

# P&C Insurance

If P&C is the leading property and casualty insurance group in the Nordic region, with insurance operations that also encompass the Baltic countries. The P&C insurance group's parent company, If P&C Insurance Holding Ltd, is located in Sweden, and the If subsidiaries and branches provide insurance solutions and services in Finland, Sweden, Norway, Denmark and the Baltic countries. If's operations are divided into four business areas: Private, Commercial, Industrial and Baltic. The Danish insurance company Topdanmark is If P&C's associated company.

## Results

P&C Insurance, 2014

EURm	2014	2013	Change, %
Premiums, net	4,464	4,560	-2
Net income from investments	353	368	-4
Other operating income	27	28	-3
Claims incurred	-2,902	-2,946	-1
Change in insurance liabilities	-6	-55	-88
Staff costs	-537	-564	-5
Other expenses expenses	-502	-493	2
Finance costs	-20	-18	8
Share of associates' profit/loss	54	50	8
<b>Profit before taxes</b>	<b>931</b>	<b>929</b>	<b>0</b>

Key figures	2014	2013	Change
Combined ratio, %	87.7	88.1	-0.4
Risk ratio, %	65.1	65.4	-0.3
Cost ratio, %	22.5	22.8	-0.3
Expense ratio, %	16.7	16.8	-0.1
Return on equity, %	18.1	24.4	-6.3
Average number of staff (FTE)	6,173	6,238	-65

The strong focus on underwriting and cost efficiency continued in the P&C insurance segment also in 2014 and the profit before taxes for the segment rose to EUR 931 million (929). Combined ratio for the full year 2014 was the best ever in If P&C's history and amounted to 87.7 per cent (88.1). EUR 2 million (79) was released from technical reserves relating to prior year claims.

Technical result decreased to EUR 588 million (601) for

the full year 2014, due to the weakening of Norwegian and Swedish kronas and the lower interest rates.

Technical result for Private business area decreased to EUR 349 million (360) and for business area Commercial to EUR 153 million (166). Technical result for Industrial and Baltics increased to EUR 51 million (43) and EUR 17 million (15), respectively. Insurance margin (technical result in relation to net premiums earned) remained stable at 13.2 per cent (13.3).

Return on equity (RoE) decreased to 18.1 per cent (24.4). Fair value reserve for If P&C rose to EUR 507

million (472) at the end of December 2014.

	Combined ratio, %			Risk ratio, %		
	2014	2013	Change	2014	2013	Change
Private	87.4	87.8	-0.4	64.8	64.9	-0.1
Commercial	88.6	88.6	0.0	65.8	65.1	0.7
Industrial	89.0	91.5	-2.5	68.3	70.7	-2.4
Baltic	86.8	88.4	-1.6	52.4	56.2	-3.8
Sweden	94.6	93.5	1.1	72.4	70.7	1.7
Norway	82.0	83.3	-1.3	59.6	61.4	-1.8
Finland	89.7	88.5	1.2	67.6	65.5	2.1
Denmark	83.6	91.3	-7.7	58.3	64.7	-6.4

The results of business areas Private and Commercial were positively impacted by the favourable frequency claims development and benign weather conditions. Business area Industrial performed well in 2014 as both combined ratio and risk ratio improved compared to previous year. In the Baltics, risk ratio and combined ratio improved also significantly helped by a very low claims level in the beginning of the year and negative large claims outcome in the comparison year. Also in Denmark both risk and combined ratios improved significantly helped by positive large claims outcome. The large claims outcome for If in total was close to the expected level ending up EUR 7 million negative.

In Sweden, the risk ratio deteriorated by 1.7 percentage points as the decline in discount rates used to discount the annuity reserves together with negative large claims outcome affected the Swedish result. The Swedish discount rate used to discount the

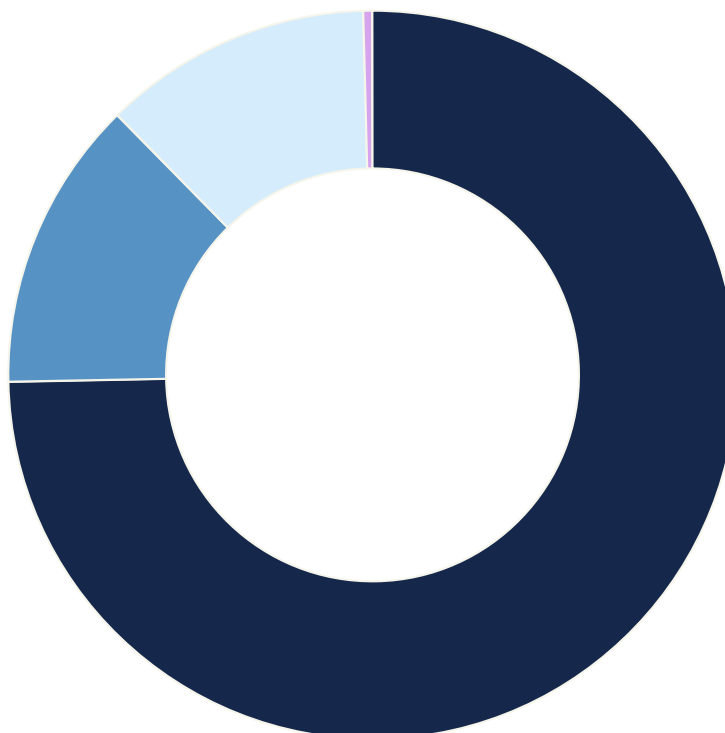
annuity reserves decreased to 0.58 per cent by the end of the year. At the end of 2013 the discount rate was 1.19 per cent. In Finland, the discount rate for annuities was lowered from 2.5 per cent to 2.0 per cent in the fourth quarter of 2014.

Gross written premiums decreased to EUR 4,634 million (4,768) as a result of the weakened Norwegian and Swedish kronas. Adjusted for currency premiums increased 1.7 per cent. Premiums grew in all business areas except Industrial. In Private gross written premiums adjusted for currency increased 3.2 per cent, in Commercial 0.2 per cent and in the Baltic operations by 4.9 per cent. Gross written premiums in Industrial decreased by 2.6 per cent.

Cost ratio improved to 22.5 per cent (22.8) and expense ratio to 16.7 per cent (16.8) as a result of the adoption of continuous cost efficiency measures.

## Investment Allocation

If P&C, 31 December 2014, total EUR 11.5 billion



At the end of December 2014 the total investment assets of If P&C amounted to EUR 11.5 billion (11.7).

Net income from investments decreased to EUR 353 million (368). Investment return mark-to-market for 2014 was 4.1 per cent (5.0).

Duration for interest bearing assets was 1.0 year (1.3) and average maturity 2.4 years (2.3). Fixed income running yield as at 31 December 2014 was 2.4 per cent (2.9).

If P&C's solvency ratio as at 31 December 2014 (solvency capital in relation to net written premiums) amounted to 82 per cent (81). Solvency capital amounted to EUR 3,544 million (3,601), although a dividend of SEK 5.5 billion (EUR 597 million) was paid to Sampo plc in the fourth quarter. Reserve ratios were 161 per cent (160) of net written premiums and 237 per cent (227) of claims paid.

## Associated Company Topdanmark

On 31 December 2014 If P&C held 31,476,920 Topdanmark shares, corresponding to over 30 per cent of all votes. All Topdanmark shares held by Sampo Group are concentrated in If P&C Insurance Holding Ltd (publ). The acquisition price is DKK 2.5 billion (EUR 327 million) and the book value in Sampo Group's balance sheet on 31 December 2014 was EUR 371 million.

Topdanmark has a profit distribution policy according to which it does not pay dividends but buys back its own shares in the market. If P&C has not bought

Topdanmark's shares since May 2011, but as it has not participated in the buybacks, its holding as a percentage of all Topdanmark shares has grown. In May 2011 the holding exceeded 20 per cent and If P&C started to account for Topdanmark as an associated company.

Torbjörn Magnusson, Sampo Group's Head of P&C insurance, was nominated to Topdanmark's Board at the AGM on 10 April 2014.

In Sampo Group's segment reporting Topdanmark holding is included in the P&C insurance segment. Due

to the late publication of financial reports by Topdanmark, consensus estimate for the company's profit is used as a basis of calculating If P&C's share of Topdanmark's profit. Any deviation from the actual reported profit will be corrected in Sampo Group's next quarterly report.

In Sampo Group's 2014 accounts the contribution of Topdanmark's net profit amounted to EUR 53 million (52). If P&C's solvency capital on 31 December 2014 includes the proportion of Topdanmark's solvency capital corresponding to If P&C's holding.