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Q1 report 2003

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- Operating profit in Q1 MSEK 284 (-458)
- Combined ratio 105.0% (111.3%)
- Cost ratio 27.4% (30.9%)
- Net insurance margin 1.8%
- Investment result statutory MSEK 937, current value MSEK 688
- Investment return 1.0%
- Net cash flow from underwriting MSEK 3 245

Results If Group **MSEK**	**Q1 2003**	**Q1 2002**	**FY 2002**
Gross written premiums	15 878	14 602	38 136
Technical result	159	-318	321
Operating result	284	-458	-2 080
Combined ratio	105.0%	111.3%	106.1%

Comments from Torbjörn Magnusson, CEO:

"In Q1 2002, If P&C launched a 24-months turn-around programme which delivered strong improvements in 2002 already. The Group's technical result in Q1 2003 was satisfactory at MSEK 159 (-318). All business areas produced positive technical results for the period, and implementation of the programme has proceeded as planned during the first quarter. On the investment side, falling interest rates compensated equity market losses, which gave close to the normalised total investment returns, and an operating profit of MSEK 284 (-458).

The first quarter is normally the most difficult quarter of the year for Nordic P&C insurance due to seasonal changes, but the measures taken in 2002 led to a continued fall in the first quarter combined ratio to 105.0% (111.3%). We renew approximately 50% of the Commercial and Industrial book and about 25% of the personal lines business in the first quarter. The actions taken this quarter will thus be the key to our success in the next 12 months. Loss trends were in line with expectations and markets in general supported premium adjustments, most notably in the Swedish market, where the largest corrections were necessary.

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 7 500 employees.

In 2002, cost-cutting and re-directing resources to working with customers were identified as main components in the turn-around programme, both when addressing the short-term financial challenges and developing outstanding services in the longer term. We have continued to reduce spending in Q1, specifically by streamlining of our administrative routines, renegotiating software and hardware agreements, moving to more cost-efficient premises and by reducing broker commission levels in the Swedish markets. The overall cost ratio fell to 27.4% (30.9%).

We shall continue working to enhance claims handling and customer service. During Q1 we opened four new franchise offices in Norway and moved additional resources to our Call Centres in Finland to meet the steadily increasing demand for telephone service.

To ensure consistency in profitability targets and continuous implementation, a Group-wide employee bonus programme was introduced on January 1, which, for the first time, ties a variable salary component for all employees to the financial performance of the Group.

Brokers have continued to increase their presence in the Nordic markets in the completed renewals, and they now represent about 36% of our Nordic Commercial and Industrial portfolio. In all Nordic markets there are now discussions towards broker net pricing. In this concept brokers are remunerated directly by the customer, which contributes to greater transparency for the customer and rewards brokers for high quality services. We participate in these discussions with great interest to achieve a practice that is efficient for all parties.

On January 1 the If Brand was launched in the Baltic States and on March 1 in Finland by means of staff communication, advertising and PR activities. The Brand has been well-received in the markets, with the aided brand awareness in Finland increasing from 52% to 75%, and unaided brand awareness from 18% to 32%. The campaign also resulted in extensive press coverage.

As market solvencies and investment returns are historically low, core operational efficiency is paramount, and the Nordic P&C industry must make adjustments accordingly. Hence, we continue to pursue operational excellence and are determined to develop a strong Group culture that rewards excellent underwriting performance irrespective of market conditions."

Group results

Premiums earned for Q1 2002 were MSEK 8 672 (7 753). The technical result was MSEK 159 (-318). Claims incurred were MSEK –7 344 (–6 837) and operating expenses were MSEK –1 758 (-1 794). The statutory operating result before tax was MSEK 284 (-458) in Q1.

The risk ratio was 77.6 % (80.4%) and the cost ratio was 27.4 % (30.9%). The combined ratio was 105.0 % (111.3%).

Group result highlights MSEK	Q1 2003	Q1 2002	FY 2002
Premiums earned, net	8 672	7 753	32 789
Claims incurred, net	-7 344	-6 837	-27 985
Operating expenses	-1 758	-1 794	-6 815
Technical result	159	-318	321
Investment result	937	624	690
Operating result	284	-458	-2 080
Normalised investment result[1)]	785	933	3 477
Operating result incl. norm. investments	132	-149	707
Risk ratio[2)]	77.6%	80.4%	77.8%
Cost ratio[3)]	27.4%	30.9%	28.3%
Combined ratio	105.0%	111.3%	106.1%
Insurance margin[4)]	1.8%	-4.1%	1.0%
Claims ratio	84.7%	88.2%	85.3%
Expense ratio	20.3%	23.1%	20.8%

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 Q1/2003, was calculated based on If's applicable investment mix, assuming 4.2% investment return on fixed income, 7.5% on equities and 6.1% on other investments.
2) Claims incurred excluding claims handling costs in relation to premiums earned, net.
3) Operating expenses and claims handling costs in relation to premiums earned, net.
4) Technical result in relation to earned premiums, net.

Business area comments

Private had net premiums earned in Q1 2003 of MSEK 3 989 (3 739). The technical result was MSEK 67 (-254). The combined ratio was 104.5 % (113.1%), with a cost ratio of 28.2 % (31.5%).

Compared to last year the combined ratio has improved significantly. The rather favourable weather conditions, as well as the premium adjustments made in 2002, have had a positive impact on the Q1 results. The various measures implemented to reduce internal costs, for example within IT and manning, gave visible effects already in the fourth quarter of 2002, and have continued to influence the improved results.

The gross premium growth was 7%. In many cases essential premium adjustments have now been finalised, and rates have stabilised for a large number of products. However, the steadily increasing claims frequency in Swedish Motor has resulted in a sustained need for premium adjustments to follow the claims development in this particular line.

In general, Q1 gave a very good current year claims result in all countries due to low claims frequency following good weather conditions and few large claims. However, Property in Sweden experienced very cold weather and little snow in January which caused a large number of burst pipes with water leakage as a consequence.

Within Private lines, If continues working towards improving the efficiency of claims handling and customer service. In Q1, a customer loyalty programme was launched which is expected to give positive long-term customer relationship benefits.

Commercial had net premiums earned in Q1 2003 of MSEK 2 695 (2 449). The technical result was MSEK 41 (24). The combined ratio was 105.1% (105.2%), with a cost ratio of 27.5% (28.7%).

Continued underlying improvement in claims frequency and premium adjustments have contributed positively to the Q1 result. Hence, the combined ratio was at the same level as last year despite a somewhat above normal large claims level within Property lines and a small, but negative, result on claims incurred in prior years.

The renewals have been a major focus in Q1 and premiums have developed positively throughout the quarter, the net premiums earned have increased by 10% compared to the same period last year. The profitability programmes launched in Sweden and Denmark, with average increases in premium levels of approximately 15%, have been effectively implemented and will contribute to a continued increase in the overall premium levels in the future. Premium increases have been carried out on a risk-differentiated basis and the net renewal rate has developed satisfactorily.

The volume increase was mainly within the broker channel and the Small Enterprises-channel. The now in-sourced Swedish Sales Force channel increased its premium volume by 4% in Q1.

The claims result was negatively affected by adverse large claims development in Property lines in Norway. Overall, claims frequency has developed positively, seasonal changes taken into consideration. The run-off result has been negatively affected by an increase in claims in prior years within Liability and Swedish Motor TPL.

Industrial had net premiums earned in Q1 2003 of MSEK 1 410 (1 027). The technical result was MSEK 28 (-106). The combined ratio was 104.8% (118.4%), with a cost ratio of 24.9% (31.1%).

The substantial improvement in results compared to last year was mainly due to general premium increases and favourable large claims development in Q1.

The gross premium growth was 11%. Significant premium adjustments have been made and the market development still supports premium increases. Fair pricing continues to be an essential part of the ongoing profitability efforts.

The profitability actions decided on in 2002, including comprehensive portfolio pruning, have been implemented and the expected reductions in premium volumes in selected areas have been realised. The previously separate Finnish and Scandinavian reinsurance programmes have been combined, resulting in a reduction of the ceded premium as well as a more streamlined and efficient risk protection for the Group.

Current year claims development has been somewhat better than normal and the current year gross claims cost was lower than last year's, which was affected by large claims. Successful risk management work in close co-operation with clients is of major importance and has contributed positively to the claims development. However, reassessment of individual claims that occurred prior to 2003 increased the combined ratio by 4 percentage points.

Year-end renewals were finalised with satisfactory results. The focus on core business and profitability improvement continues, as well as the strategic work to ensure long-term competitiveness.

Other business

Marine & Energy had net premiums earned in Q1 2003 of MSEK 478 (464). The technical result was MSEK 51 (37). The combined ratio was 99.0% (101.7%), with a cost ratio of 20.3% (23.5%).

The combined ratio has improved compared to last year, in spite of several large claims in the market. The integrated Finnish portfolio improved in Q1 after having been adapted to the stricter If guidelines. However, the results of the integrated portfolio are still not satisfactory, as they affect the total results negatively. Premium increases are generally supported by the markets.

The Baltic countries and Poland had net earned premiums in Q1 2003 of MSEK 111 (MSEK 105). The technical result was MSEK 7 (MSEK 6). The combined ratio was 97.4% (94.3%), with a cost ratio of 39.3% (48.7 %).

Run-off had gross technical provisions of MSEK 2 500 and the net provisions were MSEK 2 055. Gross provisions have been reduced by MSEK 56 since Q4 2002. Over the year, the portfolio will be reduced further by applying the same strategy of active commutations and sales of business as in 2002.

Investments

The statutory investment result for Q1 was MSEK 937 and the current value result MSEK 688 corresponding to a return of 1.0%.

The first quarter was initially characterised by weak equity markets and strong fixed-income markets. Equity markets, as well as bond yields, bounced in March as war woes eased. A cautious investment strategy was implemented, underweighting equity investments and applying a shorter duration in fixed-income investments than the benchmark, especially towards the end of this period. Swedish index-linked bonds were sold close to quarter lows in late February and mid March.

At the end of the quarter, the allocation to equities in live business, including overlay derivatives, was 4% (benchmark 7%). The average fixed-income duration was 1.7 years (benchmark 2.5 years). Holdings in Finnish equities have been reduced further.

The total return was above benchmark performance, mainly due to the tactical decision to underweight equities. Trading in Swedish real-rate bonds also contributed positively. Overall, Asset Manager performance was in line with benchmark.

Results per country and supplementary disclosures

In Q1, combined ratios in Sweden and Denmark have improved significantly, while the combined ratio remained stable in Norway and stayed at a low level in Finland where there was a slight increased compared to last year. Supported by the markets, undertaken premium actions have affected results positively in all countries.

In Sweden, where the most notable premium adjustments were made, the result development was positive, as claims development improved compared to last year, especially within Private business. Costs have clearly improved in Norway, but as claims development was negative due to a greater than normal large claims level within the Commercial business, Q1 results were in line with last year. The Finnish results remained stable, at a low combined ratio in Q1. In Denmark, results have improved strongly from last year following significant premium increases, cost reductions and improved claims frequency.

Underwriting results per country can be found as supplementary disclosures per country in the appendix. These exclude Industrial business, which is best seen on a Nordic level.

Claims results from prior years' business and technical provisions per business area are also presented in the appendix.

Cyclical variations

Property and casualty insurance is subject to cyclical variations, where 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

The translation of income and expenses in foreign currencies, such as NOK and USD, into SEK was performed at different average exchange rates compared to those used in 2002. Q1 2003 currency rates would have impacted Q1 2002 with MSEK 23 higher operating expenses, MSEK 89 higher claims incurred and MSEK 98 higher net premiums earned.

Changes in Net Asset Value

The Net Asset Value decreased during Q1 from MSEK 17 961 to MSEK 17 865, as the unrealised gains and losses on fixed-income investments as well as the deferred tax liability decreased. The shareholders' equity increased in Q1.

Result for the Parent company

The Parent company, If P&C Insurance Holding Ltd, conducts no business activities. The pre-tax result for Q1 was MSEK 181.

This report has been compiled using the same accounting principles as those used in the Annual Report for 2002.

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A conference call will be held on May 8 at 16:00 Stockholm time. Further details and the Q1 presentation are published under financial information on If's Internet site www.if-insurance.com Please make sure to register on the web site to obtain your personal pin-code, which is needed to get access to the conference call, dial in number +44 (0)20 7162 0135.

Appendices