

Press release

27 October 2000

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IF P&C INSURANCE NINE MONTHS RESULTS 2000

- Programme of improvement projects show positive results
- Combined ratio continues to improve: Q3 106.1 %, Q2 111.2%, Q1 112.5%
- Operating profit for Q3 MSEK 22
- Combined ratio for 9 months 109.9 % (9 months pro forma 1999 117.1%)
- Group operating result for 9 months MSEK -357
- Total investment return including mark to market of fixed-income investments MSEK 1 317, corresponding to 3.7%
- Number of customers increasing
- E-commerce developing according to plan

Group results (MSEK)	Q3 2000	Jan-Sep 2000	Jan-Sep 1999 ¹
Premiums earned	4 499	12 976	11 821
Claims incurred	-3799	-11 247	-10 807
Operating expenses	-975	-3 010	-3 032
One-time launching expenses Q2 2000	0	-170	0
Technical result before allocated interest	-275	-1 451	-2 018
Investment result	330	1 168	NA ¹
Operating result	22	-357	NA ¹
Claims ratio	84.4%	86.7%	91.4%
Expense ratio	21.7%	23.2% ²	25.7%
Combined ratio	106.1%	109.9% ²	117.1%

¹ Pro forma numbers Jan-Sep 1999. If started operations with effect from March 1, 1999. There is no comparable investment result for nine months 1999.

² Excluding Q2 2000 one-time launching expenses of MSEK 170. Including the Q2 launching expense the expense ratio Jan-Sep was 24.5% and the combined ratio 111.2%.

Comments from Bo Ingemarson, CEO of If

“Our improvement projects show positive results. For the third quarter the combined ratio was 106.1 per cent. Both the claims ratio and the expense ratio are improving. This is the effect of increased premiums in all business areas across the region and an increased number of customers. A successful turn towards individual pricing is now materialising.

The claims ratio improved to 84.4 per cent in the third quarter from 89.5 per cent the same period last year. This is due to both higher premiums in all business areas and a lower number of large claims within Commercial and Industrial.

If's asset managers have outperformed their benchmark indices. However, due to continued weak performance in the equity markets globally and rising bond yields the investment result for the first nine months compared to earlier years is low. The investment result reflects our diversified and low-risk investment policy.

The development within e-commerce progresses according to plan. We now offer several Private products on the Internet in both Sweden and Denmark, and Motor products in Norway. Internet sales are still minor compared to other distribution channels, but the number of customers visiting If's web site increases every week. During the period If has started a project under the name Ifshop, where we offer added value security and accident prevention articles to our customers. The test sales have started in Norway.

In Finland, we have in line with our plans commenced operations within Industrial Risk Solutions during the third quarter. The launch for business area Private is the next step.”

Group results

Premiums earned for first nine months 2000 were MSEK 12 976 (MSEK 11 821)³. Claims incurred were MSEK –11 247 (MSEK –10 807) and expenses were MSEK –3 182 (MSEK –3 032). The operating result before tax was MSEK -357.

The claims ratio was 86.7 per cent (91.4) and the expense ratio was 23.2 per cent (25.7). The combined ratio was 109.9 per cent (117.1). The expense ratio including Q2 2000 MSEK 170 one-time launching expense was 24.5 per cent. Including the one-time launching expense the combined ratio was 111.2 per cent.

For the third quarter 2000 premiums earned were MSEK 4 499 (MSEK 4 064). Claims incurred were MSEK –3 799 (MSEK –3 638) and expenses were MSEK –975 (MSEK –918). The operating result before tax was MSEK 22.

Cyclical

To some extent the insurance business is cyclical. When the economy is at its peak one often sees larger claims and an increased frequency 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 the winter season.

³ Numbers in parentheses are comparative numbers for 1999, prepared on a pro forma basis.

Business area comments⁴

Private had net earned premiums for the first nine months of MSEK 6251 (MSEK 5791). The combined ratio was 109.8 per cent (113.5), with an expense ratio of 24.0 per cent (24.9).

The combined ratio in Private improved significantly compared to the same period last year. This was mainly driven by a continuous increase in premiums. Private gained customers in Denmark and Sweden. Due to differentiated premium increases Private has been able to prune bad risks in the portfolio, particularly in Norway, contributing to increased profitability in Q3.

The increase in claims incurred was proportionately lower than the increase in earned premiums, leading to an improvement in the claims ratio. The increase was driven by a higher frequency in claims, due to the strong business cycle in Sweden and Norway. The average cost per claim is stable.

Private has now implemented outbound and inbound call centres in Sweden, Norway and Denmark. These are cost efficient distribution channels. Internet is available as a sales channel in all these countries. The site in Denmark was launched in Q3. In connection with sales through the Internet a strong Internet campaign was launched in Sweden.

The profitability concept SOS, Sales and Service, is being implemented across the area. SOS focuses on customer relationships in order to increase the number of products sold per customer and to lengthen the relationship with the company. The concept has been successful in Norway and is now being transferred to Sweden and Denmark.

Commercial had net premiums earned of MSEK 4535 for the first nine months 2000 (MSEK 4177). The combined ratio was 110.4 per cent (116.8), with an expense ratio of 22.5 per cent (25.6).

The underwriting result as well as the combined ratio is improving significantly in Commercial compared to same period last year. This performance is driven by increased premium levels, a proportionately lower increase in claims and decreased operating expenses. The increased premium volume reflects the higher premium rates Commercial has implemented in all lines of business. The premium increases have led to a slightly lower number of customers.

The claims ratio has decreased partly due to fewer large claims than normal in Property, which is the largest line of business in Commercial. This was partly offset by slightly increased claims ratios in Liability. The improved claims ratio also reflects improved underwriting as a result of a number of skill transfer projects. During the period direct claims handling centres have been established in Sweden and Norway to increase efficiency in claims handling.

Commercial has been able to reduce operating expenses through the use of call centres for smaller customers instead of direct sales. Inbound and outbound call centres have been implemented on various locations which also reduces acquisition costs.

⁴ Launching expenses of MSEK 170 in Q2 2000 are excluded in Business areas' results.

Industrial Risk Solutions, IRS, had net premiums earned of MSEK 1342 the first nine months 2000 (MSEK 1033). The combined ratio was 109.5 per cent (127.8), with an expense ratio of 22.4 per cent (30.4).

IRS has also improved considerably compared to last year. This improvement is mainly driven by a positive net claims development. Additionally, net earned premiums increased as a result of the premium action plans in all countries and due to the new reinsurance programme which increased retention. Due to the positive claims development the combined ratios in all lines of business were on a satisfactory level, except for Motor TPL and Workers' Compensation.

The ten largest claims for the nine months amounted to gross MSEK 570. The net amount was MSEK 188, out of which MSEK 46 arose in the third quarter.

Following the focus on cost reduction, IRS has managed to reduce costs continuously during the first three quarters.

IRS has written its first policies in Finland, which is the first step in the plan towards a market presence there.

Marine & Energy had net earned premiums of MSEK 787 the first nine months 2000 (MSEK 566). The combined ratio was 114.8 per cent (131.9), with an expense ratio of 24.1 per cent (28.9).

In line with the other business areas, M&E has improved its combined ratio compared to the same period last year. Both the claims ratio and expense ratio improved. Net earned premiums increased due to increased premiums and a new reinsurance policy which increased retention. The cost ratio improved due to a reduction in manning as a result of the formation of Gard Services AS.

The marine and energy insurance industry is still subject to harsh competition, however the marine insurance market in particular is starting to show signs of improvement.

Structural changes

Dial's insurance portfolio will be fully incorporated into If P&C Insurance during Q4 2000. In addition to an increased customer base, If will throughout the organisation be able to draw on the best practices from Internet sales within the former Dial organisation.

Investments

The equity markets globally showed weak performance in the third quarter. This had an adverse effect on If's investment result which from January to September was MSEK 1 168, corresponding to 3.3 per cent return. Equities accounted for MSEK 151 and fixed-income investments for MSEK 1 017. The total return, including changes in unrealised gains/losses on fixed-income investments carried at amortised cost was MSEK 1 317, corresponding to 3.7 per cent return. The total portfolio split for the third quarter was 78 per cent fixed-income and 22 per cent equities, reflecting our diversified and low-risk investment policy.

Dividend to shareholders

During the period dividend of MSEK 1 850 has been paid.

Changes in Net Asset Value

Changes in shareholders' equity are shown in the appendix. The deferred tax liability decreased during 2000 mainly due to lower unrealised gains. In Q4 2000 an equity transfer of MSEK 1 454 will be made.

Nine months results for If P&C Holding AB

If P&C Holding AB is a pure holding company with no business activities. The nine month result for the holding company amounted to MSEK 20 excluding dividends from group companies.

Development after Q3

If, Skandia, Telia and WM-data announced 2 October that they are forming a jointly owned company for outsourcing of business support services. The company will offer total responsibility for organizing and supplying a full range of administrative services to its customers, enabling the client-companies to focus on their core businesses. The business and staff currently in Ackuratess Administration AB, 50 per cent owned by If, will be brought into the new company. If's ownership will be 15 per cent. This is a continuation of If's strategy to be a pure property and casualty insurance company and thus outsource non-core activities.

Outlook for 2001 If P&C

- The strategy remains to prepare If for an IPO no later than the first half of 2001

This interim report has been compiled using the same accounting principles as in the Annual Report for 1999, except in relation to annuities as described in the appendix.

This interim report has not been reviewed by the Company's auditors.

Solna, Sweden, 27 October 2000

Bo Ingemarson
President and CEO

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Reports 2001

Full-year report	February 8, 2001
Q1 report	May 2, 2001
H1 report	July 30, 2001
Q3 report	October 30, 2001

Appendices