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Q3 2002 Report

November 13, 2002

- Continued improvement in core business performance
- Combined ratio YTD 106.3% (108.7% pro forma), Q3 103.6% (107.5% pro forma)
- Cost ratio YTD 28.9% (29.8% pro forma)
- Weak investment result, YTD statutory MSEK -532, current value MSEK 189
- Operating result YTD MSEK – 2 749
- Investment return 0.3% YTD (0.4% annualised)
- Net cash flow from underwriting MSEK 1 867

Result If Group	**Q3 2002**	**Q3 2001** pro forma	**9M 2002**	**9M 2001** pro forma	**FY 2001** pro forma
Gross written premiums	7 555	6 903	31 048	27 489	34 700
Operating result incl. norm. investments[1)]	397	155	494	324	-1 248
Operating result[2)]	-1 103	n.a.	-2 749	n.a.	n.a.
Combined ratio	103.6%	107.5%	106.3%	108.7%	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 Q3/2002, 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) 2001 actuals not comparable with 2002 actuals, as Sampo P&C and If P&C Insurance merged in January 2002.

Comments from Torbjörn Magnusson, CEO:

"In Q3, we continue to show strong improvements in the insurance operations. Our determined efforts to cut costs throughout have resulted in sizeable cost reductions compared to 2001. This will benefit our competitiveness and profitability. Our customers have the right to demand internal efficiency combined with excellent service, and I will continue to emphasise cost awareness in every part of the operation. In large parts of the portfolio, premium rates have reached adequate levels and few general premium adjustments are needed, except as driven by claims inflation.

The technical result including allocated interest - i.e. risk-free interest added to the underwriting result - is positive in Q3, as well as for the first nine months. The MSEK 104 technical profit for the first nine months reflects the underlying improvement in the portfolio and a combined ratio for the first nine months of 106.3%, or 103.6% for the third quarter isolated. Cost efficiency, fair pricing and focused risk selection are the main drivers behind the improvement. Due to seasonal variations, the full-year underwriting result is expected to be in line with the combined ratio for the first nine months, assuming normal large claims.

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.

We also see that the size and geographical diversification of If gives stability to the overall insurance results. The national insurance cycles do not move in perfect tandem, and the cost for large claims in the different countries tend to offset.

Savings in IT will reach at least MSEK 150 by year-end, by tightly controlling spending and achieving some early synergy wins from avoiding project duplication. Manning reductions have at the end of September already reached beyond the full-year target of 300 people. The measures taken are carefully designed so as not to hurt customer service, and hence mainly focus on back-office functions. Renegotiating service and sourcing agreements have contributed substantially to reducing the cost base, without affecting service levels negatively.

The equity market performance has not recovered during the quarter and the investment return remains very weak. The reduction in equity allocation implemented early in the quarter has been beneficial, and further actions to reduce risk have been taken in October.

In the next few months, a significant proportion of the 2003 renewals take place. We will continue our efforts to service our customers by providing safety and stability, and to identify and prevent risks. At the same time, we will consistently apply our strict underwriting criteria and insist on fair prices."

Group results

Third quarter: Premiums earned for Q3 2002 were MSEK 8 435 (MSEK 7 630 pro forma). Claims incurred were MSEK –7 029 (MSEK – 6 713 pro forma) and operating expenses were MSEK –1 713 (MSEK –1 488 pro forma). The statutory operating result before tax was MSEK –1 103 (MSEK 155, pro forma incl. normalised invest. result) in Q3.

The claims ratio was 83.3 per cent (88.0%) and the cost ratio was 26.9 per cent (27.5%). The combined ratio was 103.6 per cent (107.5%).

Nine months: For 9M 2002 premiums earned were MSEK 24 452 (MSEK 21 775 pro forma), claims incurred were MSEK –20 778 (MSEK –19 015) and operating expenses MSEK –5 224 (MSEK-4 662 pro forma). The statutory operating result before tax was MSEK-2 749 (MSEK 324 pro forma, incl. normalised investment result).

The claims ratio was 85.0 per cent (87.3%) and the cost ratio was 28.9 per cent (29.8%). The combined ratio was 106.3 per cent (108.7%).

Group result highlights MSEK	**Q3 2002**	**Q3 2001[1)]** pro forma	**9M 2002**	**9M 2001[1)]** pro forma	**FY 2001[1)]** pro forma
Premiums earned, net	8 435	7 630	24 452	21 775	30 271
Claims incurred, net	-7 029	-6 713	-20 778	-19 015	-27 409
Operating expenses	-1 713	-1 488	-5 224	-4 662	-6 815
Underwriting result	-307	-571	-1 550	-1 902	-3 953
Technical result	233	-16	104	-373	-1 971
Investment result	-607	n.a.	-532	n.a.	n.a.
Operating result[2)]	-1 103	n.a.	-2 749	n.a.	n.a.
Normalised investment result[3)]	893	926	2 711	2 715	3 619
Operating result incl. norm. investments[3)]	397	155	494	324	-1 248

Claims ratio	83.3%	88.0%	85.0%	87.3%	90.6%
Expense ratio	20.3%	19.5%	21.3%	21.4%	22.5%
Combined ratio	103.6%	107.5%	106.3%	108.7%	113.1%
Cost ratio [4)]	26.9%	27.5%	28.9%	29.8%	30.4%

1) Pro forma including Sampo P&C.
2) 2001 actuals not comparable with 2002 actuals, as Sampo P&C and If P&C Insurance merged in January 2002.
3) 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 Q3/2002, 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.
4) Operating expenses and claims handling costs in relation to premiums earned, net.

Business area comments

As from this quarter, the business area figures and comments refer to the entire Nordic operations, including Finland.

Private had net earned premiums in Q3 2002 of MSEK 4 019 (MSEK 3 614). The combined ratio was 103.9 per cent (107.5%), with a cost ratio of 26.7 per cent (29.6%). For the first nine months, the combined ratio was 106.6 per cent (106.2%).

The cost reduction program combined with the last 12 months' premium increases are now showing effect, improving results as well as current and future competitiveness.

The work of achieving fair pricing proceeds according to plan, and additional premium adjustments will be undertaken in markets with unprofitable lines. Premium increases will in general be limited to match claims inflation, and will be combined with segmentation to reflect risk exposures and enhance profitability.

In Motor in Norway and Sweden, the claims result has been marginally worse than expected due to a high number of car accidents. In addition, the repair costs have continued to increase. Increased bodily injury claims settlements have contributed to a deterioration in the claims result for current year. Claims provisions have been increased to match this development. If is an active participant and sponsor in the public Whiplash commission that was recently established to address the increasing number of such accidents in Sweden.

Manning reductions and the strong focus on costs in general have had a positive impact on operating expenses. IT cost savings have been achieved by focusing development efforts and by using less consultants. The cost of monthly direct debits has been lowered through renegotiations of sourcing agreements. In several areas cost reducing activities are running, e.g. costs for office rentals will be lower as of next year. In addition, this year's manning reduction will have full effect during next year. Further cost efficiency will be achieved through implementation of more streamlined and focused work processes based on our Nordic experience.

In Norway, the market share has decreased somewhat during 2002. However, the customers leaving If have, on average, a significantly higher risk than those remaining. Proactive sales efforts will made through low-cost acquisition channels.

To enhance the service level and increase efficiency, the customer centres' working processes in Denmark and Sweden are modelled on our Norwegian and Finnish practices, where claims handling is separate from the sales and service units. To this end, the customers centres have been reorganised into a regional structure with identical setup in all markets.

Commercial had net premiums earned of MSEK 2 476 in Q3 2002 (MSEK 2 396). The combined ratio was 103.5 per cent (98.8%), with a cost ratio of 28.8 per cent (26.9%). For the first nine months, the combined ratio was 104.2 per cent (105.3%).

The combined ratio remains stable despite a high number of large claims and an increase in cost ratio. The higher cost ratio is a consequence of increased commissions to brokers and improved quality in internal cost allocation. Over the year, the share of brokered business has increased from 15 to 19 per cent.

Premium growth and renewals develop favourably. The volume has increased by 9 per cent compared to last year. In line with the last quarters, the largest volume increases are within the broker and affinity distribution channels. As within the Private business area, Motor clients leaving have a significantly higher claims ratio than those remaining, reducing portfolio risk. The share of passenger cars in the portfolio has increased, while the share of lorries and busses intentionally has been decreased, reducing risk and adding stability to the portfolio. In Sweden in particular, further differentiated premium increases are required.

Several large claims in Norway and Denmark impacted the claims ratio in Q3. However, the combined ratio remained at an acceptable level due to the increased profitability in other lines. In total, the large claims level was approximately MSEK 60 above normal, affecting the combined ratio by 0.8 per cent for the nine months period. Customer satisfaction in claims handling is closely monitored. More than 90 per cent of clients having a claim express satisfaction with the process, and two thirds are very satisfied.

In the yearly September renewals of Finnish Workers' compensation, If achieved a high renewal rate of 98.5 per cent, while maintaining the overall price level. This line constitutes 12 per cent of the total Commercial portfolio.

In late spring, a web-based customer system was implemented in Norway, offering customers access to their policies, conditions and claims history. The demand for the system has increased during the third quarter, and today it is used by more than 7 000 customers.

In Sweden and Denmark, an agreement has been made to transfer the previously outsourced P&C sales staff from SkandiaBanken to If, which will decrease costs and facilitate the cooperation between the sales force and underwriting resources.

Industrial had net premiums earned of MSEK 1 385 in Q3 2002 (MSEK 1 101). The combined ratio was 103.2 per cent (114.8%), with a cost ratio of 21.8 per cent (24.8%). For the first nine months, the combined ratio was 109.4 per cent (116.0%).

The strong premium increases have continued and affected the key ratios positively. The cost in nominal terms, excluding broker commissions, has remained unchanged. Additionally measures to increase leverage on the Nordic structure are being implemented.

The floods in central Europe in Q3 had only a marginal impact on our Nordic portfolio and the total net claims cost was MSEK 40. Overall, the gross effect of large claims is above normal year-to-date, but as many of the claims are in captive and fronted business the net large claims cost was normal.

Due to the determined profitability focus and ongoing pruning of the international portfolio there has been a reduction of the overall risk level, and the unprofitable satellite insurance line was terminated during Q3.

An improved premium calculation tool for underwriters has been implemented during the period. In addition, a new system which coordinates client handling is now in use.

Marine & Energy had net earned premiums in Q3 2002 of MSEK 495 (MSEK 435). The combined ratio was 100.8 per cent (115.2%), with a cost ratio of 16.6 per cent (20.7%). For the first six months, the combined ratio was 103.9 per cent (123.5%).

The results are developing according to plan. The improvement from last year is due to premium increases and the Petrobras oil rig accident's heavy impact on results in 2001.

Within Energy, there have been rate increases of about 80 per cent so far this year, and rates are now approaching profitable levels. The claims development has been fairly advantageous.

The Marine portfolio volume has developed satisfactory with a high renewal ratio and few large claims. The premium increases have been approximately 20 per cent year-to-date. There is a clear tendency towards increased customer demand for "added value" such as loss prevention, an area in which If's operations have extensive experience and a proven track-record.

Other business

All together, the Baltic countries and Poland had net earned premiums in Q3 2002 of MSEK 124 (MSEK 86). The combined ratio was 92.7 per cent (112.8%), with a cost ratio of 31.8 per cent (43.3%). For the first nine months, the combined ratio was 95.0 per cent (108.5%).Of total premiums earned, Estonia accounted for 76 per cent. The market share in Estonia is approximately 36 per cent.

A decision has been taken to put the business in Poland in runoff. The number of clients and risks is very limited.

The gross technical provisions of the Run-Off business were SEK 2.9 billion and the net provisions SEK 2.4 billion. Gross provisions have been reduced by SEK 0.2 billion since Q2, and by SEK 1.1 billion since 2001.

Investments

The statutory investment result for the first nine months was MSEK -532 and the current value result MSEK 189. In Q3, the statutory result was MSEK –607 and the current value result MSEK -20.

The negative performance in the equity markets globally has impacted the investment return. A strong performance in fixed-income markets contributed positively to the return, as seen in the current value result.

In the beginning of the quarter, the equity allocation was reduced significantly, which contributed to counteract the negative development. Also, the new asset class Global cash was introduced.

Early in Q4, a further reduction in investment risk has been made, by implementing a modified asset allocation policy. The new target weight in equities is 10 per cent, with a variation span from 0 to 15 per cent. The current equity weight is just below 10 per cent. The fixed-income durations in EUR, NOK and SEK have been reduced, bringing the overall duration down from 2.8 years as of Q3 to 2.1 years currently. Call-options on equity markets maturing in December have been written on an underlying amount of SEK 3 Bn.

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 results per country are influenced by internal cost allocations.

Overall, there has been a steady improvement in the cost ratio and a relatively significant decrease in the risk ratio over the first nine months.

In Sweden as well as in Finland, the combined ratio has improved over the year, being 110.3 per cent and 104.7 per cent respectively for the nine months period. The combined ratio in Norway remains virtually unchanged at 101.6 per cent. Due to large claims, Denmark had a combined ratio of 107.8 per cent by the end of September.

In the appendix claims results from previous years' business and cost ratios are also presented.

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.

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 92 higher operating expenses, MSEK 418 higher claims incurred and MSEK 466 higher net premiums earned were attributable to exchange rate effects.

Changes in Net Asset Value

The Net Asset Value increased during Q3 from MSEK 16 649 to MSEK 17 417, as a result of a MSEK 1 000 capital contribution from the shareholders, in combination with 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 nine months of 2002 was MSEK 42.

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

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A teleconference will be held on November 13 at 15:00 Stockholm time. The Q3 presentation and more detailed information is published under financial information on If's Internet site www.if-insurance.com

Appendices