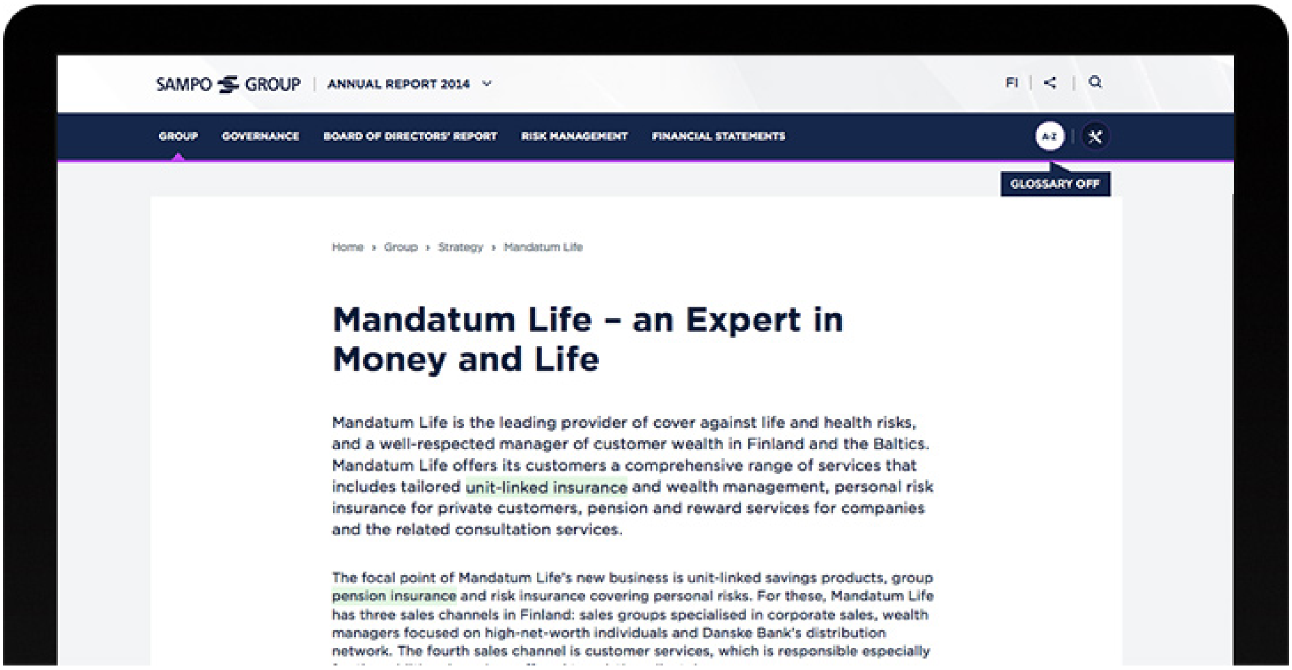
Glossary

This glossary includes the most essential property and casualty insurance and life insurance terminology as well as financial statements terms used in Sampo Group. Because of different meanings in some cases in property and casualty insurance vs. life insurance, there are two different explations for some of the insurance terms.



! You can also activate the glossary on the pages by tapping the Glossary icon on the top of the page. The explanations will pop up when you tap a word that is highlighted with green.

A

Acquisition costs
The acquisition costs for insurance and investment contracts included in operating expenses (direct insurance commissions, commissions for reinsurance assumed and other acquisitions costs).

Adjusted solvency capital
The basis for ASC is capital items included in Group's own funds. On top of those, other risk absorbing items such as the difference between the book value and market value (including a risk margin) of technical provisions are added.

Allocated investment return transferred to the technical account
Return on average insurance liabilities in P&C insurance, after deducting the capital employed in insurance operations in the form of premium receivables, reinsurance deposits and net of other receivables and liabilities plus half of the technical result before allocated investment return.

The allocated investment return is based on risk-free interest.

ALM risks
The company is exposed to ALM risk when changes in different market variables (e.g.interest rates, inflation, foreign exchange rates) cause a change in the fair values of investment assets and derivatives that is of different size than respective change in the economic value of insurance liabilities.

It is crucial to remember that the cash flows of insurance liabilities are modelled estimates and therefore uncertain in relation to both their timing and amount. This uncertainty is central component of ALM risk as well.

Associated company
An associated company is a company in which another company owns a dominant position due to for example a significant portion of voting shares.

Assumed reinsurance
Reinsurance business received from another insurance company.

Available for sale assets
Financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss (life insurance business).

B

Beneficiary
Beneficiary named by policyholder or an unnamed third party.

Biometric risks
Biometric risks refer to the risk that the company has to pay more mortality, disability or morbidity benefits than expected, or the company has to keep paying pension payments to the pension policyholders for a longer time (longevity risk) than expected when pricing the policies.

Bonuses
Bonuses are possibly granted to with profit policies (life insurance policies) according to the principle of fairness. The bonus consists of the surplus generated by the life insurance company.

C

Capital redemption policy
Commonly used life policy without any insurable risk. Policy consists purely of savings.

Catastrophe risk
Catastrophe risk can be seen as an extreme case of premium risk. It is the risk of low frequency, high severity events, such as natural catastrophes. These events lead to significant deviations in actual claims from the total expected claims.

Ceded reinsurance
Part of insurance risk transferred to reinsurers.

Cedent
Direct insurance company that reinsures a part of its direct business to a reinsurer.

Change in fair value reserve
Change in the fair value reserve includes potential cash flow hedges as well as unrealised profits and losses i.e. changes in the fair value of financial instruments classified as available-for-sale investment assets.

These changes in value are recognized in the income statement when the investments are sold or they expire. The change in the fair value reserve includes also the change in the tax liability related to value changes. Change in the fair value reserve is an important element in analyzing the result, especially in life insurance business.

Change in liabilities for insurance and investment contracts
In life insurance business the insurance portfolio is classified as either insurance contracts or investment contracts depending on, whether they carry insurance risk or not. In life insurance business area “investment contracts” comprise only capital redemption policies.

The amount of technical provisions is determined at every balance sheet date. The change in liabilities for insurance and investment contracts is the difference between the value at the balance sheet date in year x and the value a year earlier.

Claims frequency
The observed relationship during a specific period between the number of claims arising within a certain category of insurance (a certain insurance portfolio) and the number of insurance policies within the same category (the portfolio). Does not include large claims.

Claims handling
Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.

Claims incurred
The sum of paid claims and change in provision for claims outstanding. Includes the claims costs for the insured events during the year regardless if they have been paid during the same year or not.

Claims paid
When the insured event occures the benefit paid to the named beneficiaries in insurance contracts or to the unnamed third party.

Combined ratio
In P&C insurance claims incurred and operating expenses in relation to premiums earned, expressed as a percentage.

Calculation formula:

loss ratio + expense ratio

Compliance
Adherence to laws, regulations, code(s) of conduct and standards of good practice in the industry. Sampo plc's Board of Directors has issued Sampo Group Compliance Principles on 9th November, 2012.

Compliance risk
Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss of reputation, resulting from a company failure to comply with laws, regulations and administrative orders applicable to its activities.

Compliance risk is usually a consequence of internal misconduct and hence it can be seen as a part of operational risk.

Concentration risks
In general concentration risks arise when the company’s risk exposures are not diversified enough and as a result of this for instance an individual claim or financial market event could threaten the solvency or the financial position of the company.

Direct concentrations can evolve within separate activities – large single name or industry specific insurance or investment exposures – or across the activities when a single name or an industry is contributing widely on profitability and risks of the company through both insurance and investment activities. Concentration risk may materialize also when profitability and capital position react similarly to general economic development or to structural changes in institutional environment in different areas of business. In that case concentration risk can be seen as part of strategic risk.

Cost ratio
Operating expenses and claims adjustment expenses divided by premiums earned in P&C insurance company. The ratio is expressed as a percentage.

Calculation formula:

$$\frac{\text{operating expenses} + \text{claims settlement expenses}}{\text{premiums earned}} \cdot 100\ \%$$

Counterparty default risk
In case of counterparty risk, final loss depends on the positive mark-to-market value of derivatives or reinsurance recovables at the time of default and on the recovery rate.

Counterparty risk is mitigated by careful selection of counterparties, by diversification of counterparties to prevent risk concentrations and by using collateral techniques, e.g. ISDA Master Agreements backed by Credit Support Annexes. Counterparty risk is one subclass of credit risk.

Credit risk
Credit risk refers to negative impact in the financial results arising from increased probability of, or already occurred defaults of debtors (Issuer risk) or, in case of derivative and/or reinsurance contracts, other counterparties (Counterparty default risk).

Currency risk
Currency risk refers to fluctuations in the financial results and capital caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities, after currency exchange rates change. Further information: Market risks

D

Debt instrument
Debt instruments include for example bonds and CPs.

Deductible
Part of cost of insured event which is not covered by insurance company, but policyholder has to cover this part him/herself.

Defined benefit plan
Life insurance policy, where premiums are calculated based on agreed benefits such as income level. Alternative to 'Defined contribution plan'.

Defined contribution plan
Life insurance policy, where benefits are calculated based on premiums. Alternative to 'Defined benefit plan'.

Direct insurance
Insurance business where insurer and insured enter into insurance contract. The insurance company is directly responsible to the insured.

Direct investment return
Operating surplus from buildings and land, dividends on shares and participations and interest income.

Discount rate
Future outflows and inflows of life insurance contracts are changed to present value of money by using discount rate. This present value is used to calculate the liability for insurance company from its insurance contracts. Also in P&C Insurance the provision for claims outstanding pertaining to annuities is discounted.

Dividend per earnings
Part of earnings distributed to shareholders as dividends. Rest of the result stays in the company and is invested in future business.

Calculation formula:

$$\frac{\text{dividend per share}}{\text{earnings per share}} \cdot 100\ \%$$

E

Earnings per share (EPS)
The earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. The EPS is thus profitability measure. It is especially useful when comparing subsequent years' EPS figures and their development. If the amount of shares changes from year to year (e.g. due to a split), this change has to be taken into account when EPS comparisation is made.

Calculation formula:

$$\frac{\text{profit for the financial year attributable to the parent company's equity holders}}{\text{adjusted average number of shares}}$$

Economic capital (EC)
Capital needed for measurable risks of current activities, estimated by Sampo Group.

Economic value of insurance liabilities
Sampo Group calculates the economic value of insurance liabilities for internal purposes by discounting expected liability cash flows with market rates. The difference between technical provisions and the economic value of insurance liabilities is a major component of the liability side adjustment and it is part of reported adjusted solvency capital.

Effective dividend yield
Effective dividend yield shows how much the dividend was in relation to the value of the share at the end of the year. This figure added to the share value development shows the direct monetary return on the share investment in the company.

Calculation formula:

$$\frac{\text{dividend per share}}{\text{adjusted closing share price at 31 Dec.}} \cdot 100\ \%$$

Embedded value
Value of life insurance company, which consists of the future profit from in-force policies from their whole life cycle (value of in-force) and company's own Net Asset Value (NAV).

EPS including change in the fair value reserve
Earnings per share in case market value changes in available-for-sale investment portfolios would be recorded in the income statement instead of balance sheet.

Calculation formula:

$$\frac{\text{total comprehensive income for the financial period attributable to the parent company's equity holders}}{\text{adjusted average number of shares}}$$

Equalization provision
Buffer against fluctuations of risk results.

Equity per share
Equity per share indicates the amount of capital per share.

Calculation formula:

$$\frac{\text{equity attributable to parent company's equity holders}}{\text{adjusted number of shares at balance sheet date}}$$

Equity/assets ratio
Company's equity in relation to its total assets.

Calculation formula:

$$\frac{+\text{ total equity} \pm \text{valuation differences on investments less deferred tax}}{+\text{ balance sheet total} \pm \text{valuation differences on investments}} \cdot 100\ \%$$

Expense ratio (life insurance)
In life insurance expense ratio means expenses divided by load income. Expense ratio measures the effectiveness of life insurance activities.

Calculation formula:

$$\frac{\text{operating expenses before change in deferred acquisition costs} + \text{claims settlement expenses}}{\text{expense charge}} \cdot 100\ \%$$

Expense ratio (P&C insurance)
In property and casualty insurance expense ratio is a ratio between operating expenses and premiums earned expressed as a percentage.

Calculation formula:

$$\frac{\text{operating expenses}}{\text{premiums earned}} \cdot 100\ \%$$

Expense result
Load income minus operating expenses (life insurance terminology).

Expense risk
Expense risk arises from the fact that the timing and/or the amount of expenses incurred differs from those expected at the timing of pricing. As a result expense charges originally assumed may not be enough to cover the realized expenses.

F

Fair value reserve
Fair value reserve in equity include unrealized changes in fair value of available for sale investments after deferred tax.

Financial assets designated as at fair value through profit or loss
Financial assets that are classified as held for trading or upon initial recognition are designated by the entity as at fair value through profit or loss.

Fixed income assets
Assets that generate fixed or variable interest.

G

Group pension
Pension insurance where the policyholder is company and insureds are a named group of company's employees.

Group solvency
Group solvency describes the amount of solvency capital exceeding minimum requirements for own funds.

Calculation formula:

$$\text{group's own funds} - \text{minimum requirements for own funds}$$

Group solvency ratio
Group's own funds in relation to the minimum requirement set by the supervising regulators. Supervisors define what items can be included in the eligible own funds.

Calculation formula:

$$\frac{\text{group's own funds}}{\text{minimum requirements for own funds}}$$

Guaranteed interest
With profit life insurance policies have guaranteed fixed interest rates.

H

Held to maturity investments (HTM)
Financial assets with fixed maturity that an entity has the positive intention and ability to hold to maturity.

I

Individual life insurance
Life policy, in which a person is insured. The life policy can be a with profit policy or a unit-linked policy.

Individual pension insurance
Pension policy, in which a person is insured. The pension policy can be a with profit policy or a unit-linked policy.

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

Insurance policy
IFRS-category for policy, where considerable insured risk is transferred from policyholder into insurance company.

Insured
Person or company, who is insured against event described in insurance contract.

Interest rate risk
The interest rate risk refers to fluctuations in the financial results and capital caused by changes in market values of financial assets and liabilities, as well as by changes in the economic value of insurance liabilities, after interest rates change. Further information: Market risks

Investment assets
Company invests the coverage of insurance liabilities and own equity for example in stocks, bonds and properties.

Investment contract
IFRS-category for life insurance policy with no insurance risk (capitalisation policy).

Investment result
Net income from investments less paid guaranteed interest rates and possible bonuses.

Issuer risk
When an issuer risk materializes, the size of the final loss depends on the investors holding of the security at the time of default, mitigated with the potential recovery rate.

In most cases, issuer risk has already been fully priced as a lower market value before the event of default has occurred. In essence, credit spread is the market price of credit risk for issued tradable securities. Similar with other earnings risks, spread risk can be actively managed. Therefore, issuer risk is categorized in Sampo Group as being part of spread risk under investment portfolio market risks. Further information: Credit risk, Market risk.

L

Lapse risk
Lapse risk is related to the policyholders' right to cease paying premiums. Further information: Policyholder behavior risk

Legal risk
The risk of loss due to unpredictable or unknown legal development or uncertain interpretations of regulations. Legal risk is categorized as being part of operational risk.

Liabilities for insurance and investment contracts
Amount of liability covering the insured risk the company has undertaken. Provisions for unearned premiums, unexpired risks and claims outstanding in insurance company.

Liabilities for unit-linked insurance and investment contracts
Unit-linked insurance and investment contracts are policies in which the benefits are determined by reference to the value of investments linked to each contract. Unit-linked investment contracts comprise only capital redemption policies.

Liabilities of unit-linked insurance and investment contracts at each balance sheet date are determined by using the market values of the underlying investments.

Liability adequacy test
Test required in IFRS to ensure that liabilities for insurance and investment contracts are adequate to cover insured events.

Life insurance
Insurance, which usually consists of two components 1) savings part (endowment) and 2) risk life cover. In addition other supplementary covers can also be included like cover for permanent and temporary disability, medical expenses cover etc.

Life insurance underwriting risks
In life insurance underwriting risks include biometric risks, policyholder behavior risks and expense risk.

Liquidity risk
Liquidity risk is the risk that Group companies are, due to lack of available liquid funds and/or access to relevant markets, unable to conduct their regular business activities in accordance with the strategy, or in extreme cases, are unable to settle their financial obligations when they fall due.

Liquidity risk deals with potential illiquidity of investments and unexpected non-renewal of insurance policies. In addition, the availability and cost of refinancing and the offered price for financial derivates affect the Group companies' ability to carry out normal business activities.

Load income
To cover its expenses, life insurance company deducts loading from its policies. The sum of deducted loadings is load income.

Long-term incentive program
Long-term incentive programs are used to commit Executive Management and key employees to the Group for a longer period of time. Further information: The terms of Sampo Group's long-term incentive programs.

Longevity risk
The risk of having to pay pension payments to the pension policyholders for a longer time than expected when pricing the policies.

Loss ratio (Claims ratio)
Loss ratio is a synonym for claims ratio. Claims incurred including claims adjustment expenses divided by premiums earned in P&C insurance. The ratio is expressed as a percentage.

Calculation formula:

$$\frac{\text{claims incurred}}{\text{premiums earned}} \cdot 100\ \%$$

M

Market capitalisation
Calculation formula:

number of share at the end of reporting period • closing price at the end of the reporting period

Market risks
Market risks refer to fluctuations in the financial results and capital base caused by changes in market values of financial assets and liabilities as well as by changes in the economic value of insurance liabilities.

The changes in market values and economic values are caused by movements in underlying market variables such as interest rates, inflation, foreign exchange rates, credit spreads and share prices. Furthermore, market risks include also risk of worsening market liquidity in terms of widening bid-ask spreads and the risk of unexpected changes in repayment schedules of assets. In both cases the market value of financial instruments in investment portfolio can change.

Minimum requirements for own funds
The sum of own funds in all Group companies calculated according to sectoral rules.

Minimum solvency margin
Regulator has given instructions to calculate minimum solvency margin, which insurance company has to exceed.

Morbidity risk
The risk of having to pay more morbidity benefits than expected when pricing the policies.

Mortality risk
The risk of having to pay more mortality benefits than expected when pricing the policies.

N

Net asset value per share (NAV/share)
Similar figure with 'equity per share' figure but in NAV per share all investments are valued at market prices. If a NAV per share is higher than share price the market does not believe in the company's ability to genereate profit. If the NAV per share is lower than the share price, the market believes in company's ability to generate profit in the future and this can be seen in the share price.

Calculation formula:

$$\frac{\text{+ equity attributable to the parent company's equity holders} \quad \text{+/- valuation differences on listed associate in the Group} \quad \text{+/- valuation differences on investments less deferred tax}}{\text{adjusted number of shares at balance sheet date}}$$

Net income from investments
Return on investment assets less expenses generated by investment assets.

Net premiums written
Premiums written less reinsurers' share of premiums written.

O

Operating expenses
Operating expenses include expenses for the acquisition, management, administrative and investment management of insurance conracts and also commissions on reinsurance ceded.

Operating expenses in insurance operations
Sum of operating expenses and claims adjustment expenses in property and casualty insurance company.

Operational risks
Operational risk refers to the risk of loss arising from inadequate or failed processes or systems, from personnel, or from external events. The definition includes legal risks but excludes risks resulting from strategic decisions.

The risks may realise for instance as a consequence of internal misconduct, external misconduct, insufficient HR management, insufficiencies in operating policies, damage to physical property, interruption of activities and system failures, and defects in the operating process.

P

P&C insurance underwriting risks
In non-life insurance underwriting risk is often divided in premium risk and reserve risk in order to distinguish between the risks related to unexpired and expired contracts.

Paid-up policy
Policy changes into paid-up status, if it agreed, that policyholder stops paying premiums.

Pension insurance
Insurance for pension cover.

Policyholder
Person or company, who has underwritten an insurance contract with an insurance company.

Policyholder behavior risk
Policyholder behavior risks arise from the uncertainty related to the policyholders' behaviour in regards to premium payments and preferred maturity of policies and hence to the size and timing of future claims payments.

Premium income
Premiums paid by life insurance policyholders.

Premium risk
Premium Risk relates to future claims and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.

As a result the claims cost for future claims exceeds the expected level and there is a loss or adverse changes in the value of insurance liabilities.

Premiums earned
That portion of gross premiums written in P&C insurance that pertains to the financial year, meaning premiums written adjusted for changes in the provision for unearned premiums.

Premiums written
P&C insurance premiums for insurance periods that have started during financial year regardless if they have been invoiced or paid.

Price/Earnings ratio (P/E)
A company's share price in relation to its earnings. A high P/E ratio usually indicates growth expectations in the market.

Calculation formula:

$$\frac{\text{adjusted closing share price at 31 Dec.}}{\text{earnings per share}}$$

Principle of fairness
Life insurance company distributes a part of eventual profit generated by insurance policies as bonuses to its policyholders according to company's interpretation of Principle of Fairness, if company and policyholder have agreed on this and if company's solvency is not endangered.

In division of bonuses generation of profit in different lines of insurance and from policies with different interest rate guarantees is taken into account.

Profit at market values
Profit before taxes +/- valuation differences on investments less deferred tax.

Property and casualty insurance
Collective term for property insurance, liability insurance, reinsurance and accident & sickness insurance. Property insurance involves the type of insurance that covers the economic value of one or several objects (such as movable property in a home, car, boat, horse, factory building or warehouse).

Other types of property and casualty insurance mainly cover various interests (such as, business interruption insurance or liability insurance), where only a specific economic interest is covered, not the economic value of one or several objects.

Property risk
Property risk refers to fluctuations in the financial results and capital caused by changes in market values of financial assets, after property values change. Further information: Market risks

Provision for claims outstanding
Provision for claims outstanding consists of unpaid claims due to insurance events that have already occured, the claims handling costs and reserves.

Provision for unearned premiums
Amount of liability covering the insured risk the company has undertaken.

Provision for unexpired risks
A provision for unexpired risks shall be established if the net of claims, acquisition costs and expenses relating to the unearned premium exceeds the unearned premium.

R

Regular premium
Several regular premiums are paid in regular premium insurance.

Regulatory solvency capital
Amount of capital calculated according to regulations which the group has against risks/capital requirement.

Calculation formula:

+ group equity
+ sectoral items
- intangibles
- sectoral deductables
- planned dividends

Reinsurance
Insurance company doesn't bear all the insurance risks by itself and therefore company buys insurance cover for part of its risks from another insurance company.

Reinsurers' share
Insurer has bought reinsurance cover from reinsurer, and reinsurer is liable for the part of insurer's paid claims and provision for claims outstanding that corresponds to the bought reinsurance.

Reputational risk
Reputational risk refers to the risk that adverse publicity regarding the company's business practices or associations, whether accurate or not, causes a loss of confidence in the integrity of the institution.

Reputational risk is often a consequence of a materialized operational risk or compliance risk and realizes often as a deterioration of reputation amongst customers and other stakeholders.

Reserve risk
Reserve risk only relates to incurred claims, i.e. existing claims, and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.

As a result technical provisions are not sufficient to cover the cost for already incurred claims and there is a loss or adverse changes in the value of insurance liabilities.

Retention
That part of the insurance business for which the insurance company assumes the risk and which is thus not reinsured with other companies. (Property and casualty insurance terminology.)

Return on assets (RoA)
Return on Assets (RoA) indicates how much return the company generates to assets invested in the company, i.e. both equity and liabilities. RoA may vary substantially depending on the industry and the amount of tied-up assets. Therefore RoA comparisons between different industries are not necessarily relevant.

Calculation formula for Return on assets (at fair values):

$$\frac{\begin{array}{c}\text{operating profit}\\ +\ \text{interest and other financial expenses}\\ +\ \text{calculated interest on technical provisions}\\ \pm\ \text{change in fair value reserve}\\ \pm\ \text{change in valuation differences on investments}\end{array}}{\begin{array}{c}+\ \text{balance sheet total}\\ -\ \text{technical provisions relating to unit-linked insurance}\\ \pm\ \text{valuation differences on investments (average figures)}\end{array}} \cdot 100\ \%$$

Return on capital at risk
Return on capital at risk = Average profit on operations for the period / average Sampo Group Economic Capital

Return on equity (RoE)
Return on equity (RoE) indicates how much return the company is able to generate for the money shareholders have invested (simplified formula: profit after tax/average equity during the year). The more liabilities company has in relation to equity, the more sensitive RoE is to variations in profit. RoE is useful for comparing profitability in companies on the same branch.

Calculation formula for Return on equity (at fair values):

$$\frac{\begin{array}{c}+/-\ \text{total comprehensive income}\\ +/-\ \text{valuation differences on investments}\\ -\ \text{deferred tax}\end{array}}{\begin{array}{c}\text{total equity}\\ +/-\ \text{valuation differences on investments}\\ -\ \text{deferred tax}\\ \text{(average values on the first and the last day of the financial period)}\end{array}} \cdot 100\ \%$$

Risk life policy
Policy for insured's death cover.

Risk policy
Policy covering different risks such as death, permanent disability, medical cover, and accident.

Risk ratio
Risk ratio shows how well the insurance company has succeeded in pricing the insurance risk. The lower the ratio, the better.

Calculation formula:

$$\frac{\begin{array}{c}+\ \text{claims incurred}\\ -\ \text{claims settlement expenses}\end{array}}{\text{premiums earned}} \cdot 100\ \%$$

Risk result
Risk premiums charged by life insurance company less the risk benefits paid/to be paid to beneficiaries.

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

Run-off result
P&C company's profit or a loss that arises when claims originating from a prior year are either finally settled or revalued.

S

Settlement Risk
The risk that a counterparty does not deliver a security or its value in cash as per agreement and the other counterparty or counterparties have already irrevocably delivered security or cash value as per the agreement.

Short-term incentive program
Short-term incentive programs are based on each beneficiary's contribution to the company's profitability. Performance criteria and contribution assessment are based on individual performance analysis combined with relevant business unit performance. Further information: The terms of Sampo Group's short-term incentive programs

Single premium
Policy with premiums paid with one installment.

Solvency capital
In life insurance terminology, solvency capital refers to the sum of solvency margin and equalization provision. Solvency ratio of technical provisions is another common term.

Calculation formula:

+ equity after proposed profit distribution
+/- valuation differences on investment
- intangible assets
+ subordinated loans
- deferred tax liability probably realized in near future (incl. deferred tax from fair value reserve and profit)
+/- other required items (Ministry of Finance decree)

Solvency capital of technical provision (P&C insurance)
Solvency capital divided by liabilities for insurance and investment contracts less reinsurers' share of insurance liabilities.

Calculation formula:

$$\frac{+\text{ solvency capital}}{+\text{ liabilities for insurance and investment contracts} - \text{reinsurers' share of insurance liabilities}} \cdot 100\ \%$$

Solvency margin
Regulation based figure, which reflects the amount with which insurance company's assets at fair value exceed its liabilities and other comparable commitments.

Solvency margin ratio
Solvelcy margin in relation to minimum solvency margin.

Solvency ratio
Solvency capital divided by liabilities for insurance and investment contracts.

Solvency ratio of technical provision (life insurance)
Solvency capital divided by technical reserves without equalisation provision and 75% of unit-linked reserves (life insurance).

Calculation formula:

$$\frac{\text{solvency capital}}{\begin{array}{c}\text{liabilities for insurance and investment contracts}\\ \text{- reinsurers' share of insurance liabilities}\\ \text{- 75\% of technical provisions relating to unit-linked insurance}\end{array}} \cdot 100\ \%$$

Spread risk
Spread risk refers to fluctuations in the financial results and capital caused by changes in market values of financial assets and liabilities, as well as changes in the economic value of insurance liabilities, after spread changes. Further information: Market risks

Surrender
Policyholder terminates his/her policy, which has savings, before maturity date and the company pays the surrender value of policy to the policyholder.

Surrender risk
Surrender Risk is related to the policyholders' possibility to interrupt their policies. Further information: Policyholder behavior risk

Surrender value
Calculated value for an insurance policy, savings less a penalty fee for the termination before maturity date.

T

Technical provisions
Provisions for unearned premiums, unexpired risks and claims outstanding.

Technical result
Company's result before return on investment, other income, costs and taxes (P&C insurance company).

Technical result before the transfer of return of allocated investment return
Item in the technical accounts comprising premiums earned less claims and operating costs (P&C insurance terminology).

Total comprehensive income
Calculation formula: OCI includes changes in exchange differences, available-for-sale financial assets, cash flow hedges, share of associate's other comprehensive income as well as actuarial gains and losses from defined pension plans.

profit + other comprehensive income (=OCI) for the period after taxes

Total investment return
Sum total of direct return and realized and unrealized changes in value expressed as a percentage of the fair value of investment assets.

The daily time weighted method has been used to calculate the return on active investments. The monthly time weighted method has been used to calculate return on properties and other investments. The return has been calculated using the calculation methods used internally for the evaluation of asset management.

Total technical reserves on own account
Liabilites for insurance and investment contracts after reinsurers' share.

Transfer of liability
Transfer of insurance portfolio from insurance company/pension fund into another insurance company.

U

Underwriting
The risk assessment and pricing conducted when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.

Underwriting result
The insurer's profit on the insurance sale after all expenses and losses have been paid. When premiums are not sufficient to cover claims or expenses, the result is an underwriting loss. Underwriting losses are typically offset by investment income.

Unit-linked insurance
Life insurance savings are linked to the value of a certain investment, typically a mutual fund. Policyholder bears the risk of fluctuation of investments.

Unit-linked reserves of total technical reserves
Liabilities from unit-linked contracts.

V

Valuation differences
Difference between fair value and book value of investments.

Value of in-force-business
Value of existing life policies. This value is calculated considering all the income and expenses from these policies until termination.

Variable compensation
Variable compensation in Sampo Group can be divided into two main groups, which are a) variable compensations based on the contribution to the company's profitability and b) variable compensations linked to committing employees to the Group.

W

With profit policy
Life policy, in which guaranteed interest rates and possible bonuses are paid to savings.

With profit technical provisions
Liabilites for traditional insurance and investment contracts.