



If P&C Insurance
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Q2 2002 Report

August 13, 2002

- Combined ratio YTD 107.8 % (109.4% pro forma)
- Continued improvement in core business
- Weak investment result due to fall in equity markets
- Operating result YTD MSEK – 1 646
- Cost ratio YTD 29.9% (31.1% pro forma)
- Investment return 0.3% YTD (0.6 % annualised)
- Net cash flow from underwriting YTD MSEK 1 659

Result If Group	Q2 2002	Q2 2001 pro forma	6M 2002	6M 2001 pro forma	FY 2001 pro forma
Gross written premiums	8 891	7 910	23 493	20 587	34 700
Operating result incl. norm. investments ¹⁾	329	108	97	169	-1 248
Operating result ²⁾	-1 105	n.a.	-1 646	n.a.	n.a.
Combined ratio	104.4%	108.1%	107.8%	109.4%	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 Q2/2002, was calculated based on If's applicable investment mix, assuming 5.0 per cent investment return on fixed income, 7.7 per cent on equities and 6.1 per cent on other investments.

2) 2001 actuals are not comparable with 2002 actuals, as Sampo P&C and If P&C Insurance merged in January 2002.

Comments from Torbjörn Magnusson, CEO:

“During Q2, the execution of profitability and accountability actions has continued. Core underwriting performance within the business areas continues to improve, in Private Scandinavia and Industrial in particular. The combined ratio was 104.4 per cent versus 111.3 per cent in Q1. Fair pricing, risk selection and cost efficiency actions show results as planned, and we have defined additional cost savings potential in several areas. Large customer segments now have adequate pricing.

Sponsoring activities have been reviewed, service agreements are renegotiated and we have decided to insource certain core support functions. IT-spending is tightly controlled, and we have already realised Nordic synergies in IT-development. The manning reductions proceed according to plan.

The investment return is only marginally positive due to falling equity prices globally, despite a relatively favourable asset allocation and performance above benchmark. Hence, the If Group shows a sizeable operating loss.

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 integration of the Sampo P&C operations has continued. Each individual If-employee now has a defined position in the Nordic business area structure. Personnel from Sampo's previous Swedish office have transferred to the organisations of the Industrial and Marine & Energy business areas. Staff from the former Finnish If office has joined the new organisation in Finland.

The trend from 2001 of further concentration in the Nordic P&C market has continued in H1 2002, and it is particularly pronounced in the Industrial segment.

As always, our main focus is on the contacts we have everyday with clients, and we strive to improve our products and services to them continuously. Drawing on Nordic best practices, Commercial has established specialist claims centres in Finland. Further such examples will follow between all the countries in which we operate.

In closing, I would like to comment on the relationship some times perceived between investment returns and pricing. We price our policies, as always, taking long term investment returns into account, but we will not increase premiums simply because equity markets have fallen. We will continue to supply our customers with security and stability also in this respect.”

Group results

Premiums earned for Q2 2002 were MSEK 8 264 (MSEK 7 516). Claims incurred were MSEK -6 912 (MSEK -6 492) and operating expenses were MSEK -1 717 (MSEK -1 632). The statutory operating result before tax was MSEK -1 105 (2001 figures not comparable) and the operating result including normalised investment result was MSEK 329 (MSEK 108 pro forma) in Q2.

The claims ratio in Q2 was 83.6 per cent (86.4), the expense ratio was 20.8 per cent (21.7), and the combined ratio was 104.4 per cent (108.1).

For H1 2002 premiums earned were MSEK 16 017 (MSEK 14 145), claims incurred were MSEK -13 749 (MSEK -12 302) and operating expenses MSEK -3 511 (MSEK-3 174). The statutory operating result before tax was MSEK-1 646 (2001 figures not comparable) and the operating result including normalised investment result was MSEK 97 (MSEK 169, pro forma) in H1.

The claims ratio was 85.9 per cent (87.0), the expense ratio was 21.9 per cent (22.4) and the combined ratio was 107.8 per cent (109.4).

Group result highlights MSEK	Q2 2002	Q2 2001¹⁾ pro forma	6M 2002	6M2001¹⁾ pro forma	FY 2001¹⁾ pro forma
Premiums earned, net	8 264	7 516	16 017	14 145	30 271
Claims incurred, net	-6 912	-6 492	-13 749	-12 302	-27 409
Operating expenses	-1 717	-1 632	-3 511	-3 174	-6 815
Underwriting result	-365	-608	-1 243	-1 331	-3 953
Normalised investment result	885	916	1818	1 789	3 619
Operating result, incl. norm. investment ²⁾	329	108	97	169	-1 248
Investment result ⁴⁾	-549	n.a.	75	n.a.	n.a.
Operating result ⁴⁾	-1 105	n.a.	-1 646	n.a.	n.a.
Claims ratio	83.6%	86.4%	85.9%	87.0%	90.6%
Expense ratio	20.8%	21.7%	21.9%	22.4%	22.5%
Combined ratio	104.4%	108.1%	107.8%	109.4%	113.1%
Cost ratio ³⁾	29.0%	30.3%	29.9%	31.1%	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 Q2/2002, was calculated based on If's applicable investment mix, assuming 5.0 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) 2001 actuals are not comparable with 2002 actuals, as Sampo P&C and If P&C Insurance merged in January 2002.

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 sections comment on the business areas from the previous If structure, and the corresponding information for Finland is presented separately. As soon as the split of the insurance portfolios is finalised the results will be presented per business area across the company. The Industrial and Marine & Energy commentary include the Finnish business and are hence compared with pro forma figures for Q2 2001.

Private Scandinavia had net earned premiums in Q2 2002 of MSEK 3 121 (MSEK 2 795). The combined ratio was 104.7 per cent (107.1), with an expense ratio of 18.8 per cent (19.8). For the first six months, the combined ratio was 110.5 per cent (108.3).

The Q2 combined ratio has improved compared to last year, following the successful implementation of differentiated premium increases and cost reductions.

The results for Householders in Norway and Motor in Sweden have improved. The previous sharp increase in claims costs has slowed down, and the increase of premiums has been successful. The average claim cost within Motor TPL, in Norway in particular, has increased. The claims result for prior years, mainly related to Personal Accident Sweden and Motor Norway and Sweden, has affected the combined ratio negatively by 2.7 per cent.

The number of customers has continued to decline somewhat, in Norway in particular, but renewals are at an acceptable level. This is according to plan, and the customers lost have a significantly higher average loss ratio than the ones renewed.

Commercial Scandinavia had net premiums earned of MSEK 1 702 in Q2 2002 (MSEK 1 601). The combined ratio was 106.5 per cent (109.2), with an expense ratio of 24.0 per cent (23.8). For the first six months, the combined ratio was 106.2 per cent (108.9).

The combined ratio has improved compared to last year despite several large claims within Property during Q2, which have affected the claims ratio by 4 per cent. Overall, the claims cost has been somewhat above normal. The expense ratio is slightly higher due to increased sales commissions and production system development expenses.

The volume has increased by 7.2 per cent compared to June last year, and the largest increases are within the broker and affinity channels.

Private and Commercial Finland had net premiums earned of MSEK 1 464 in Q2 2002 (MSEK 1 375). The combined ratio was 97.0 per cent (103.3), with an expense ratio of 21.1 per cent (21.2). For the first six months, the combined ratio was 99.2 per cent (101.0).

Overall the development is satisfying. The combined ratio has improved over the first six months and the cost ratio has declined somewhat.

Most new sales are within the small companies segment, where an increased emphasis is put on customers' own risk and loss prevention.

To improve service, a new telephone operating system will be taken into use in the customer centres. The amount of policies handled via electronic communication systems will increase significantly in the future, as a result of a recent agreement with car dealers. Also, commercial claims centres have been established.

The competition in the market has intensified, in Motor in particular.

Industrial had net premiums earned of MSEK 1 234 in Q2 2002 (MSEK 1 098). The combined ratio was 108.8 per cent (110.5), with an expense ratio of 21.6 per cent (22.0). For the first six months, the combined ratio was 113.1 per cent (116.7).

The overall large claims cost for the first six months was normal, despite two large claims in Q2. In H1 2001, the large claims cost in continuing business was below normal, but the combined ratio was significantly influenced by claims provisioning in connection with the sale of Sampo Industrial Insurance N.V.

The premium increase programme has been successful with an increase in the portfolio. The volume has increased by 26 per cent due to high renewal rates and new sales, particularly within the brokered segment. Higher net premiums earned have contributed to a lower expense ratio than Q2 last year.

The staff from the former Sampo office in Sweden and the If branch in Finland have been fully integrated in the Industrial organisation.

Marine & Energy had net earned premiums in Q2 2002 of MSEK 466 (MSEK 395). The combined ratio was 109.4 per cent (100.3), with an expense ratio of 18.4 per cent (19.6). For the first six months, the combined ratio was 105.6 per cent (129.0).

The Marine and Energy business area continues its strong performance from Q1 with a six month combined ratio significantly improved compared to last year, which was affected by the Petrobras Oil rig incident.

Claims were on a normal level outside Finland. However, the results are negatively affected by the Finnish marine business. Excluding the results of the Finnish business, the combined ratio was below 100 per cent.

Other business

All together, the Baltic countries and Poland had net earned premiums in Q2 2002 of MSEK 116 (MSEK 81). The combined ratio was 98.1 per cent (105.9), with an expense ratio of 37.3 per cent (40.8). For the first six months, the combined ratio was 96.3% (105.9%). Of total premiums earned, Estonia accounts for 77 per cent. The market share in Estonia is approximately 37%.

The gross technical provisions of the Run-Off business were SEK 3.1 billion and the net provisions SEK 2.6 billion. This is a gross reduction by SEK 0.8 billion since Q1 and ahead of plan. The Hudson Re and Lakewood companies have been sold, subject to regulatory approvals. The net technical provisions leaving If through the disposal of Hudson Re were MSEK 263 and MSEK 123 for Lakewood⁵.

Investments

The statutory investment result for the first six months was MSEK 75 and the current value result MSEK 209. In Q2, the statutory result was MSEK -549 and the current value result MSEK -155.

The weak investment result is primarily due to negative performance in the equity markets globally during Q2. The equity allocation has been low within the policy range during the period.

From April to June, equity call options were issued on an underlying amount of 2 GSEK. There are no outstanding call options at the moment.

⁵ The net technical provisions in local currency of Hudson Re (USD) and Lakewood (GBP) have been converted to SEK at the exchange rate of 31-12-2001.

In June, the board of directors decided to lower the investment risk exposure by lowering the target weight of equities within live business from 20 per cent to 15 per cent. Also, a new asset class, Global cash, has been established with a target weight of 4.3 per cent. The new policy allocation was implemented at the beginning of July.

Supplementary disclosures

If is managed in a pan-Nordic business area structure and consequently, the results are presented by business area across the company. As supplementary disclosures, underwriting results per country are given in the appendix.

The Norwegian results have improved, and the combined ratio in H1 is satisfactory. The combined ratio in Sweden has increased as the Swedish claims ratio was negatively affected by several large claims in Commercial property and Industrial. Finland shows marginally better H1 results despite a single large loss of MEUR 20 in March this year. In Denmark the combined ratio has fallen by 1 per cent.

The appendix also presents claims results from previous years' business and cost ratios.

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 76 higher operating expenses, MSEK 327 higher claims incurred and MSEK 360 higher net premiums earned were attributable to exchange rate effects.

Changes in Net Asset Value

The Net Asset Value decreased during Q2 from MSEK 17 134 to MSEK 16 649, 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 the first six months of 2002 was MSEK 54.

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

Solna, Sweden, August 13, 2002

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A teleconference will be held on August 13 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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The Q3 report will be presented November 14, 2002.

Appendices