than last year due to increased sales commissions, but manning reductions have contributed positively to the development of personnel expenses.

The claims result for prior years, mainly related to changed estimates for large claims in Property Sweden as well as Motor and Liability in Denmark, has affected the combined ratio by approximately 2.0 per cent.

**Finland Private and Commercial** had net earned premiums in Q1 2002 of MSEK 1 451 (MSEK1 256). The combined ratio was 101.4 per cent (98.5), with an expense ratio of 21.8 per cent (22.0).

The overall development has been stable during the quarter with a beneficial claims development. The increase in combined ratio is due to additional expenses for branding costs and lower incoming life insurance commissions. The competition in motor business has intensified.

In line with the Scandinavian business model, Commercial claims centres will be established in Finland.

As previously announced, manning in Finland will be reduced during 2002. All agreements with the individuals leaving the company are in place.

**Industrial** had net premiums earned of MSEK 1 027 in Q1 2002 (MSEK 854). The combined ratio was 118.4 per cent (124.7), with an expense ratio of 26.9 per cent (28.3).

The overall claims level for Q1 was normal even though one large claim has affected this quarter's combined ratio substantially. In Q1, 2001, large claims in continuing business were below normal, but the combined ratio for the same period last year was significantly influenced by claims provisioning in connection with the sale of Sampo Industrial Insurance N.V.

During the first quarter of 2002 there has been substantial premium increases within Industrial. The premium increase programme has been successful with an increase in the portfolio. Higher net premiums earned have contributed to a lower expense ratio than Q1 last year, despite an increase in brokered business.

Following the September 11 terrorist attacks there has been significant upward pressure on reinsurance premiums.

Industrial has reduced the number of running projects, especially in IT, in line with the joint group effort to reduce cost at business area level. A new organisation has been implemented so that the integration of the Scandinavian and Finnish operations and the formation of one Nordic organisation is nearly completed. This will have benefits for Industrial's customers, many of which are pan-Nordic.

**Marine & Energy** had net earned premiums in Q1 2002 of MSEK 464 (MSEK 252). The combined ratio was 101.7 per cent (174.2), with an expense ratio of 22.3 per cent (32.4).

In Q1 2001, the Marine & Energy results were heavily impacted by the Petrobras oil rig incident. This year, the results improved substantially, following substantial premium increases, in Energy in particular, and normalised claims.

### **Other business**

All together, the Baltic countries and Poland had net earned premiums in Q1 2002 of MSEK 105 (MSEK 67). The combined ratio was 94.3 per cent (106.0), with an expense ratio of 44.7 per cent (37.3). Of total premiums earned, Estonia accounts for 80 per cent. The market share in Estonia is approximately 36%.

The gross technical reserves for the run-off business were SEK 3.8 billion and the net reserves SEK 3.1 billion.

### **Investments**

The statutory investment result was MSEK 624 and the current value result MSEK 364, both including currency result of MSEK 87.

The equity result is slightly positive, in line with the world index performance. The fixed income portfolio has suffered from rising interest rates during the first quarter. The statutory return excluding currency result corresponded to 0.9 per cent.

The investment policy for 2002 has been implemented during the first quarter. By the policy, the target weights within live business are fixed-income 73 per cent, equities 20 per cent and other, including real estate, 7 per cent. Investments in run-off operations are 100 per cent allocated to fixed-income investments.

In Q2 to date, covered equity call options, on global equities mainly, have been written to an underlying amount of SEK 1.6 billion. Depending on market conditions, further such options could be written.

### **Supplementary disclosures**

If is managed in a pan-Nordic business area structure. As supplementary disclosures, underwriting results per country are given in the appendix. The results per country are influenced by internal cost allocations.

The development of the overall business in Norway is positive. The combined ratio has decreased significantly from 112.1 per cent to 106.3 this year. This reduction is foremost due to a lower claims ratio. Also in Finland the combined ratio has improved compared to last year. Due to the increased claims costs in Sweden and Denmark, these two countries show an increased combined ratio in Q1.

The appendix also gives claims results from previous years' business, and cost ratios, both as available currently.

### **Exchange Rate Effects**

Translation of income and expenses in foreign currencies, such as NOK and USD, into SEK was performed at different average exchange rates than for 2001. MSEK 50 higher operating expenses, MSEK 190 higher claims incurred and MSEK 230 higher net premiums earned were attributable to exchange rate effects.

### **Changes in Net Asset Value**

The Net Asset Value decreased during Q1 from MSEK 18 098 to MSEK 17 134, as a result of the operating loss and changes in unrealised gains and losses on fixed-income investments.

### **Result for If P&C Holding AB**

If P&C Holding is a pure holding company with no business activities. The pre-tax result for Q1 2002 was minus MSEK 84.

This report has been compiled using the same accounting principles as in the Annual Report for 2001.

Solna, Sweden, May 21, 2002

Torbjörn Magnusson  
President and CEO

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A teleconference will be held on May 21 at 14.00 Stockholm time. The invitation with more detailed information is published under Press Service on If's IR Internet site.

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Appendices