If P&C Insurance
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Year-end report 2002

February 25, 2003

- MSEK 669 operating profit in Q4 (-1 572 pro forma)
- Continued improvement in core business performance
- Combined ratio 106.1% (113.1% pro forma), Q4 105.5% (124.1% pro forma)
- Cost ratio 28.3% (30.4% pro forma), Q4 26.9% (31.8% pro forma)
- Investment result statutory MSEK 690, current value MSEK 1 424
- Investment return 2.1%
- Operating result MSEK – 2 080
- Net cash flow from underwriting MSEK 1 551

Results If Group	**Q4 2002**	**Q4 2001[1)]** Pro forma	**FY 2002**	**FY 2001[1)]** Pro forma
Gross written premiums	7 088	7 211	38 136	34 700
Operating result[2)]	669	n.a.	-2 080	n.a.
Technical result[3)]	217	-1 598	321	-1 971
Combined ratio	105.5%	124.1%	106.1%	113.1%

1) Pro forma including Sampo P&C. In the consolidation of the accounts, the Sampo P&C accounts have been converted into Swedish GAAP and If's accounting principles have been applied.
2) 2001 actuals not comparable with 2002 actuals, as Sampo P&C and If P&C Insurance merged in January 2002.
3) Underwriting result plus allocated risk-free interest on net technical provisions.

Comments from Torbjörn Magnusson, CEO:

"In the fourth quarter of 2002, If showed substantial profits. The operating profit was MSEK 669 and the technical profit MSEK 217. This is tangible proof of the success of our large-scale turn-around programme and gives strong encouragement to an organisation that has worked very hard and with great determination. A further sign of the consistency of the efforts is the fact that all business areas without exception showed substantial results improvements on the performance in 2001.

During the year, we have emphasised the need to increase internal efficiency and redirect resources to our core customer operations. The figures from these actions speak for themselves: IT costs are down by more than MSEK 150 on 2001, headcount reduction is well ahead of plan with more than 450 people and costs for corporate functions are down by roughly one third. As a result, our cost ratio is down 2.1 percentage points on 2001. Some of the effects from the measures taken are yet to come, and we expect to be able to cut the cost ratio further in 2003.

If P&C Insurance is the leading property & casualty insurance company in the Nordic area, with an annual turnover in 2002 of SEK 38 billions and 7600 employees.

The underwriting programme continues to deliver results according to plan. Even though large claims in the last quarter of the year were not favourable, pruning and pricing has given an enhanced quality in the book which is reflected in the stability of the fourth quarter loss ratios. Going forward, this will give firm support to consistent underwriting profitability. In the personal lines segment, fourth quarter loss frequencies were good and weather conditions acceptable, even though there is always a seasonal effect to Nordic P&C results. Here also, we now see the results of our premium corrections as planned.

During the fourth quarter, investment results rebounded, as equities recovered and fixed-income markets rallied. We used an active investment strategy including derivatives to reduce risk, and were able to implement a reduction in equity exposures and fixed-income durations with good timing during the quarter. By active investment management, we have been able to beat benchmark performance by some sixty basis points. To optimise performance and reduce management fees, we will reallocate asset manager mandates in 2003.

During 2002, we have also succeeded in realising a number of key benefits of the integration between our Scandinavian and Finnish operations. These include a joint reinsurance programme, with savings based on scale, joint general ledger and follow-up systems and, of course, a joint Nordic organisation based on customer segments. Commencing March 1, 2003, we will launch the If brand in Finland for the private and commercial customers where we have so far used the Sampo brand name.

We move forward from the year 2002 with a strengthened balance sheet, with a positive technical result reflecting the long-term strength built up in our operations and with the group's routines and processes in good order. We have reached our targets in the heavy year-end renewals 2002/03 in the commercial and industrial lines, both in terms of sales and premium levels, and on that basis I have strong confidence in our plans for 2003 as the leading insurer in the Nordic P&C market."

Group results

Fourth quarter: Premiums earned for Q4 2002 were MSEK 8 337 (MSEK 8 496 pro forma). The technical result was MSEK 217 (MSEK -1 598). Claims incurred were MSEK –7 207 (MSEK – 8 394 pro forma) and operating expenses were MSEK –1 591 (MSEK –2 153 pro forma). The statutory operating result before tax was MSEK 669 (MSEK -1 572 pro forma incl. normalised investment result) in Q4.

The risk ratio was 78.6 per cent (92.3%) and the cost ratio was 26.9 per cent (31.8%). The combined ratio was 105.5 per cent (124.1%).

Full year: For the full year 2002, premiums earned were MSEK 32 789 (MSEK 30 271 pro forma). The technical result was MSEK 321 (MSEK -1 971). Claims incurred were MSEK –27 985 (MSEK –27 409) and operating expenses MSEK –6 815 (MSEK -6 815 pro forma). The statutory operating result before tax was MSEK -2 080 (MSEK -1 248 pro forma, incl. normalised investment result).

The risk ratio was 77.8 per cent (82.7%) and the cost ratio was 28.3 per cent (30.4%). The combined ratio was 106.1 per cent (113.1%).

Group result highlights MSEK	Q4 2002	Q4 2001[1)] Pro forma	FY 2002	FY 2001[1)] Pro forma
Premiums earned, net	8 337	8 496	32 789	30 271
Claims incurred, net	-7 207	-8 394	-27 985	-27 409
Operating expenses	-1 591	-2 153	-6 815	-6 815
Underwriting result	-461	-2 051	-2 011	-3 953
Technical result	217	-1 598	321	-1 971
Investment result	1 222	n.a.	690	n.a.
Operating result[2)]	669	n.a.	-2 080	n.a.
Normalised investment result[3)]	766	904	3 477	3 619
Operating result incl. norm. investments[3)]	213	-1 572	707	-1 248
Risk ratio[4)]	78.6%	92.3%	77.8%	82.7%
Cost ratio[5)]	26.9%	31.8%	28.3%	30.4%
Combined ratio	105.5%	124.1%	106.1%	113.1%
Claims ratio	86.4%	98.8%	85.3%	90.6%
Expense ratio	19.1%	25.3%	20.8%	22.5%

1) Pro forma including Sampo P&C. In the consolidation of the accounts, the Sampo P&C accounts have been converted into Swedish GAAP and If's accounting principles have been applied.
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 Q4/2002, 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) Claims incurred excluding claims handling costs in relation to premiums earned, net.
5) Operating expenses and claims handling costs in relation to premiums earned, net.

Business area comments

Private had net premiums earned in Q4 2002 of MSEK 3 935 (MSEK 4 097). The technical result was MSEK 178 (MSEK -218). The combined ratio was 102.2 per cent (110.6%), with a cost ratio of 28.2 per cent (33.6%). For the full year, the combined ratio was 105.5 per cent (107.5%).

During 2002, the comprehensive profitability programme has improved the key ratios and results, as planned. The main drivers of this were improved cost efficiency and premium adjustments in unprofitable segments, but raising deductibles and systematic purchasing efforts also contributed. In Finland, the profitability level was maintained. In general, the markets have been supportive of the premium initiatives taken by If.

The premium growth (gross) was 6% over the year. Premium levels overall are approaching adequate levels and future adjustments will for the most part be determined by claims inflation. Premium levels in Motor in Sweden and Denmark as well as in Property in Norway continue to be focus areas.

Claims frequencies in the fourth quarter were better than plan, partly due to favourable winter weather conditions. For the full year, claims were at a normal level in contrast to last year, when several major weather events triggered higher claims levels than normal. In Motor Sweden, a high number of car accidents and increasing repair costs have negatively affected the claims result. Since 1999, repair costs have increased by more than 30 per cent. The impact of prior years' claims on the combined ratio was negative (3 percentage points), versus positive (1 percentage point) in 2001.

Claims purchasing initiatives were important to keep development of average claims under control. These include partnerships with preferred suppliers, directly to customers as well as to If and implementation of repair method agreements, for example plastic car parts repair.

The full year cost ratio improved by 2.6 percentage points. This was due to overall cost efficiency measures, manning reductions and higher earned premiums. The measures to control costs included renegotiated service agreements, lower travel expense, lower office rents and increased efficiency in the use of premises. In particular, consultancy fees and IT-costs were significantly lower than 2001.

Drawing on best practice in Norway and Finland to enhance service to customers, the call centres in Sweden and Denmark have been split into separate Customer Service centres and Claims centres. In Finland, the efforts to develop the Customer call centres as a complement to the existing branch sales offices have continued in Q4. A tendency towards fewer customers visiting branch offices has been observed, and a number of offices have been closed. Since 2000, incoming calls have increased by 18 per cent, at the same time as visits to branch offices have declined by 23 per cent.

In 2003, the Nordic customer service programs will be further improved, regarding both claims settlement and general service. Customer satisfaction and retention rates will be closely monitored combined with a continued focus on profitability in all segments and markets. A new customer loyalty programme has been developed and will be introduced in Q1 2003, starting in Norway and Sweden.

Commercial had net premiums earned of MSEK 2 661 in Q4 2002 (MSEK 2 525). The technical result was MSEK 29 (MSEK -263). The combined ratio was 105.7 per cent (115.8%), with a cost ratio of 28.3 per cent (29.9%). For the full year, the combined ratio was 104.6 per cent (108.1%).

The GWP growth was 8 percent over the year, reflecting the premium level adjustments over the last two years. The number of customers remained stable and the market share is expected to stay unchanged during the year. The share of business sold through brokers continued to increase, to 34 per cent.

In Finland, profitability has been maintained. The determined actions in Norway to improve profitability have affected the results positively. In the Nordic region in general, the markets have accepted the necessary premium adjustments, in many cases led by If.

The large claims experience overall was normal, compared to MSEK 200 above normal in 2001. Within Property, however, large claims continued to increase, underlining the need for further premium adjustments, especially in Sweden and Denmark. The cost of smaller claims developed positively in most lines of business. The impact of prior years' claims cost on the combined ratio was negative (1 percentage points), versus positive (2 percentage points) in 2001.

The cost ratio was stable, despite costs for the integration in Finland and large investments in a new production system. The underlying improvement was due to staff reductions and general cost awareness. IT-spending has been highly focused on long-term investments.

During 2002, the segmented premium increases, discount tightening and focused portfolio pruning have continued. The profitability programs directed towards customer segments with high loss ratios have been successful, as the customers lost have had significantly higher loss ratios than those renewed. In specific areas, such as wood-based manufacturing, fish processing factories, hotels and restaurants, underwriting is done very selectively.

In March 2002, a web-based service model was implemented in Norway. In the system, customers can file simpler claims and access their claims history and specific policy terms, and use of the system has grown rapidly over the year. More than 11 000 customers are now users and the growth is expected to continue.

The P&C personal sales force in Sweden and Denmark, previously employed by Skandia, was transferred to If during 2002. During 2003, the sales force will be reorganised to optimise efficiency, create closer links to underwriters and claims handlers and to increase customer service. A further transfer of small customers to customer centres is expected.

In 2003, the aim is to remain profitable in Norway and Finland and to improve profitability in Sweden and Denmark. The key actions are further premium differentiation, loss prevention, portfolio pruning and even further improved risk selection. Efforts will gradually be directed towards finding select business areas were sales should be intensified. The development of a new production system will continue as a prioritised project, with the aim of achieving live production for select portfolios in Sweden during the year.

Industrial had net premiums earned of MSEK 1 273 in Q4 2002 (MSEK 1 244). The technical result was MSEK -44 (MSEK -231). The combined ratio was 110.7 per cent (121.3%), with a cost ratio of 22.3 per cent (25.1%). For the full year, the combined ratio was 109.7 per cent (117.6%).

Despite a sizeable improvement, the Industrial results remain unsatisfactory. Further firm profitability actions are necessary and will be taken in 2003, drawing on If´s market leadership in the Nordic region.

Premium rates have been continuously adjusted to match risk exposures, with support from the hardening reinsurance market. Over the year, the portfolio has been pruned from low profitability and non-core accounts, e.g. outside the Nordic region. Property has been subject to the largest premium adjustments.

During the last quarter, Industrial had three claims above 50 MSEK. For the full year, the net large claims cost including reinsurance reinstatement premiums was somewhat above expected.

The net costs increased by 5 per cent compared to 2001, while the cost ratio was reduced with 3 percentage points. The increase in nominal costs refers to increased broker commissions, reflecting the premium growth as well as a continued increase in the share of brokered business. Costs excluding commissions decreased by 7 percent, following manning reductions, more focused IT-spending and general cost awareness.

The key profitability actions for 2002, re-underwriting of the portfolio, determined rate adjustments and improvement of the organisational structure, were identified and implemented in the beginning of the year. Re-underwriting of the portfolio entailed bottom-up pricing of existing customers and cancellation of unprofitable single accounts.

An organisational review was done in 2002, with the intention of finding the most efficient organisation and optimal working processes without negative impact on customer relationships, and has led to manning reductions. The current office structure, including international branch offices, will be analysed in 2003.

The main focus in 2003 is on profitability. All efforts are aimed at achieving improved results and profitability. The renewals at year-end 2002, at which time a sizeable part of the book renews, were completed as targeted.

Marine & Energy had net premiums earned in Q4 2002 of MSEK 432 (MSEK 454). The technical result was MSEK -146 (MSEK -109). The combined ratio was 136.8 per cent (132.8%), with a cost ratio of 22.6 per cent (20.1%). For the full year, the combined ratio was 111.6 per cent (126.2%).

Strong premium increases and strict underwriting guidelines have improved the results. The premium levels are approaching sustainable levels, and over the year, the rate increases have been 20% and 80% on average for Marine and for Energy business, respectively.

During 2002, the previous Sampo Marine business in Sweden and Finland was integrated into If and is now managed by Gard Services AS. The integrated portfolio of some MSEK 450 GWP has influenced the full year key ratios negatively. Measures to increase the portfolio quality are undertaken and the portfolio is now managed according to If's underwriting guidelines.

The combined ratio excluding the integrated portfolio was 107.3 per cent (123.7%). In Q4, the claims provisions were increased by MUSD 15 in respect of one asbestos-exposed client in the United States. Current year large claims were about normal, despite several large marine claims in Q4. Profitability in Energy was good.

To increase control as well as profitability, the risk exposure within Energy has been roughly halved during 2002. The focus will remain on upstream oil and gas activities, whilst downstream integrated business will be scaled down further. Stand-alone downstream business will not be offered.

For 2003, further sizeable premium adjustments are implemented in Marine as well as Energy.

Other business

All together, the Baltic countries and Poland had net earned premiums in Q4 2002 of 117 (MSEK 100). The technical result was MSEK 11 (MSEK -6). The combined ratio was 100.0 per cent (106.0%), with a cost ratio of 54.6 per cent (44.8%). For the full year, the combined ratio was 96.3 per cent (107.8%).

Of total premiums earned, Estonia accounted for 68 per cent with a combined ratio of 96.7 per cent in 2002. The market share in Estonia is approximately 36 per cent.

The business in Poland has been placed in run-off.

The gross technical provisions of the Run-off business were SEK 2.6 billion and the net provisions SEK 2.1 billion. Gross provisions have been reduced by SEK 0.3 billion since Q3, and by SEK 1.4 billion since 2001, through active commutations and sale of several portfolios. In 2003, the portfolio will be reduced further, applying the same strategy of active commutations and sales of business.

Investments

The statutory investment result for the year was MSEK 690 and the current value result MSEK 1 424 corresponding to a return of 2.1%. In Q4, the statutory result was MSEK 1 222 and the current value result MSEK 1 235.

The negative performance in the equity markets globally has impacted the investment return, though equity markets recovered somewhat in Q4. A strong performance in fixed-income markets contributed positively to the return. Real-estate investments were written down by MSEK 170 in Q4.

The total return was some MSEK 400 above benchmark performance, mainly from tactical allocation decision on equity weighting. For the first nine months, the actual allocation to equities was below the target weights. During Q2 and Q4, call options on equity indices were written. These options have contributed MSEK 75 to the result for the year. At year-end, no such options were outstanding.

During 2002, several changes in overall asset allocation were made. The policy target weight for equities in live business, initially set at 20%, was reduced to 15% at the end of June, and further to 10% early in Q4. Also in Q4, the overall fixed-income target duration was reduced to 2.1 years. Holdings in real estate were reduced by SEK 1 bn to SEK 2.7 bn and holdings in Finnish equities by SEK 2.1 bn to SEK 0.9 bn, adding further diversification to the overall equity portfolio.

A new investment policy for 2003 has been decided upon and implemented. By the new policy, the target weight for equities in live business is 7 per cent, with a variation span from 0 to 12 per cent. The overall target fixed-income duration is 2.5 years, with shorter target durations in SEK, NOK and USD and a maximum overall duration of 5 years. The reduction in real estate holdings is expected to continue. As compared to prior years, a greater focus will be put on total investment return and capital preservation.

During 2002, Sampo, Storebrand and DnB managed the group’s investment assets. The mix of asset managers is currently under review. During 2003, If will strengthen the internal functions such as tactical allocation and investment control.

Results per country and supplementary disclosures

If is managed in a 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. As from this report, results per country are shown excluding Industrial business, which is best seen on a Nordic level. The results per country are influenced by internal cost allocations.

During the year, the market share in Norway declined somewhat, whereas the Swedish market share remained stable and the Danish one increased slightly. Customers leaving had a significantly higher expected claims ratio than those who renewed. The market share in Finland was stable, except for a small decline in Motor.

The cost ratios improved in all countries except Finland, which was impacted by restructuring costs and branding expenses. The claims ratios were down in all countries except Denmark, where results suffered from negative development in Private Accident and large claims in Commercial Property in particular. Premium adjustments, lower large claims cost and good weather conditions improved results in Sweden and Norway. The comprehensive profitability measures undertaken in the motor portfolio have improved business line performance in both countries. The claims ratio in Finland improved somewhat.

In the appendix claims results from prior years’ business and technical provisions per business area 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 110 higher operating expenses, MSEK 435 higher claims incurred and MSEK 467 higher net premiums earned were attributable to exchange rate effects.

Changes in Net Asset Value

The Net Asset Value decreased during 2002 from MSEK 18 098 to MSEK 17 961, as a result of the operating loss, capital contributions from the owners, foreign subsidiary equity translation 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 full year was MSEK 179.

This report has been compiled using the same accounting principles as in the Annual Report for 2001. The insurance operations transferred from Sampo have been consolidated in Q4 using the acquisition method, which have affected the full year results for 2002, and giving rise to goodwill of MSEK 794. The goodwill includes revaluations of the 2002 opening balance of the transferred business of MSEK 212.

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A teleconference will be held on February 25 at 16:00 Stockholm time, teleconference call number: +44 (0)20 716 201 25. The year-end presentation is published under financial information on If's Internet site www.if-insurance.com

Appendices