Annual Report 2011

IF P&C INSURANCE

Contents

Comments by the President and CEO

For If and the entire Nordic insurance industry 2011 was a year of extreme weather. Severe winter conditions prevailed in parts of the Nordic region in January and February, especially in Sweden. In the summer, Copenhagen was struck by record cloudburst and, in the last few days of the year, strong storms struck mainly Norway and Finland. The dramatic weather caused extensive damage to If's customers. We received a barrage of calls and e-mails, and this gave us an opportunity to show customers that they had chosen the right insurance company. Customer satisfaction ratings were excellent – nine out of ten who had an insurance claim felt that If's handling of their claim was good or very good. It was, as worded in If's marketing, claims management as it should be. Natural disaster claims in 2011 were not limited to just the Nordic region. A new record level was reached globally, with disasters in Japan, Thailand and New Zealand as the most serious events.

This past year was also one of significant financial unrest, particularly in Europe. However, the impact on If has been relatively limited so far. This is thanks to our strong focus on profitability in the actual insurance business. Our investments are made conservatively and, consequently, the volatile trend in the financial market has less of an impact on If than on companies with a more aggressive investment policy.

Despite the financial crisis and the extra burden of the weather-related claims, If's business developed well in 2011 and we were again able to present stable earnings. The combined ratio of 92.0% exceeded the long-term objective, the technical result was MSEK 4,129 (4,284) and profit before tax was MSEK 5,572 (6,800). If's participating interest in Topdanmark exceeded 20% in the second quarter. If's operating profit now includes a net contribution of MSEK 58, which is If's share of Topdanmark's profit.

A number of important transactions were carried out in 2011. If initiated collaboration with VASS, a leading car-dealer association in Denmark. Several major agreements were renewed during the year, including ones with BBL Partner in Norway, a cooperative organization for tenant-owners' associations, the Finnish corporate cooperative group S-Gruppen and the Finnish car-dealer chain Veho. In Denmark, the acquisition of the health insurance business from ihi Bupa was concluded. The strategic investment in health insurance has been successful in general, as shown by If currently being a leader in Norway.

The Internet continues to grow in importance in the Nordic insurance market. Studies indicates that more than half of the customers use the Internet to find information or make a purchase when they need new insurance. Within If, both claim filings and sales over the Internet continue to grow. On the corporate side, for example, Internet sales grew by nearly 50% and more than half of claims are now filed on the Internet in Finland.

Preparations for Solvency II have come a long way, which contributed to If's enterprise risk management (ERP) efforts being upgraded by Standard & Poor's during the year. The systematic environmental work that has been under way for several years led to If achieving carbon-dioxide neutrality in 2011.

It is my ambition and firm belief that we, with our Nordic business model and our employees' skills, business drive and power of initiative, will defend and strengthen If's position as the Nordic region's leading insurance company in 2012 and the years ahead.

I would like to express my immense gratitude to all of our employees for a successful 2011.

Torbjörn Magnusson, President and CEO

Board of Directors' Report

The Board of Directors and the President of If P&C Insurance Holding Ltd, corporate reg. no. 556241-7559, hereby issue their annual report for the 2011 fiscal year.

Organization

If is a Nordic group that also conducts insurance operations in the Baltic countries and Russia. The Group's headquarters is in Solna just outside Stockholm, Sweden, which is the company's registered office.

Ownership structure

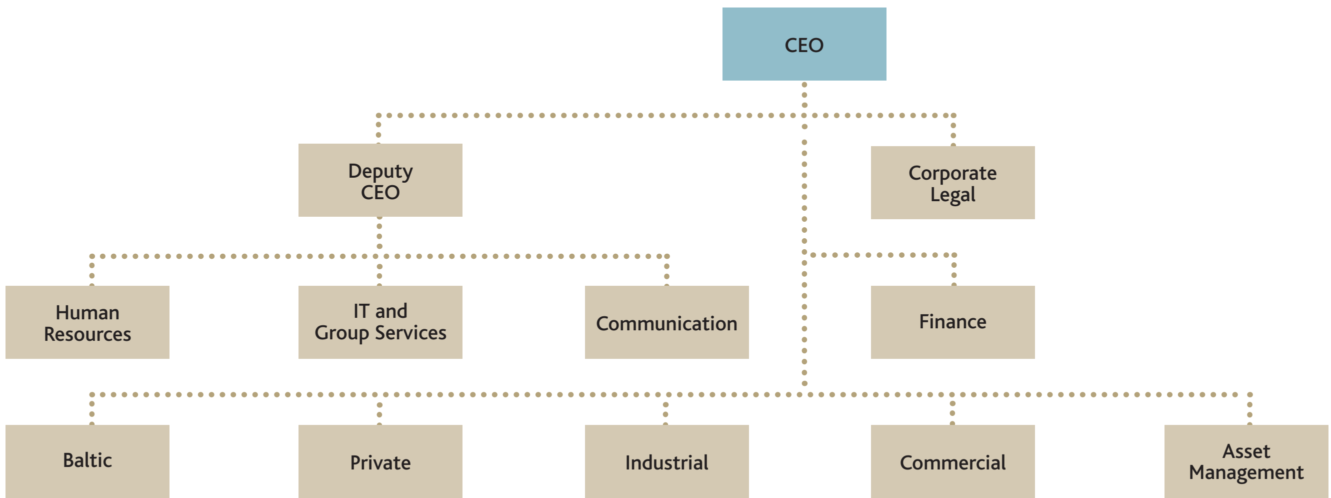
If P&C Insurance Holding Ltd (publ.), the Parent Company of the If Group, is a wholly owned subsidiary of Sampo Abp, a Finnish listed company. In addition to the property and casualty insurance operations conducted within If, the Sampo Group also conducts life insurance operations and a substantial holding in Nordea. If's property and casualty insurance operations constitute an independent segment within Sampo.

Operations

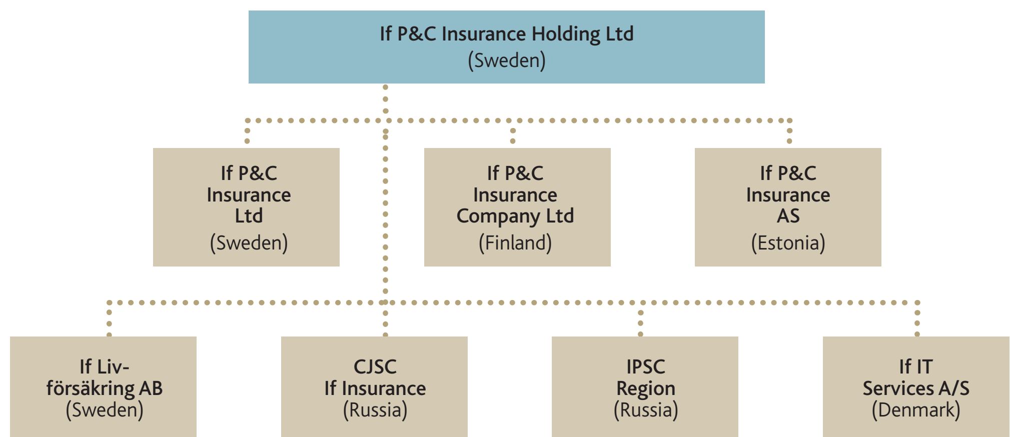
If's insurance operation in the Nordic region is organizationally divided in accordance with customer segment into the business areas Private, Commercial and Industrial. Insurance operations in the Baltic countries are organized in one business area, Baltic. Asset management is a separate business area responsible for all investment assets within the Group. Support functions such as IT, Human Resources, Communication and Finance are organized as a support to the business segments.

If P&C Insurance Holding Ltd (publ) is the Parent Company of the If Group. The main role of the company is to own and manage shares in property and casualty insurance operations. The holding company owns the Swedish companies, If P&C Insurance Ltd and If Livförsäkring AB, the Finnish company If P&C Insurance Company Ltd and the Estonian company If P&C Insurance AS, as well as the Russian companies CJSC If Insurance and IPSC Region. In late 2011 IPSC Region discontinued to underwrite for new insurance. The business operations are conducted within subsidiaries. If's operations in Denmark and Norway are conducted via branches of If P&C Insurance Ltd in the relevant country. In addition, If P&C Insurance Ltd has branch offices in France, the Netherlands, the UK and Germany to support customers with international operations. A branch office is also located in Finland. The Estonian company If P&C Insurance AS also conducts operations in Latvia and Lithuania via branches.

Operational structure



Legal structure, summary



RESULTS FROM OPERATIONS

Group results

The operating result was MSEK 5,572 (6,800). The technical result of property and casualty insurance operations remained strong and amounted to MSEK 4,129 (4,284). Adjusted for exchange rate effects and a lower allocated return on capital the technical result was in line with last year.

The development of the financial markets during the year contributed to a considerably lower, although satisfactory, investment return from asset management which, measured as marked to market, amounted to MSEK 1,822 (7,658). Net investment return amounts to MSEK 3,175 (5,187) in the income statement, and MSEK -1,353 (2,471) in other comprehensive income.

Premiums earned

Gross written premiums for the year amounted to MSEK 39,855 (39,991). Adjusted for exchange-rate effects, the underlying increase in premium volumes was slightly less than 4%. All business areas shows an increase in premium volumes.

Claims and operating expenses

Claims, including claims-adjustment expenses, amount to MSEK 27,614 (28,093). Adjusted for the effect of exchange-rate changes, claims expenses rose by slightly more than 1%. The risk ratio improved and amounted to 68.4% (69.1). The severe winter during the first quarter of the year, heavy cloudburst in Denmark during summer and storms in the Nordic countries during the last quarter affected the claims ratio negatively. In total the claims ratio improved somewhat.

Operating expenses in the insurance operation totaled MSEK 6,380 (6,402), excluding claims-adjustment expenses of MSEK 2,324 (2,418). The cost ratio improved compared with the preceding year and was 23.5% (23.7). Adjusted for currency effects, the operating expenses increased slightly less than 3%.

The combined ratio improved and amounted to 92.0% (92.8).

Assets management

Earnings from asset management, measured at marked to market, were MSEK 1,822 (7,658), and the return on investments was 1.8% (7.4). At the beginning of the year, financial markets were dominated by hope of a global economical recovery, which resulted in relatively stable stock markets and interest rates. However, during the second half of the year, the optimism turned to deep pessimism when the debt crises in several euro-countries escalated with weakening stock markets and historically low interest rates as a consequence. Taking the financial turbulence into account this year's investment return is satisfactory even if it is considerably lower than last year's strong return.

Net profit and tax costs

Net profit was MSEK 4,186 (4,985). The effective tax rate for the year was 24.9% (26.7). Of total taxes, current tax expenses amounted to MSEK 1,582 (1,590) and the deferred tax income was MSEK 196 (cost 225).

Consolidated results per quarter and full-year

MSEK	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2011 Jan-Dec	2010 Jan-Dec
Premiums earned	9,504	9,409	9,163	8,890	36,966	37,170
Allocated investment income transferred from the non-technical account	194	235	324	371	1,124	1,606
Other technical income	65	70	65	77	277	235
Claims paid	-6,900	-7,050	-6,773	-6,891	-27,614	-28,093
Operating expenses for insurance operations, net of reinsurance	-1,672	-1,631	-1,572	-1,505	-6,380	-6,402
Other operating expenses	-67	-65	-53	-59	-244	-232
Technical result from property and casualty insurance	**1,124**	**968**	**1,154**	**883**	**4,129**	**4,284**
Investment income	746	-316	1,106	1,639	3,175	5,187
Allocated investment income transferred to the technical account	-316	-361	-454	-501	-1,632	-2,156
Interest expense, subordinated loans	-34	-31	-30	-63	-158	-276
Share of associates' result	32	-2	28	-	58	-
Dissolvement of collective guarantee provision	-	-	-	-	-	-239
Result before income tax	**1,552**	**258**	**1,804**	**1,958**	**5,572**	**6,800**
Risk ratio	66.2%	68.9%	67.8%	71.0%	68.4%	69.1%
Cost ratio	24.0%	23.4%	23.3%	23.4%	23.5%	23.7%
Combined ratio	90.2%	92.3%	91.1%	94.4%	92.0%	92.8%
Claims ratio	72.6%	74.9%	73.9%	77.5%	74.7%	75.6%
Expense ratio	17.6%	17.3%	17.2%	16.9%	17.3%	17.2%
Insurance margin	11.8%	10.2%	12.5%	9.7%	11.1%	11.5%
Capital base	-	-	-	-	24,043	26,504
Solvency requirement	-	-	-	-	7,493	6,592
Solvency capital	-	-	-	-	27,452	30,243
Solvency ratio	-	-	-	-	72.4%	79.5%
Return on equity	-	-	-	-	11.1%	27.7%

SOLVENCY CAPITAL AND CASH FLOW

The solvency ratio deteriorated and amounted to 72.4 % (79.5) at year-end. Solvency capital decreased to MSEK 27,452, compared with MSEK 30,243 last year. Cash flow from insurance operations remained strong, amounting to MSEK 3,303 (3,353). Cash flow from investment management, in terms of flows generated from the direct investment return, amounted to MSEK 3,843 (3,779). In 2011, dividends paid totaled MSEK 3,700.

TECHNICAL PROVISIONS (RESERVES)

Gross provisions at December 31, 2011 increased to MSEK 85,085 (83,733). Currency effects arising from the conversion of reserves made in foreign currencies were moderate during 2011. After adjustments for exchange-rate effects the premium reserve increased by SEK 1.0 billion and the claims reserve by SEK 0.4 billion.

RESULTS PER BUSINESS AREA

Information concerning operations and the earnings trend in the Group's business areas is presented in Note 5.

SIGNIFICANT ACQUISITIONS DURING THE FISCAL YEAR

If has gradually increased its holding in the Danish insurance group Topdanmark A/S, and following a major share acquisition in May 2011, its holding surpassed 20%. As a result, the former holding in the company was reclassified from a financial asset available-for-sale to being recognized as an associated company. The overall cost totaled MDKK 2,314. As of December 31, 2011, the holding corresponded to 23.6% of the number of votes in Topdanmark. The purchase consideration exceeded Topdanmark's net assets by MDKK 1,404, of which MDKK 647 has been classified as customer relations, which will be amortized straight line over eight years.

Topdanmark was initially recognized at cost and previously unrealized value changes were transferred to other comprehensive income. At the time of the reclassification, the unrealized value change was MSEK 803 before tax.

Thereafter, If is gradually recognizing its share of Topdanmark's earnings, after deduction for amortization of customer relations, in profit or loss. Due to the late publication of Topdanmark's financial statements, a consensus estimate is used for this purpose and any deviations from the published earnings will be adjusted next quarter. A net share of associates' result of MSEK 58 was recognized for the fiscal year.

When calculating If's Group solvency, If's portion of Topdanmark's capital base and solvency requirements was also included as of mid-2011.

RISK IN OPERATIONS

The core of P&C insurance operations is the transfer of risk from the insured clients to the insurer. For If, the result depends on both the underwriting result and the return on investment assets. If's risk-management approach is to ensure that sufficient return is achieved for the risks taken in all business transactions. All risks are taken into account in risk-return considerations and pricing decisions.

The key objectives for risk-management are to ensure that If has sufficient capital in relation to the risks in the business activities and to limit fluctuations in financial results.

This requires all risks to be properly identified and monitored. The company's risks, exposures and risk management are described in Note 3.

PERSONNEL

During 2011, the number of employees decreased to 6,226 (6,306) on December 31. The average number of employees in 2011 was 6,299 (6,392), of whom 55% (55) were women.

If recruits approximately 500 employees annually, in order to replace people who have retired or left the company and to add new competencies to the company.

APPLIED ACCOUNTING POLICIES AND PREPARATION OF CONSOLIDATED ACCOUNTS

As of 2005, If applies the International Financial Reporting Standards (IFRS) adopted by the EU. For the 2011 fiscal year, If's accounting was not subject to any significant amendments or new regulations. The consolidated accounts are prepared by the Central Finance- and Accounting Department, which is also responsible for control systems, accounting and reporting in accordance with general accepted accounting principles. The Board of Directors and the President are ultimately responsible for all financial reporting.

OUTLOOK

The development of the global economy will be difficult to predict during 2012. Despite increased competition in the entire market, underlying profitability of the insurance operation is expected to remain on a good level. Precision in the pricing of new insurance contracts is a success factor, at the same time as efficiency-enhancement work is important in order to maintain sustainable profitability.

The long-term objective for the Group is to achieve a combined ratio of less than 95% and a return on equity of at least 17.5%. For 2012, the objective is to achieve a combined ratio of less than 95%.

PARENT COMPANY

The operations of the Parent Company If P&C Insurance Holding Ltd (publ) consist primarily of ownership and management of shares in subsidiaries.

The Parent Company is also the main account holder for a Group cash pool account system comprising the major part of the flows of liquid funds from the insurance operations. Underlying flows give rise to intra-Group transactions within the Parent Company's balance sheet. Intra-Group transactions also arise in connection with payment of dividends from subsidiaries that are not passed on externally as dividends by the Parent Company or invested externally.

The Parent Company's net profit increased to MSEK 6,363 (4,913), mainly as a result of increased dividends from subsidiaries.

The Parent Company's solvency capital at December 31, 2011 amounted to MSEK 20,754 (18,050) and its total assets to MSEK 21,364 (18,856).

FIVE-YEAR SUMMARY

MSEK	2011	2010	2009	2008	2007
Condensed income statement					
Premiums earned, net of reinsurance	36,966	37,170	38,701	36,635	35,128
Claims incurred, net of reinsurance	-27,614	-28,093	-28,856	-27,269	-25,795
Operating expenses in insurance operations, net of reinsurance	-6,380	-6,402	-6,801	-6,372	-6,045
Allocated investment income transferred from the non-technical account	1,124	1,606	2,139	2,242	1,894
Other technical income	277	235	240	249	272
Other operating expenses	-244	-232	-239	-212	-228
Technical result	**4,129**	**4,284**	**5,184**	**5,273**	**5,226**
Investment income and other items	1,443	2,516	1,717	64	-217
Results before income tax	**5,572**	**6,800**	**6,901**	**5,337**	**5,009**
Income taxes	-1,386	-1,815	-1,700	-1,451	-1,321
Net profit for the year	**4,186**	**4,985**	**5,201**	**3,886**	**3,688**
Balance sheet, December 31					
Assets					
Intangible assets	1,257	1,259	1,358	1,335	1,138
Investment assets	100,449	102,078	106,832	98,036	94,307
Reinsurers´ share of technical provisions	4,709	4,575	4,892	4,686	4,573
Deferred tax assets	453	392	666	1,497	721
Debtors	10,166	9,367	9,869	9,750	9,069
Other assets, prepayments and accrued income	5,155	4,818	4,912	4,935	4,297
Total assets	**122,189**	**122,489**	**128,529**	**120,239**	**114,105**
Shareholders´ equity, provisions and liabilities					
Shareholders´ equity	21,563	22,818	22,542	17,140	18,504
Subordinated debt	2,881	3,714	4,240	4,489	3,893
Deferred tax liability	3,461	4,103	4,054	4,011	3,640
Technical provisions	85,085	83,733	87,993	85,749	80,506
Creditors	6,424	5,264	6,663	6,109	4,655
Provisions, accruals and deferred income	2,775	2,857	3,037	2,741	2,907
Total shareholders´ equity, provisions and liabilities	**122,189**	**122,489**	**128,529**	**120,239**	**114,105**
Key data, property and casualty operations					
Claims ratio	74.7%	75.6%	74.6%	74.4%	73.4%
Expense ratio	17.3%	17.2%	17.6%	17.4%	17.2%
Combined ratio	92.0%	92.8%	92.1%	91.8%	90.6%
Cost ratio	23.5%	23.7%	24.1%	23.7%	23.7%
Key data, asset management					
Total return ratio [1)]	1.8%	7.4%	12.4%	-3.1%	2.6%
Other key data					
Capital base	24,043	26,504	24,886	21,890	23,426
Solvency requirement	7,493	6,592	6,504	6,199	6,094
Solvency capital	27,452	30,243	30,171	24,143	25,316
Solvency ratio	72.4%	79.5%	77.3%	65.7%	71.3%

1) The calculations are based on the policies used internally by If for the valuation of investment operations. Refer to Note 10.

Consolidated income statement

MSEK	Note	2011	2010
TECHNICAL ACCOUNT INSURANCE OPERATIONS			
Premiums earned, net of reinsurance			
Premiums written, gross	6	39,855	39,991
Premiums ceded	6	-1,921	-1,947
Change in provision for unearned premiums and unexpired risks		-959	-896
Reinsurers´ share of change in provision for unearned premiums and unexpired risks		-9	22
		36,966	**37,170**
Allocated investment income transferred from the non-technical account	7	1,124	1,606
Other technical income		277	235
Claims incurred, net of reinsurance			
Claims paid			
Gross		-28,933	-28,520
Reinsurers´ share		1,115	1,106
Change in provision for claims outstanding			
Gross		78	-591
Reinsurers´ share		126	-88
	8	**-27,614**	**-28,093**
Operating expenses			
Operating expenses in insurance operations, net of reinsurance			
Gross		-6,520	-6,548
Commissions and profit participations in ceded reinsurance		140	146
		-6,380	**-6,402**
Other operating expenses		-244	-232
	9	**-6,624**	**-6,634**
Technical result of insurance operations		**4,129**	**4,284**
NON-TECHNICAL ACCOUNT			
Investment result			
Direct investment income		3,954	4,196
Changes in value		-637	1,111
Management costs		-142	-120
	10	**3,175**	**5,187**
Investment income transferred to the technical account	7	-1,632	-2,156
Interest expense, subordinated loans		-158	-276
Share of associates' result		58	-
Dissolvement of collective guarantee provision		-	-239
Result before income taxes		**5,572**	**6,800**
Taxes	11	-1,386	-1,815
Net profit for the year		**4,186**	**4,985**

Consolidated statement of comprehensive income

MSEK	Note	2011	2010
Net profit for the year		**4,186**	**4,985**
Other comprehensive income			
Effects of changes in exchange rates, foreign operations		-59	-1,516
Effects of changes in exchange rates, foreign associates		-19	-
Remeasuring of financial assets available-for-sale		-1,771	3,750
Value changes recognized in income statement on AFS assets		418	-1,279
Reversal of fair value changes related to reclassified holdings		-803	-
Other items		-	-1
Taxes related to other comprehensive income	11	568	-663
		-1,666	**291**
Total comprehensive income		**2,520**	**5,276**

Consolidated balance sheet

ASSETS, DECEMBER 31

MSEK	Note	2011	2010
Intangible assets			
Goodwill		1,109	1,144
Other intangible assets		148	115
	12	**1,257**	**1,259**
Investment assets			
Land and buildings	13	266	268
Investments in associated companies	14	2,859	98
Loans to associated companies		7	-
Other financial investment assets	15,16	97,306	101,700
Deposits with ceding undertakings		11	12
		100,449	**102,078**
Reinsurers' share of technical provisions			
Provisions for unearned premiums and unexpired risks		469	475
Provisions for claims outstanding		4,240	4,100
	17	**4,709**	**4,575**
Deferred tax assets	18	**453**	**392**
Debtors			
Debtors arising out of direct insurance operations	19	9,059	8,422
Debtors arising out of reinsurance operations	20	569	380
Other debtors	21	538	565
		10,166	**9,367**
Other assets			
Tangible assets	22	140	166
Cash and bank balances		2,002	1,797
Securities settlement claims		17	14
		2,159	**1,977**
Prepayments and accrued income			
Accrued interest and rent		1,164	1,258
Deferred acquisition costs	23	1,395	1,242
Other prepayments and accrued income	24	437	341
		2,996	**2,841**
Total assets		**122,189**	**122,489**

SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES, DECEMBER 31

MSEK	Note	2011	2010
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Other restricted reserves		613	1,054
Fair value reserve		1,242	2,825
Profit carried forward		12,396	10,828
Net profit for the year		4,186	4,985
		21,563	**22,818**
Subordinated debt	25	**2,881**	**3,714**
Technical provisions (gross)			
Provisions for unearned premiums and unexpired risks		17,570	16,542
Provisions for claims outstanding		67,515	67,191
	26	**85,085**	**83,733**
Provisions for other risks and charges			
Deferred tax liability	18	3,461	4,103
Other provisions	27	1,200	1,262
		4,661	**5,365**
Deposits received from reinsurers		-	-
Creditors			
Creditors arising out of direct insurance operations	28	1,457	1,217
Creditors arising out of reinsurance operations		614	401
Derivatives	16	1,804	673
Other creditors	29	2,549	2,973
		6,424	**5,264**
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs		34	31
Other accruals and deferred income	30	1,541	1,564
		1,575	**1,595**
Total shareholders' equity, provisions and liabilities		**122,189**	**122,489**
Memorandum items			
Assets and coresponding collateral pledged	31	1,704	1,630
Assets covered by policyholders' beneficiary rights	31	65,440	66,879
Contingent liabilities and other committments	32	480	751

Parent Company

INCOME STATEMENT

MSEK	Note	2011	2010
Other operating income		0	0
Other operating expenses		0	0
Operating result		**0**	**0**
Result from financial investments			
Dividends from Group companies		6,404	5,266
Interest income and similar income items	1	106	33
Interest expense and similar expense items	2	-146	-397
		6,364	**4,902**
Result after financial items		**6,364**	**4,902**
Tax on net profit for the year	3	-1	11
Net profit for the year		**6,363**	**4,913**

BALANCE SHEET ON DECEMBER 31

MSEK

Assets	Note	2011	2010
Financial fixed assets			
Shares in group companies	4	17,212	17,239
Shares in associated companies	5	1,110	75
Loans to associated companies		7	-
		18,329	**17,314**
Deferred tax assets	3	**-**	**15**
Debtors			
Debtors, Group companies		2,423	910
		2,423	**910**
Cash and bank balances		**611**	**616**
Prepayments and accrued income			
Accrued interest		1	1
		1	**1**
Total assets		**21,364**	**18,856**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		2,726	2,726
Statutory reserve		400	400
Profit carried forward		11,265	10,011
Net profit for the year		6,363	4,913
		20,754	**18,050**
Provisions			
Other provision		-	58
		-	**58**
Current creditors			
Creditors, Group companies		610	744
Provision for taxes		0	4
		610	**748**
Total shareholders' equity and liabilities		**21,364**	**18,856**
Memorandum items			
Contingent liabilities	6	18	479

Changes in shareholders' equity

GROUP

MSEK	Restricted equity Share capital	Statutory reserves	Other restricted reserves 1)	Unrestricted equity Fair value reserve	Profit brought forward 1)	Net profit for the year	Total equity
Equity at beginning of 2010	**2,726**	**400**	**1,820**	**1,071**	**16,525**	**-**	**22,542**
Transfer between restricted and unrestricted equity	-	-	167	-	-167	-	-
Total comprehensive income	-	-	-933	1,754	-530	4,985	5,276
Dividend to shareholder 2)	-	-	-	-	-5,000	-	-5,000
Equity at end of 2010	**2,726**	**400**	**1,054**	**2,825**	**10,828**	**4,985**	**22,818**
Equity at beginning of 2011	**2,726**	**400**	**1,054**	**2,825**	**15,813**	**-**	**22,818**
Transfer between restricted and unrestricted equity	-	-	-414	-	414	-	-
Total comprehensive income	-	-	-27	-1,583	-56	4,186	2,520
Share of associates' other changes in equity	-	-	-	-	-75	-	-75
Dividend to shareholder 3)	-	-	-	-	-3,700	-	-3,700
Equity at end of 2011	**2,726**	**400**	**613**	**1,242**	**12,396**	**4,186**	**21,563**

PARENT COMPANY

MSEK	Restricted equity Share capital	Statutory reserves	Unrestricted equity Profit brought forward	Net profit for the year	Total equity
Equity at beginning of 2010	**2,726**	**400**	**15,011**	**-**	**18,137**
Dividend to shareholder 2)	-	-	-5,000	-	-5,000
Net profit for the year	-	-	-	4,913	4,913
Equity at end of 2010	**2,726**	**400**	**10,011**	**4,913**	**18,050**
Equity at beginning of 2011	**2,726**	**400**	**14,924**	**-**	**18,050**
Dividend to shareholder 3)	-	-	-3,700	-	-3,700
Group contribution received	-	-	55	-	55
Tax effect of group contribution	-	-	-14	-	-14
Net profit for the year	-	-	-	6,363	6,363
Equity at end of 2011	**2,726**	**400**	**11,265**	**6,363**	**20,754**

There are a total of 136,350,000 shares with a par value of SEK 19.99 each, including 103,525,000 Series A shares carrying one vote and 32,825,000 Series B shares carrying one tenth of a vote.

1) The accumulated translation difference at the end of the year was MSEK -376 (-298).

2) During 2010, dividends paid totaled approximately SEK 36,67 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 29,34 per share.

3) During 2011, dividends paid totaled approximately SEK 27,14 per share, of which dividends resolved by the Extraordinary General Meeting accounted for about SEK 27,14 per share. The Board of Directors and the President propose that the 2012 Annual General Meeting resolve not to pay any dividend.

The equity presentation complies with legal requirements and a separate disclosure of contributed capital would not add any siginficant information.

Cash flow statements

GROUP

MSEK	2011	2010
Cash flow from insurance operations		
Premium flows, direct insurance	39,059	38,170
Claim payments, direct insurance	-28,591	-27,642
Reinsurance flows	-758	-777
Costs of operations	-6,407	-6,398
	3,303	**3,353**
Cash flow from investment operation		
Current income/return, direct	3,843	3,779
Net investments in financial investment assets	112	2,834
	3,955	**6,613**
Cash flow from other operations	**-7,029**	**-9,612**
Cash flow for the year	**229**	**354**
Cash and bank		
Cash and bank balances on January 1	1,797	1,572
Effect of exchange rate changes	-24	-129
Cash flow for the year	229	354
Cash and bank balances on December 31	2,002	1,797

Supplementary information on the Group's cash flow is presented in Note 33.

PARENT COMPANY

MSEK	2011	2010
Net profit for the year	6,363	4,913
Write down shares, Group companies	45	320
Change in current business assets and liabilities	-1,701	6
Investments		
Net investments in Group companies	-18	75
Net investment in associated companies	-1,035	-75
Financing		
Dividend	-3,700	-5,000
Group contribution, net	41	-
Cash flow for the year	**-5**	**239**
Change in cash and bank balances	**-5**	**239**

Notes to the consolidated financial statements

NOTE 1 Accounting policies

Company information

This annual report and the consolidated financial statements for If P&C Insurance Holding Ltd were prepared and authorized for publication by the Board of Directors and CEO on March 5, 2012 and will be presented to the 2012 Annual Meeting for approval. The company is a Swedish limited liability company with its registered office in Stockholm and its headquarters in Solna, Sweden.

The Group's primary operations are described in the Report of the Board of Directors.

Statement of compliance with regulations applied

The annual report for the Parent Company If P&C Insurance Holding Ltd was prepared in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for legal entities).

In accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), If P&C Insurance Holding Ltd is regarded as a financial holding company, which entails that the company must apply the provisions of this Act regarding the preparation of the consolidated financial accounts.

If has prepared the consolidated accounts in accordance with international accounting standards (IFRS including IAS, SIC and IFRIC), as adopted by the European Commission. In addition, If applies the supplementary provisions ensuing from legislation, the Swedish Financial Supervisory Authority's regulations and general recommendations on annual accounts in insurance companies (FFFS 2008:26) and, in appropriate parts, the Swedish Financial Reporting Board's Recommendation RFR 1 (Supplementary Accounting rules for Groups).

Issued, but not yet effective, international accounting standards are assessed not to cause any significant impact on the financial statements when first applied, except IFRS 9 Financial Instruments. As this standard is still not complete, a comprehensive assessment has not been possible to conduct. Furthermore, the prevailing IAS 19 Employee Benefits is now being replaced by a revised standard that is to be applied as of the 2013 fiscal year. Under the new standard, what is known as the corridor is being abolished, and all actuarial gains and losses will affect the liabilities in the balance sheet. Under the transitional regulations, If's accumulated unrecognized losses of MSEK 1,347 at December 31, 2011 will reduce opening equity for the comparative year 2012, while the subsequent changes will be recognized in other comprehensive income. This effect has already been considered in the calculation of If Group's capital base.

Measurement bases for the preparation of the accounts

The accounts are based on historical acquisition values with the exception of the totally dominant share of investment assets, which are reported at fair value. The financial reports and notes are presented in SEK millions (MSEK), unless otherwise stated.

Bases for consolidation

The consolidated accounts include the Parent Company, If P&C Insurance Holding Ltd, and all companies in which the Parent Company directly or indirectly holds more than 50% of the votes for all shares or in some other manner has a controlling interest.

The consolidated accounts have been prepared in accordance with IAS 27 and IFRS 3. Acquired companies are reported in accordance with the purchase method, which means that assets and liabilities are reported in the acquiring company's accounts at the acquisition values determined in accordance with an established acquisition analysis. The identified assets and liabilities in the acquired company are fair valued in the acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the established fair value of the acquired assets and liabilities, the difference is reported as goodwill. In conjunction with the transition to IFRS, an opening balance sheet was compiled as of January 1, 2004. In line with the exemption rules in IFRS 1, no recalculation was made of acquisitions and mergers prior to this date.

In consolidating foreign subsidiaries, locally prepared income statements and balance sheets are recompiled to eliminate differences between local accounting policies and the accounting policies applied in the consolidated accounts. These recompilations mainly comprise adjustments for unrealized changes in value in investment assets and derivatives, deferred acquisition costs, provision for unexpired risks and interest allocated to the technical result.

Outside Sweden, any equalization or catastrophe reserves governed by tax or business laws are treated in consolidation in the same manner as Swedish untaxed reserves.

In 1999, Storebrand and Skandia agreed to form a joint venture and transfer their portfolios of property and casualty business to If P&C Insurance Ltd. The merger in 1999 is reported in the consolidated accounts, applying joint venture accounting based on the carryover method. According to the carryover method, the joint venture unit assumes the assets and liabilities transferred from the owners at the carrying amount and then continues to operate the business that has been taken over. As a result of this accounting procedure, no goodwill arose in If P&C Insurance Holding Ltd Group. Goodwill based on net assets is reported in the subsidiary If P&C Insurance Ltd, since in formal terms the assets from Storebrand were transferred at a value that exceeded the previous carrying amount. Since the subsidiary If P&C Insurance Ltd has a right to make a tax deduction for the amortization of the goodwill based on the net assets, a value has arisen in the Group, reported in the consolidated accounts for 2011 at a rate of 26.3% of the non-amortized goodwill amount in the subsidiary, which represents deferred tax assets.

According to an agreement that Skandia and Storebrand jointly signed with Sampo during 2001, Sampo's property and casualty insurance business was transferred to If in January 2002 in return for payment in the form of shares in If P&C Insurance Holding Ltd and a small proportion of cash. In the consolidated accounts, this merger is reported in accordance with the purchase method.

Sampo's acquisition in 2004 of all of the shares outstanding in If P&C Insurance Holding Ltd did not give rise to any change in the accounting policies applied in the Group for reporting the operations transferred to If from former owners.

Transactions, receivables and liabilities in foreign currency and translation of the accounts of foreign subsidiaries and branches

Income statement items in foreign currency are translated to SEK using the average exchange rate for the month during which they were reported.

In individual companies and branches, assets and liabilities in foreign currency are translated at the closing date exchange rates. Any unrealized translation differences arising are reported in the income statement as changes in value under “Investment result”. Currency forward contracts used to hedge currency exposure are fair valued and these effects are reported in their entirety in the income statement as changes in value.

In the case of If’s foreign Group companies and branches, the functional currency is the local currency in the country in which the company or branch is active. Translation to SEK is effected in line with IAS 21. Balance sheet items are translated using the closing date exchange rate and income statement items are translated using the average exchange rate for the period during which the item arose. The translation differences arising as a result of the use of different exchange rates for items in the balance sheet and income statement, the fact that capital contributions and dividends are translated at different exchange rates than those prevailing on the transaction date and that shareholders’ equity is translated at a different exchange rate at year-end than at the beginning of the year are reported in other comprehensive income.

For If’s most significant currencies, the following exchange rates were used as of December 31 to translate balance sheet items in foreign currency to SEK:

	2011	2010
US dollars	6.89	6.71
Danish kroner	1.20	1.20
Euro	8.91	8.97
Norwegian kroner	1.15	1.15
Estonian kroner	-	0.57
Lithuanian litas	2.58	2.60
Latvian lats	12.74	12.64

Policies applied to items in the consolidated balance sheet

GOODWILL

Goodwill is valued at its acquisition value, adjusted for any impairments. Goodwill arises in connection with the acquisition of operations or portfolios. In conjunction with acquisitions, an acquisition balance sheet is compiled in which all identified assets and liabilities are fair valued on the acquisition date. When the acquisition price cannot be attributed to identifiable assets and liabilities, this portion is reported as goodwill.

Goodwill is an asset with an indefinite useful life and thus it is not subject to amortization according to plan. To ensure that goodwill is not overvalued in the balance sheet, an annual analysis is conducted of individual goodwill items to identify impairment requirements. The analysis determines the recoverable amount, defined as the higher of the value in use and the net realizable value. The value in use is calculated as the discounted value of expected future cash flows attributable to the acquired net assets. When the recoverable amount measured on the valuation date is less than the carrying amount in the Group, the carrying amount is impaired to the recoverable amount. During 2010 and 2011, impairment losses related to the acquisition of a subsidiary has been recognized in the “Changes in value” item within Investment result in the Income statement. If, subsequently, a higher recoverable amount can be set, this does not result in revaluation or reversing of previous impairments.

OTHER INTANGIBLE ASSETS

Other intangible assets consist of externally acquired and internally developed intangible assets. Intangible assets are valued at their acquisition value less deductions for accumulated planned amortization. In the case of internally developed intangible assets, the acquisition value is determined as the direct and indirect expenses for the development (programming and testing) of computer systems and so forth that are expected to provide financial benefits in the future. Only expenses linked to new development and mainly limited to major system changes decided in a special procedure by the Board are capitalized. Capitalized development expenses are amortized from the date the asset is put into production and over its estimated useful life. The useful life is determined individually per asset and may amount to a maximum of 10 years. If there is any indication on the closing date that the carrying amount of an intangible asset is higher than its recoverable amount, a calculation is made of the asset’s recoverable amount. Recoverable amount refers to the higher of the asset’s net realizable value and its value in use. If the determined recoverable amount is less than the carrying amount, the carrying amount of the asset is impaired to its recoverable amount. If, subsequently, a higher value in use can be set, a revaluation or reversal of previous impairments may be undertaken.

LAND AND BUILDINGS/INVESTMENT PROPERTIES

If reports all its properties as investment assets (investment properties), fair valued pursuant to IAS 40 and with changes in value reported in the income statement. This classification complies with the company’s basic approach to these assets. If has concluded that a separation of such properties, which according to IAS 40 represent owner-occupied properties, would have only an insignificant effect on the particular asset and profit/loss item. The fair value consists of the net realizable value and is set annually by external surveyors using acknowledged and accepted valuation methods. Accepted methods consist of local sales-price method (current prices paid for comparable properties in the same location/area) or cash flow models applying current market interest rates for the calculation of the present value of the property. Since valuation is effected at fair value, there is no depreciation of properties.

SHARES IN ASSOCIATED COMPANIES

Associated companies refer to companies in which If P&C Insurance Holding Ltd directly or indirectly has significant influence, which is normally the case when the shareholding amounts to a minimum of 20% of the voting rights for all shares in the company. Associated companies are reported in the consolidated accounts using the equity method. The equity method means that an associated company’s carrying amount is continually adjusted for changes in the holding company’s share of the associated company’s net assets. Certain insignificant holdings are reported at acquisition value.

VALUATION OF OTHER INVESTMENTS ASSETS

Financial investment assets are reported in the original currency and at fair value with – as a main principle – changes in value recognized in other comprehensive income until being realized. A previous classification, using the fair value option in IAS 39 and with all changes in value (realized as well as unrealized) reported in the income statement, is still applied for financial investment assets acquired before the end of 2007 and also for later acquisitions in certain small Group companies. The presentation below describes the detailed valuation for each type of asset.

The purchase and sale of money market and capital market instruments on the spot market are reported in the balance sheet on the transaction date. The counterparty’s receivable/liability is reported between the transaction date and payment date in gross form under the item “Other assets” or “Other creditors”. Business transactions whose receivables/liabilities are settled net via clearing are reported in the balance sheet with a net amount per counterparty. Futures transactions are registered on the transaction date but are viewed as off-balance sheet undertakings up until the payment date. Reporting on the payment date is done in the balance sheet.

SHARES
Shares are fair valued, calculated as a sales value without deduction for sales costs. For shares listed on an authorized stock exchange or marketplace, the sales value normally refers to the latest bid price on the closing date or, in the case of shares listed on Nasdaq OMX, to the latest trade price. Unlisted securities included in private equity investments are valued using established valuation models.

INTEREST-BEARING SECURITIES
Interest-bearing securities are fair valued and accounted for separating accrued acquisition value from change in value. The accrued acquisition value is the discounted present value of future payments, for which the discount rate consists of the effective rate of interest on the acquisition date. This means that acquired surplus and deficit values on coupon instruments are distributed over the period as interest during the bond's remaining time to maturity, in the case of loans with adjustable interest rates, to the next rate-adjustment occasion. For discount instruments, the reported interest income pertains only to distribution of deficit values in conjunction with the acquisition. The return on interest-bearing securities is divided up as interest income and changes in value. The change in value is calculated as the difference between the fair value (market value) of the securities holding and its accrued acquisition value. When valuing at fair value, the listed bid price or yield-curve models, based on listed bid prices, are used.

DERIVATIVES
All derivative instruments are fair valued and are valued individually. Derivative transactions with a positive market value on the closing date are reported as "Other financial investment assets" and positions with a negative market value are reported on the liabilities side of the balance sheet under the heading "Derivatives".

RECEIVABLES
Receivables are reported in the amounts expected to be received.

Provisions for doubtful receivables are normally posted on the basis of individual valuation of the receivables. Receivables pertaining to standard products are valued through a standard computation based on reported losses during prior periods.

TANGIBLE ASSETS
Tangible assets consist of machinery and equipment and are valued at acquisition value. Acquisition value includes not only the purchase price but also expenses directly attributable to the acquisition. Machinery and equipment are reported at historical acquisition value, less depreciation according to plan. These deductions are based on the historical acquisition value and the estimated economic life of the asset concerned.

Acquisitions of assets financed through leasing agreements, but for which If is responsible for the financial risks and benefits associated with ownership (financial leasing), are reported as tangible assets at acquisition value. The financial obligation resulting from leasing agreements is reported as a liability that is calculated on the basis of future lease payments discounted to present value using the interest rate specified in the contracts. Machinery and equipment are reported at the historical acquisition value, less accumulated depreciation according to plan, based on the useful life of the assets. Current lease payments are divided among amortization and interest expense.

Depreciation period	
Office equipment	3-10 years
Computer equipment	3-5 years
Vehicles	5 years
Other fixed assets	4-10 years

In the event that there is an indication at the reporting date that the scheduled value of a tangible asset is higher than its recoverable amount, a calculation is made of the asset's recoverable amount. The recoverable amount is the higher of the asset's net realizable value and value in use. If the determined recoverable amount is less than the carrying amount, the asset is impaired to its value in use. If, at a later date, a higher value is established, a previous impairment may be reversed.

CASH AND BANK
In addition to small petty cash amounts, cash and bank consists of bank balances in insurance operations and funds transferred to asset management that have not been invested in investment assets.

DEFERRED ACQUISITION COSTS
Selling costs that have a clear connection with the writing of insurance contracts are reported as an asset, namely as deferred acquisition costs. Selling costs include operating expenses such as commission, marketing costs, salaries and overheads for sales personnel, which vary according to, and are directly or indirectly related to, the acquisition or renewal of insurance contracts. The selling cost is deferred in a manner that corresponds to the amortization of unearned premiums. The amortization period ordinarily does not exceed 12 months.

SUBORDINATED LOANS
Issued subordinated loans are reported in their original currency at accrued acquisition value. The acquisition value includes surplus/deficit prices arising on the issue date and other external expenses attributable to borrowing. During the term of the loan, costs for subordinated loans are reported using the accrued acquisition value, whereby surplus/deficit prices and capitalized borrowing expenses are distributed over the term of the loan; however, no later than the interest-adjustment date in the case of loans with adjustable interest rates. Outstanding loans are translated to SEK using the closing exchange rate. The effect arising from translation is reported as an exchange rate gain/loss and is included in the item "Changes in value" under investment income.

TECHNICAL PROVISIONS
Technical provisions consist of:

- provision for unearned premiums and unexpired risks and
- provision for claims outstanding.

The provisions correspond to the liabilities pursuant to current insurance contracts.

PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS
The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force.

In property and casualty insurance and reinsurance, the provision for unearned premiums is calculated on a strictly proportional basis over time for most products, i.e. calculated on a pro rata temporis basis.

In the event that premiums are deemed to be insufficient to cover anticipated claims costs and operating expenses, the provision for unearned premiums is required to be augmented by a provision for unexpired risks. Calculation of the provision for unexpired risks must also take into account premium installments not yet due.

PROVISION FOR CLAIMS OUTSTANDING
The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred, including claims not yet reported to the company (the "IBNR" provision). The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The provision for claims outstanding in direct property and casualty insurance and reinsurance is calculated with the aid of statistical methods or through individual assessments of individual claims. Often a combination of the two methods is used, meaning large claims are assessed individually while small claims and claims incurred but not reported (the IBNR provision) are calculated using statistical methods. The provision for claims outstanding is not discounted, with the exception of provisions for vested annuities, which are discounted to present value using standard actuarial methods, taking anticipated inflation and mortality into account.

PENSION COSTS AND PENSION COMMITMENTS AND OTHER EMPLOYEE BENEFITS

The pension obligations within the If Group comprise pension plans in several national systems that are regulated through local and collective bargaining agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans.

For defined contribution plans, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies.

The reporting of funded and unfunded defined benefit pension plans complies with the regulations contained in IAS 19. According to these rules, the amounts reported as pension costs during a fiscal year consist of the sum total of (1) the actuarially calculated earnings of old-age pensions during the year, calculated straight-line based on pensionable income at the time of retirement, and (2) calculated interest expense for appreciating the preceding year's established pension obligations less (3) calculated revenues from the plan assets covered by the plan. The calculation of pension costs during the fiscal year starts at the beginning of the year and is based on assumptions about such factors as salary growth and price inflation throughout the duration of the obligation and on the anticipated return on plan assets and the market interest rate on the obligation during the fiscal year.

When reporting defined benefit plans in the balance sheet, If uses the so-called corridor model. According to this model, accrued actuarial gains and losses resulting from differences between calculated assumptions and the actual outcome are not reported in the income statement unless the accumulated deviation exceeds 10% of the present value of the future obligation or the fair value of plan assets. Accumulated differences that exceed the 10% limit are accrued in the income statement as pension costs throughout the duration of the obligation. The accumulated accrued actuarial gains and losses calculated in this way, and which are not reported in the income statement, are disclosed in the balance sheet as an addition or deduction from the net pension obligation calculated at year-end.

Provision is also made for the calculated value of other earned remuneration of employees, the final amount of which is determined and paid after the end of the fiscal year, such as one-year variable remuneration and multi-year incentive programs. Refer to Note 35 for information regarding these provisions.

Policies applying to items in the consolidated income statement

In the income statement, there is a division into the result of insurance operations – the technical result – and the non-technical result, which is primarily attributable to asset management.

Items included in the technical result pertain overwhelmingly to the Group's operations as an insurer, that is, the transfer of insurance risk pursuant to the definition in IFRS 4, Insurance Contracts. Only contracts that do not cover a significant transfer of insurance risk are attributable to other operations and are reported pursuant to IAS 18 Revenue.

Reporting in the income statement complies with the principle for gross accounting of accepted and ceded insurance. Income statement items thus disclose the accounting effects of the underlying flow and the accrual of issued insurance contracts and the equivalent for reinsurance purchased.

PREMIUMS WRITTEN

The premium refers to the compensation that an insurance company receives from the policyholder in return for the transfer of risk. Premiums written are reported in the income statement at the inception of risk coverage in line with the insurance contract. When the contracted premium for the insurance period is divided into several amounts, the entire premium amount is still recognized at the beginning of the period.

PREMIUMS EARNED

Premiums earned are reported as the share of premiums written that is attributable to the accounting period. The share of premiums written from insurance contracts pertaining to periods after the closing date is allocated to the premium reserve in the balance sheet. The provision posted in the premium reserve is normally calculated by distributing premiums written strictly on the basis of the underlying term of the insurance contract. For certain insurance products – in particular those with terms longer than one year – the attribution is risk adjusted, i.e. in relation to expected claims.

OTHER TECHNICAL INCOME

Other technical income consists of income in insurance operations that does not involve the transfer of insurance risk. Such income is primarily attributable to sales commission and services for administration, claims settlement, etc. in insurance contracts on behalf of other parties.

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

Total investment income is reported in the non-technical result. Part of the income is transferred from investment income to the technical result for insurance operations based on the net of the insurance operations' average technical provisions and outstanding net receivables. When calculating this income, an interest rate that reflects the return on medium-term government bonds is usually applied, taking into consideration the insurance operations' cash flow over the period.

CLAIMS INCURRED

Total claims incurred for the accounting period cover claims payments during the period and changes in provisions for unsettled claims. In addition to claims payments, claims incurred also include claims-adjustment expenses. Provisions for unsettled claims are divided into reported and claims not yet reported to the company (IBNR).

OPERATING EXPENSES

Operating expenses reported in the technical result in the income statement are divided into expenses arising from the handling of insurance contracts that include the transfer of insurance risk, and costs for other technical operations. Administrative expenses refer to direct and indirect costs and are distributed among the following functions, Acquisition, Claims settlement, Administration, Asset Management and Other.

Claims settlement costs are included in the administrative expenses of insurance operations but are reported among claims incurred in the income statement.

In addition to administrative expenses, the operating expenses of insurance operations include acquisition costs and accrual of acquisition costs.

INVESTMENT RESULT

The investment result is distributed among direct investment income and changes in value arising from market price fluctuations and with deductions for management costs. The "Direct investment income" item primarily includes dividends on share-holdings and interest income from investments reported using the effective interest rate principle, in conjunction with which surplus/deficit values resulting from acquisitions are distributed across the remaining useful life of the asset. The "Changes in value" item mainly comprises realized value changes on investment assets, but also impairment losses from Available-for-sale financial assets that were deemed necessary in accordance with the specific impairment requirements in IAS 39.

In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. In this assessment, If has chosen to use, in respect of interesting-bearing securities, criteria related to issuer default. In respect of shares, the assessment is also conducted on an individual basis but generally all shares with a significant (>20%) and/or prolonged (12 months) decline in value in relation to the acquisition cost shall be impaired. For both asset categories, the carrying amount is reduced to current fair value. In the event of a subsequent recovery of a value decline, the recovery is presented as a reversed impairment loss in respect of interest-bearing securities but not in respect of shares.

A previous classification, using the fair value option in IAS 39 and with all changes in value (realized as well as unrealized) reported in the income statement, is still applied for financial investment assets acquired before the end of 2007 and also for later acquisitions in certain small Group companies.

The Group's currency result is included in the "Changes in value" item. During 2010 and 2011, impairment losses on goodwill related to the acquisition of a subsidiary has also been recognized in this item.

DISSOLVEMENT OF COLLECTIVE GUARANTEE PROVISION

Within statutory non-life insurance lines in Finland there is a system of collective responsibility for claims in the event of liquidation or bankruptcy of an insurance company. The system previously included a mandatory provision called collective guarantee item. Since the provision did not represent a present obligation as a result of past events, If has treated it as an untaxed reserve and included the provision, net of tax, in Shareholder's equity. In November 2010, the Finnish parliament decided that the provision should be dissolved and that the part related to Workers' Compensation should be 'returned to the policyholders', thereby creating a present obligation. The gross effect, before taxes, was recognized in the 2010 Income statement as a separate item.

TAXES

The Group tax expense is calculated in accordance with IAS 12 Income taxes. This entails that current as well as deferred tax is calculated and reported.

Current taxes are calculated individually for every unit in accordance with the tax rules in each country. Current taxes also include non-deductible coupon taxes in respect of dividends received.

If's foreign branch offices are taxed on their results in the country concerned. In Sweden, the company is liable for taxation on all income, including the results from the foreign branch offices. If the company pays tax in Sweden for its foreign income, with the aim of avoiding double taxation, a deduction for the taxes paid abroad is normally allowed.

Income taxes abroad are attributable to taxes on foreign branch office income and withholding taxes on the return on foreign investment assets.

For companies in Sweden, income tax rates during the year amounted to 26.3% of taxable income. For branches and companies in Norway, the tax rate was 28%, with 25% in Denmark and 26% in Finland. The tax rate in Finland is reduced to 24.5% from 2012, which has been considered when calculating deferred tax assets and liabilities as of December 31, 2011.

Deferred tax attributable to temporary differences between the amounts reported and the equivalent actual taxation is reported in the company's accounts. For income reported in the income statement for the period but which is not taxed until a later period, a deferred tax cost is charged, which results in a corresponding liability item, Deferred tax liabilities. Similarly, costs that will not result in tax deductions until a later period give rise to a deferred tax revenue and a corresponding deferred tax asset. Deferred tax assets and liabilities are reported net in those cases where they pertain to the same tax authority and can be offset against each other. The tax effect from tax loss carry-forwards are reported as deferred tax assets if it is considered likely that they can be used to offset taxable profits in the future.

Application of joint venture accounting resulted in a deferred tax asset arising in connection with Storebrand's transfer of operations. This is based on the difference between the value for tax purposes and the carrying amount of these net assets. Additional comments regarding joint venture accounting are provided in the section Bases for consolidation above.

Accounting policies in the Parent Company

ACCOUNTING FOR HOLDINGS IN SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries and associates are reported at the acquisition value with deductions for any impairments. The acquisition value includes in certain cases external transaction costs attributable to the acquisition.

NOTE 2 Significant considerations and assessments affecting the financial statements

Preparing financial statements in accordance with IFRS requires that the Board and executive management make judgments and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The judgments and assumptions are based on experience and insight into the insurance business. The actual outcome may deviate from these assessments.

Judgments made by the Board and executive management in the application of IFRS that have a significant effect on the financial statements for 2011 and assessments that may cause material adjustments in the financial statements in subsequent years are commented on below.

GOODWILL

If reports goodwill attributable to the acquisition of Sampo's Finnish property and casualty operations, the acquisition of Volvia's motor insurance operation and the acquisition of the Russian company IPSC Region. In line with IFRS 3, goodwill is no longer amortized. To ensure that the carrying amount for these items is not reported at an excessively high value, a calculation of each recoverable amount has been done. During 2010 and 2011, calculations of the recoverable amount for the goodwill related to the acquisition of IPSC Region has resulted in recognized impairment losses. Additional comments on the parameters used, conducted assessments and so forth are made in Note 12.

VALUATION OF INVESTMENT ASSETS

If has elected to apply a classification according to IAS 39 that means that all financial investment assets, apart from associated companies, are fair valued. Since the valuation of the assets is essentially based on observable market listings, the company believes that this accounting method offers a good presentation of the company's holdings of investments assets.

The main part of the financial assets that are not derivatives acquired from January 2008 has been classified as available-for-sale financial assets. Value changes on these assets are therefore normally recognized in other comprehensive income until being realized, unless the application of the specific impairment paragraphs in IAS 39 require an impairment loss to be recognized in the income statement. In line with these paragraphs, If has assessed whether there is any objective evidence that an asset is impaired. The company's assessment affects the reported profit of the year but not shareholders' equity. The assessment criteria are presented in Note 1 (under the heading of Investment result). Additional information is provided in Notes 3, 10 and 15.

TECHNICAL PROVISIONS

The provision for unsettled claims is designed to cover anticipated future payments for all claims incurred, including claims not yet reported to If, referred to as IBNR provision. The provision is calculated using statistical methods or individual assessments of claims. These provisions are significant in an assessment of the company's reported results and financial position, since any deviation from actual future payments gives rise to a prior-year result reported in future years. Additional comments on provision risk are provided in Note 3 and an account of the company's prior-year results in recent years is available in Note 26.

The provision for unearned premiums and unexpired risk is designed to cover anticipated claims and operating expenses during the remaining term of the insurance contracts concluded. For most products, the provision is calculated strictly in proportion to time. If the premium level is deemed to be insufficient to cover the anticipated claims and operating expenses, they are strengthened with a provision for unexpired risks. This assessment includes estimates of future claims frequency and other factors affecting the need for a provision for unexpired risk. This provision is also commented on in Note 3.

PROVISIONS FOR PENSIONS

If applies what is referred to as the corridor model in IAS 19 for reporting pensions expenses and outstanding pension commitments. According to this standard, the company should determine a number of parameters that are significant in the calculation of, for example, the company's net obligations and the amounts that are to be reported in the income statement and balance sheet. The source for deciding the discount rate for the Swedish obligation is from 2010 and onwards liquid covered mortgage bonds issued by mortgage institutions. Significant parameters are further presented in Note 27.

NOTE 3 Risks and risk management

DEVELOPMENTS DURING THE YEAR

If continuously develops its risk management framework and systems. This work is based on internal needs and future Solvency II requirements.

In If a separate program is running to prepare If for the anticipated changes in Solvency II. The program has encompassed involvement in the Solvency II-debate and a thorough review of Ifs corporate governance and internal control structure, the risk management framework as well as the internal capital model. In early 2011, If entered a so-called pre-application process with the Swedish and Finnish Financial Supervisory Authorities. The process will continue during 2012 with the aim of having a partial internal model approved when the Solvency II-legal framework enters into effect.

The market development and the political disturbances during 2011 have led to higher volatility on the capital market, which has had effect on both equity and fixed income markets. Despite turbulence, the risk level has not increased significantly due to a cautious portfolio strategy characterized by both low equity level as well as low fixed-income duration.

As a result of conscientious work on risk management issues, If achieved a strong Enterprise Risk Management (ERM) rating by Standard & Poor's in February 2011.

OVERVIEW OF If's RISK MANAGEMENT

The core of insurance is the transfer of risk from insured clients to the insurer. If collects insurance premiums from a large group of policyholders and thereby commits to compensating them if insured events occur. The operating result depends on both the underwriting result and the return on investment assets.

Risk management approach

If believes that sound risk management is a decisive competitive advantage. The value of If, as seen from the perspective of different stakeholders, increases as a result of improved risk awareness and strong risk management.

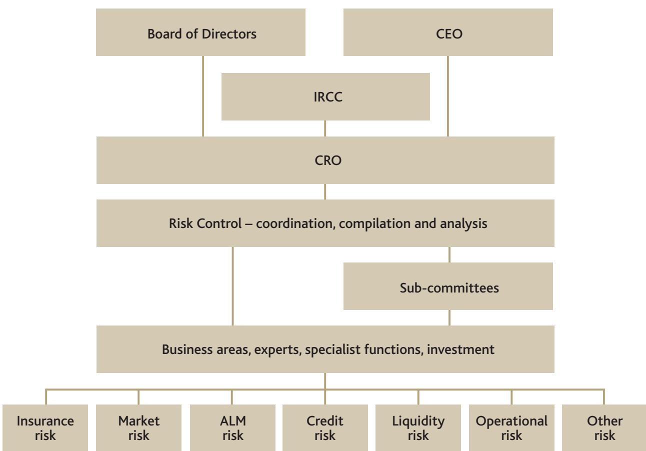
If's risk management approach is to ensure that sufficient return is obtained for the risks taken in all business decisions. All risks are taken into account in risk-return considerations and pricing decisions. This requires all risks to be properly identified and monitored.

The acceptable level of risk is determined by the availability of capital and the selected risk tolerance. Risk management activities are performed in the business units as part of the normal course of day-to-day business. Risk taking is restricted through a system of limits established by If's Board of Directors and delegated throughout the organization.

Risk governance and reporting structure

The Board of Directors bears overall responsibility for the risk management process and constitutes the ultimate decision-making body. The Board of Directors ensures that the management and follow-up of risks are satisfactory, monitors risk reports and approves risk management plans.

FIGURE 1 Risk management governance framework



The If Risk Control Committee (IRCC) assists the CEO and the Board of Directors in fulfilling their oversight responsibilities pertaining to the risk management process. The IRCC monitors reports from relevant committees, business areas, experts and specialist functions as well as the exposure in relation to limits set by the Board of Directors. The Chief Risk Officer (CRO) is responsible for reporting to IRCC but has delegated the responsibility for coordinating and analyzing the information reported to the Risk Control Unit in Risk Management.

The responsibilities of the various risk committees are:

- The Chairman of the Underwriting Committee (UWC), is responsible for approving and giving opinions on proposed deviations from the Underwriting Policy;
- The Chairman of the Investment Control Committee (ICC), is responsible for monitoring the investment activities and implementing If's Investment Policy, ensuring compliance with its investment guidelines, principles and limits and for reporting deviations from the policy;
- The Chairman of the Actuarial Committee (AC) is responsible for reporting and monitoring the technical provisions and monitoring technical calculations on provision risk;
- The Chairman of the Reinsurance Committee (RC), is responsible for approving and reporting deviations from the Reinsurance Policy and the Internal Reinsurance Policy;
- The Chairman of the Reinsurance Security Committee (RSC), is responsible for approving and reporting deviations from the Reinsurance Security Policy;
- The Chairman of the Operational Risk Committee (ORC), is responsible for reporting on the operational risk status for If as a whole based on the risks identified in the Operational Risk Assessment (ORA) process;
- The Chairman of the Ethics Committee (EC) is responsible for maintaining the Ethics Policy and other policies dealing with employee values and behavior and
- The Compliance Committee is an advisory forum for the If Chief Compliance Officer, who is responsible for the coordination of legal compliance issues within If and the adherence of operations to Sampo Group's Compliance Policy, a group-level policy applicable to all Sampo Group companies.

CAPITAL MANAGEMENT

Risk management focuses on both capital efficiency and sound risk management while maintaining the capital resources at an appropriate level in relation to the risks taken. At a minimum, this means ensuring that the available capital exceeds the capital requirement according to the internal measures as well as the measures of external stakeholders such as regulators and rating agencies.

Capital management approach

Capital constitutes a buffer from future losses. Consequently, measuring risks as expressed in capital is appropriate. Capital management is based on the risk tolerance that is implemented through a framework of risk limits, policies and authorizations, approved by the Board of Directors. Risks are continuously monitored and their impact on the available capital is assessed. The risk position, required capital and available capital are reported to IRCC and the Boards of Directors on a quarterly basis, or more often if the situation so requires.

In addition to maintaining capital resources at a sufficient level, If shall:

- Allocate capital to all business units in order to secure a risk based approach for target setting and profitability evaluation;
- Manage the debt-to-equity structure in order to enhance returns to shareholders while maintaining reasonable financial flexibility;
- Assure sustainable dividend capacity and
- Retain at least a single A rating (Standard & Poor's and Moody's).

Capital position and solvency

The capital position is the relationship between available capital and required capital. To fulfill requirements of various stakeholders, If uses different measures to describe the capital position: internal economic measures, regulatory measures and rating agency measures.

INTERNAL ECONOMIC MEASURES

Economic capital is an internal measure describing the capital required in If to bear various types of risks. Economic capital is defined as the amount of capital required to remain solvent over a one-year time horizon with a confidence level of 99.5%. Economic capital includes market, credit, insurance and operational risks, as well as the diversification effect between these risks.

Adjusted solvency capital is If's internal measure of available capital. Adjusted solvency capital is calculated by adding an adjustment to the regulatory solvency capital. The adjustment is the difference between carrying amount and fair value of technical provisions, where the fair value of technical provisions is the discounted value of future cash flows plus a risk margin.

The internal measures economic capital and adjusted solvency capital are presented in Table 1.

TABLE 1 **Regulatory capital measures and internal economic measures, Dec 31**

MSEK	2011	2010
Solvency requirement	7,493	6,592
Capital base	24,043	26,504
Economic Capital (99.5%)	13,015	13,053
Adjusted solvency capital	25,436	34,632

REGULATORY MEASURES

Insurance is a regulated business with formal rules for the capital requirement and the capital base. The capital base is the amount of capital that is available to cover unexpected losses in the insurance and investment operations. The solvency position is a measure used to assess an insurance company's ability to fulfill its liabilities to policyholders.

The solvency position is reported quarterly to the supervisory authorities monitoring If and its subsidiaries on the basis of the prevailing regulatory requirements.

The regulatory capital requirement and the regulatory solvency capital are presented in Table 1. All If companies fulfilled their regulatory capital requirements during 2011.

RATING AGENCY MEASURES

The rating agencies have their own models to assess the capital position as part of their rating criteria. Due to If's rating objective (A), the capital measures from the rating agencies are also a key capital requirement.

Risk and capital modeling

The economic capital for market risk, insurance risk and credit risk relating to reinsurance is calculated using If's internal stochastic models. For operational risks, economic capital is estimated using the standard formula of the Solvency II framework.

In order to assess the overall risk profile, it is necessary to incorporate the interrelationships between the various risks types, as some of the risks may develop in opposite directions creating natural hedges. For this purpose, If has used an internal model for several years. Through simulations of both investment and insurance operations, the effect of, for example, reinsurance structure and investment allocations can be analyzed simultaneously.

In addition to the calculation of economic capital, the internal model is also used as a basis for decisions regarding:

- Overall capital requirements for If and its subsidiaries;
- Allocation of capital to the various business areas in order to achieve consistent profit targets throughout the organization;
- Risk limits to be used in the Investment Policy and
- Reinsurance retention levels.

Distribution of Economic Capital

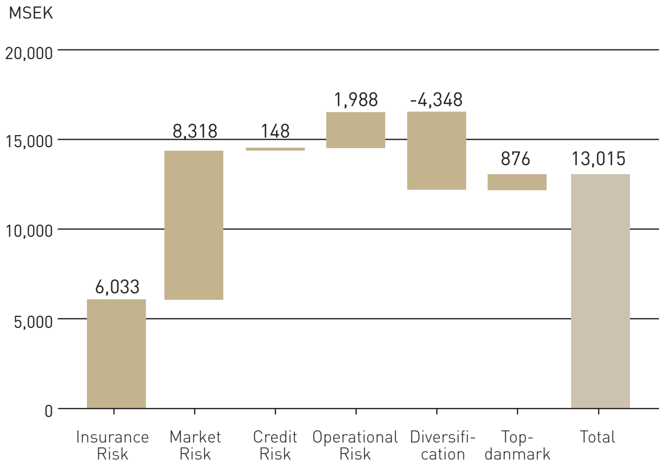
Economic capital tied up in If's operations on December 31, 2011 was MSEK 13,015 compared with MSEK 13,053 on December 31, 2010 (confidence level of 99.5%).

Economic capital does not only reflect the capital requirements for different kinds of risks, but also their mutual diversification effect. This gives a more accurate view of the overall capital requirements, since it is highly unlikely that all risks will materialize simultaneously.

During 2011 If's holding in Topdanmark has increased and the Danish insurance company is now an associated company. Therefore it is no longer treated as an equity exposure. Instead If's share of Topdanmark's regulatory solvency requirement of MSEK 876 as of December 2011 is included in the economic capital.

Figure 2 shows the distribution of economic capital between various risk areas.

FIGURE 2 **Economic Capital, Dec 31, 2011**



INSURANCE RISKS

Insurance risk relates to the uncertainty in pricing and reserving, causing unanticipated effects on the underwriting result. Non-life insurance risk can be divided into premium risk and reserve risk, where premium risk relates to new claims and reserve risk to payment of claims already occurred.

Underwriting risk

Underwriting risk is the risk of loss due to inadequate pricing, risk concentration, improper reinsurance coverage or random fluctuations in frequency and/or size of claims.

A crucial factor affecting the profitability of P&C insurance operations is the ability to accurately estimate future claims and administrative costs and thereby correctly price insurance contracts.

If mainly underwrites agreements in the Nordic and Baltic countries and to a limited degree in Russia. If also underwrites policies for Nordic clients with operations outside the Nordic region.

UNDERWRITING RISK MANAGEMENT AND CONTROL

The Underwriting Policy (UW Policy) is the principal document for underwriting and sets general principles, restrictions and directions for the organization of underwriting activities. The Board of Directors approves the UW Policy at least once a year.

The UW Policy is supplemented with guidelines outlining in greater detail how to conduct underwriting within each business area. These guidelines cover such areas as tariff and rating models for pricing, guidelines in respect of standard conditions and manuscript wordings, as well as authorities and limits, such as sums insured and risks that are not acceptable to undertake. The Underwriting Committee (UWC) is responsible for monitoring compliance with the established underwriting principles.

The business areas manage the underwriting risk on a day-to-day basis. The pricing within the Private business area and smaller risks within the Commercial business area are set through tariffs. The underwriting of risks in the Industrial business area and more complex risks within Commercial is based to a greater extent on general principles and individual underwriting than strict tariffs. In general, pricing is based on statistical analyses of historical claims data and assessments of the future development of claims frequency and claims inflation.

To analyze the exposure to natural disasters, the probability of major losses and the need for reinsurance, If cooperates with external advisors. Two different approaches are used for these analyses:

- Statistical models in which historical losses are used to estimate distributions for the frequency and size of losses;
- Catastrophe models in which catastrophes are simulated on the basis of historical meteorological data. Subsequently, insurance losses can be calculated, taking into account vulnerability, exposure and policy terms.

If's Reinsurance Policy stipulates guidelines for the purchase of reinsurance. The need and optimal choice of reinsurance is evaluated through statistical methods and models. The remaining net exposure is subject to the capital requirements (economic, regulatory and rating) and the cost of reinsurance must be favorable compared with the cost of capital.

QUANTIFICATION OF UNDERWRITING RISK

There is a risk, given the inherent uncertainty of P&C insurance, that losses due to claims may be unexpectedly high. Examples include large fires, natural disasters such as severe storms, or unforeseen increases in the frequency or the average size of small and medium-sized claims.

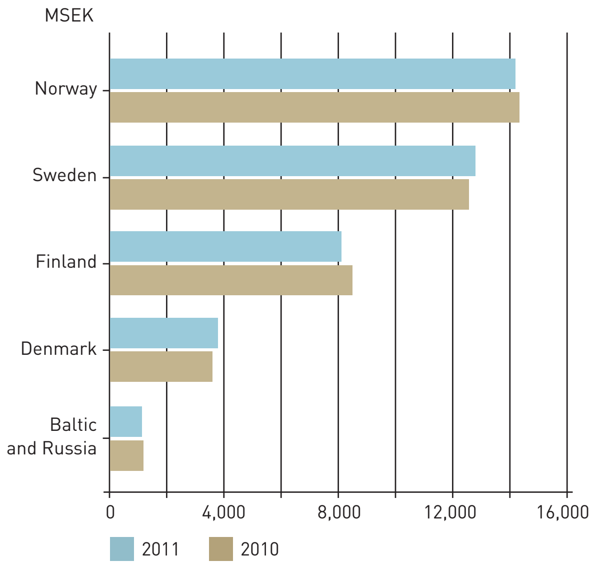
A sensitivity analysis of the aggregated underwriting risk is presented in Table 2.

TABLE 2 **Sensitivity test, underwriting risk, Dec 31**

MSEK			Effect on pretax profit	
Parameter	Current level, 2011	Change	2011	2010
Private's combined ratio	91.9%	+/- 1 percentage points	+/- 207	+/- 205
Commercial's combined ratio	92.8%	+/- 1 percentage points	+/- 113	+/- 115
Industrial's combined ratio	91.8%	+/- 1 percentage points	+/- 39	+/- 40
Baltic and Russia's combined ratio	84.5%	+/- 1 percentage points	+/- 11	+/- 12
Premium level	36,966	+/- 1%	+/- 370	+/- 372
Claims level	27,614	+/- 1%	+/- 276	+/- 281

The portfolio is assessed to be well diversified, given the large number of customers and the fact that business is underwritten in different geographical areas and across several insurance classes. The geographical distribution of premium income is shown in Figure 3.

FIGURE 3 **Premium income per country**



Despite the well-diversified insurance portfolio, risk concentrations may arise through, for example, exposures to natural disasters, such as storms and floods. The geographical areas most exposed to such disasters are Denmark, Norway and Sweden. In addition, since single large claims can potentially have a major impact on the result, the risk of severe outcomes is mitigated using reinsurance.

A Nordic-wide reinsurance program has been in place in If since 2003. In 2011, retention levels were between MSEK 100 and MSEK 200 per risk and MSEK 200 per event.

Reserve risk

Reserve risk results from fluctuations in the timing and amount of claim settlements. The provision for unearned premiums is intended to cover anticipated claims costs and operating expenses during the remaining term of insurance contracts in force. Since claims are paid after they have occurred, it is also necessary to set provisions for claims outstanding. The technical provisions are the sum of provisions for unearned premiums and provisions for claims outstanding.

Technical provisions always include a certain degree of uncertainty since the provisions are based on estimates of the size and the frequency of future claim payments.

The uncertainty of technical provisions is normally greater for new portfolios for which complete run-off statistics are not yet available, and for portfolios including claims that take a long time to settle. Workers' Compensation (WC), Motor Third Part Liability (MTPL), Personal Accident, and Liability insurance, are products with the latter characteristics.

RESERVE RISK MANAGEMENT AND CONTROL

The Board of Directors approves the guidelines governing the calculation of technical provisions. If's Chief Actuary is responsible for developing and presenting guidelines on how the technical provisions are to be calculated and for assessing whether the level of the total provisions is sufficient. The Chief Actuary issues a quarterly report on the adequacy of technical provisions, which is submitted to the Board of Directors, IRCC, CEO and CFO.

The Actuarial Committee is a preparatory and advisory board for If's Chief Actuary. The committee makes recommendations concerning guidelines for technical calculations. The committee also monitors technical provisions and provides advice to If's Chief Actuary regarding the adequacy of these provisions.

If's actuaries analyses the uncertainty of technical provisions. The actuaries continuously monitor the level of provisions to ensure that they comply with established guidelines. The actuaries also develop methods and systems to support these processes.

The actuarial estimates are based on historical claims data and exposures that are available at the closing date. Factors that are monitored include loss development trends, the level of unpaid claims, legislative amendments, legal cases and economic conditions. When setting provisions, the Chain Ladder and Bornhuetter-Fergusson methods are generally used, combined with projections of the number of claims and the average claim costs.

The anticipated inflation trend is taken into account when calculating all provisions and is of the utmost importance for claims settled over a long period of time, such as MTPL and WC. This is based on external assessments of the inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of claims cost.

Inflation risk in the technical provisions is an important consideration underlying If´s investment strategy.

QUANTIFICATION OF RESERVE RISK

For such insurance lines as MTPL and WC, legislation differs significantly between countries. Some of the Finnish, Swedish and Danish provisions for these lines include annuities that are sensitive to changes in mortality assumptions and discount rates. The proportion of technical provisions that are related to motor and Worker' Compensation is 68%.

TABLE 3 Technical provisions (net) per product and country, Dec 31

	Sweden		Norway		Finland		Denmark	
MSEK	2011	2010	2011	2010	2011	2010	2011	2010
Motor	22,693	21,936	7,552	7,625	7,526	7,390	1,166	1,142
Workers' Compensation	-	-	3,654	3,729	9,216	8,939	2,337	2,370
Liability	2,853	2,922	1,463	1,439	1,169	1,176	739	721
Accident	1,828	1,980	2,771	2,618	916	827	586	527
Property	3,729	3,574	5,218	5,249	1,646	1,644	1,273	1,053
Cargo	313	302	272	262	220	301	109	190
Total	**31,417**	**30,714**	**20,929**	**20,922**	**20,694**	**20,276**	**6,210**	**6,004**

Excluding If Life, Norwegian run-off, central business and the Baltic and Russian activities, total MSEK 1,126 (1,242).

The durations of technical provisions for various products are shown in Figure 4 and the amount of technical provisions broken down by product and country is shown in Table 3.

For several lines of business, technical provisions are sensitive to changes in inflation. The sensitivity of the inflation assumptions differs between countries due to different national rules. A sensitivity analysis of the reserve risk on December 31 is presented in Table 4.

FIGURE 4 Duration of technical provisions, Dec 31, 2011

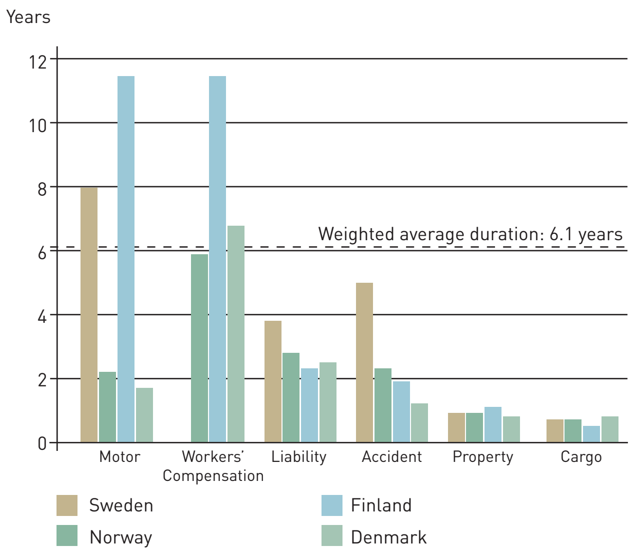


TABLE 4 Sensitivity test, provision risk, Dec 31

Portfolio	Risk	Change in risk parameter	Country	2011 Effect MSEK	2010 Effect MSEK
Nominal reserves	Inflation increase	Increase by 1 percentage point	Sweden	1,665	2,243
			Denmark	110	144
			Norway	581	787
			Finland	247	228
Discounted reserves (annuities and part of Finnish IBNR)	Decrease in discount rate	Decrease by 1 percentage point	Sweden	624	510
			Denmark	77	75
			Finland	1,921	1,378
Annuities	Decrease in mortality	Life expectancy increase by 1 year	Sweden	114	93
			Denmark	4	4
			Finland	313	260

FINANCIAL ASSETS AND LIABILITIES

The recognition of financial assets and liabilities depends on their classification. The classification of assets and liabilities into their categories in accordance with IAS 39 is shown in Table 5.

TABLE 5 Financial assets and financial liabilities, Dec 31

From an asset management perspective, assets under active management are categorized in asset classes supporting the disclosures in Risk Management and performance reporting (Note 10).

			Fixed income		Equity		Properties	
MSEK	2011	2010	2011	2010	2011	2010	2011	2010
Financial assets, mandatory at fair value through profit or loss (trading)								
Derivatives [1]	1,019	567	169	72	0	7		
Financial assets, designated by If as at fair value through profit or loss								
Shares and participations	0	0			0	0		
Bonds and other interest-bearing securities	1,381	810	1,381	810				
Financial assets, available for sale								
Shares and participations	11,485	15,904	866	874	10,514	15,003	105	26
Bonds and other interest-bearing securities	81,215	82,711	81,215	82,711				
Total financial assets at fair value	**95,100**	**99,992**	**83,631**	**84,467**	**10,514**	**15,010**	**105**	**26**
Loans and receivables								
Deposits with credit institutions	1,476	1,066	1,476	1,066				
Other loans	730	642	220	246			510	396
Other assets								
Deposits with ceding undertakings	11	12						
Debtors arising out of direct insurance	9,059	8,422						
Debtors arising out of reinsurance operations	569	380						
Other debtors	537	565						
Cash and bank	2,002	1,797	2,002	1,797				
Securities settlement claims	17	14	2	2	15	12		
Accrued income	1,428	1,430	1,164	1,250			-	8
Total financial assets	**110,929**	**114,320**	**88,495**	**88,828**	**10,529**	**15,022**	**615**	**430**
Financial liabilities, mandatory at fair value through profit and loss								
Derivatives [2]	1,804	673	144	2	0	0	0	0
Financial liabilities valued at accrued acquisition value								
Subordinated loans	2,881	3,714						
Financial liabilities valued at the amount expected to be settled								
Amounts owed to credit institutions								
Creditors arising out of direct insurance	1,457	1,217						
Creditors arising out of reinsurance operations	615	401						
Securities settlement liabilities	3	0			3	0		
Other creditors	1,609	1,714						
Accrued expenses	1,522	1,540						
Total financial liabillities	**9,891**	**9,259**	**144**	**2**	**3**	**0**	**0**	**0**
Assets allocated to asset classes			**88,351**	**88,826**	**10,526**	**15,022**	**615**	**430**
Additional properties included in the balance sheet							266	268
							881	**698**

[1] Only fixed income and equity derivatives are included in the asset classes. Currency derivatives are excluded and amounts to MSEK 850 (488).

[2] Only fixed income and equity derivatives are included in the asset classes. Currency derivatives are excluded and amounts to MSEK 1,660 (671).

Most of If's financial assets and liabilities are recognized at fair value. The valuation is based on either published quoted prices or valuation methods based on market observable inputs, where available. For a limited portion of assets, the value must to be determined using other techniques. Financial instruments measured at fair value have been classified into three hierarchy levels. The valuation of financial assets and liabilities is shown in Table 6.

TABLE 6 Determination of fair value of financial assets and liabilities in fair value hierarchy, Dec 31

	2011				2010			
MSEK	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets, mandatory at fair value through profit and loss (Trading)								
Derivatives								
Interest rate swaps	-	166	-	166	-	46	-	46
Other interest rate derivatives	3	0	-	3	23	3	-	26
Foreign exchange derivatives	-	850	-	850	-	488	-	488
Equity derivatives	-	0	-	0	-	7	-	7
	3	**1,016**	**-**	**1,019**	**23**	**544**	**-**	**567**
Financial assets, designated by If as at fair value through profit or loss								
Shares and participations	-	-	0	0	-	-	0	0
Bonds and other interest-bearing securities	257	1,124	0	1,381	587	221	2	810
	257	**1,124**	**0**	**1,381**	**587**	**221**	**2**	**810**
Financial assets, available for sale								
Shares and participations [1)]	10,200	0	1,285	11,485	14,671	-	1,233	15,904
Bonds and other interest-bearing securities	2,663	78,193	359	81,215	4,382	77,731	598	82,711
	12,863	**78,193**	**1,644**	**92,700**	**19,053**	**77,731**	**1,831**	**98,615**
Total financial assets at fair value	**13,123**	**80,333**	**1,644**	**95,100**	**19,663**	**78,496**	**1,833**	**99,992**
Financial liabilities, mandatory at fair value through profit and loss								
Derivatives								
Other interest rate derivatives	0	-144	0	-144	2	-	-	-2
Foreign exchange derivatives	0	-1,660	0	-1,660	-	-671	-	-671
	0	**-1,804**	**0**	**-1,804**	**-2**	**-671**	**-**	**-673**
Total financial liabilities at fair value	**0**	**-1,804**	**0**	**-1,804**	**-2**	**-671**	**-**	**-673**

1) Mutual funds recognized in the above balances totaled MSEK 5,561 (5,373), of which MSEK 4,224 (4,028) was allocated to Level 1 and MSEK 1,337 (1,124) to Level 3.

During 2011, no financial assets or liabilities at fair value have been moved between Level 1 and Level 2.

Level 1 – Financial assets and liabilities valued using quoted (unadjusted) prices in active markets for identical assets and liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets and liabilities in this category include most government guaranteed bonds, listed derivatives with daily price quotations and listed shares.

Level 2 – Financial assets and liabilities where the fair values are estimated using a valuation technique and where all significant inputs are observable either by using direct or indirect prices or rates prevailing at the balance sheet date. For model-valued instruments with observable input data, market interest rates and underlying prices are updated every month or more frequently, depending on the situation in the particular market. This category includes interest-bearing assets, such as corporate bonds, municipal bonds, most OTC derivatives, standardized derivatives and FX derivatives.

Level 3 – Financial assets and liabilities traded in an illiquid market, with non-observables prices or indications of trading levels without any actual trades. Model valuations which are based on inputs that are unobservable and significant to the overall fair value measurement. Level 3 comprises private equity, real estate, certain high-yield assets and distressed assets encountering financial difficulties.

For more information on valuation of financial instruments, see Note 1.

TABLE 7 Reconciliation of movements during the accounting year in level 3 financial instruments at fair value

2011	Carrying amount Jan 1	Total gains/ losses in income statement	Total gains/losses in other comprehensive income	Purchases	Sales	Transfers from/to level 1 and level 2	Exchange rate differences	Carrying amount Dec 31	Of which unrealized gains or losses
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	0	-	-	-	-	-	-	0	-
Bonds and other interest-bearing securities	2	0	-	-	0	-	-2	0	0
	2	**0**	**-**	**-**	**0**	**-**	**-2**	**0**	**0**
Financial assets, available for sale									
Shares and participations	1,233	-56	104	45	-58	0	17	1,285	-56
Bonds and other interest-bearing securities	598	175	-67	4	-329	-28	6	359	171
	1,831	**119**	**37**	**49**	**-387**	**-28**	**23**	**1,644**	**115**
Total financial assets at fair value	**1,833**	**119**	**37**	**49**	**-387**	**-28**	**21**	**1,644**	**115**

2010	Carrying amount Jan 1	Total gains/ losses in income statement	Total gains/losses in other comprehensive income	Purchases	Sales	Transfers from/to level 1 and level 2	Exchange rate differences	Carrying amount Dec 31	Of which unrealized gains or losses
Financial assets, designated by If as at fair value through profit or loss									
Shares and participations	8	0	-	-	-8	-	0	0	0
Bonds and other interest-bearing securities	12	13	0	0	-22	0	-1	2	-3
	20	**13**	**0**	**0**	**-30**	**0**	**-1**	**2**	**-3**
Financial assets, available for sale									
Shares and participations	1,020	-16	68	299	-45	0	-93	1,233	-10
Bonds and other interest-bearing securities	532	-189	351	0	-75	27	-48	598	-28
	1,552	**-205**	**419**	**299**	**-120**	**27**	**-141**	**1,831**	**-38**
Total financial assets at fair value	**1,572**	**-192**	**419**	**299**	**-150**	**27**	**-142**	**1,833**	**-41**

Included in the fair value of financial instruments carried at fair value on the balance sheet are those in Level 3 which are not supported by quoted prices or by using valuation techniques supported by observable market prices and rates. At December 31, 2011 financial assets presented in Level 3 amounted to MSEK 1,644 (1,833). These financial assets are categorized as Available for sale and therefore unrealized market value changes are reported in other comprehensive income.

Table 8 shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by category and financial instrument. With a 1% increase in the yield-curve for bonds and other interest-bearing securities and a 20% decrease in prices for equity securities and property, the result of the sensitivity analysis shows an unfavorable change in the fair values of the financial instruments in Level 3.

TABLE 8 Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions, Dec 31

	2011		2010	
	Carrying amount	Effect of reasonbaly possible alternative assumptions	Carrying amount	Effect of reasonbaly possible alternative assumptions
Financial assets, designated by If as at fair value through profit or loss				
Bonds and other interest-bearing securities	0	0	2	-1
Financial assets, available for sale				
Shares and participations [1]	1,285	-127	1,233	-111
Bonds and other interest-bearing securities	359	-9	598	-14
Total financial assets at fair value	**1,644**	**-136**	**1,833**	**-126**

1) Includes holding in equity and interest-bearing funds.

MARKET RISKS

Market risk is the risk of loss, or of an adverse change in financial position, resulting directly or indirectly from fluctuations in market prices of assets and liabilities. Losses in the investment portfolio might occur due to adverse changes in the level or volatility of interest rates, equity prices, currencies, commodities and real estate.

Market risk management and control

If s investment strategy is to achieve the highest possible returns at acceptable levels of risk. The compositions of If's investment assets must at all times comply with supervisory authorities' regulations and ensure an adequate solvency ratio.

The Board of Directors annually approves If's Investment Policy. The structure of the companies' technical provisions, risk-bearing capacities, regulatory requirements, rating targets and risk tolerance are taken into account when defining asset allocation decisions and limits and setting return and liquidity targets. The Investment Policy also defines mandates and authorizations and sets guidelines on the use of derivatives.

Assets and liabilities are managed within the risk appetite framework. In order to comply with the overall risk appetite the cash flows may be matched through investments in fixed income instruments denominated in the same currency as a corresponding liability. FX-swaps or other derivatives are used to offset currency risk if investments are made in instruments not denominated in the same currency as the liability.

Quantification of market risk

If's investment operations generated a return of 1.8% in 2011. Investment assets amounted to MSEK 99,758. The major market risks comprise interest rate risk, equity risk and currency risk.

TABLE 9 Allocation of investment assets, Dec 31

	2011		2010	
MSEK	Carrying amount	%	Carrying amount	%
Fixed income	88,351	89.8	88,826	84.9
Equities	10,526	9.4	15,022	14.4
Properties	881	0.8	698	0.7
Total	**99,758**	**100**	**104,546**	**100**

During the year, the proportion of equity investments decreased from 14.4% to 9.4%. The proportion of fixed income investments increased correspondingly from 84.9% to 89.8%. Other investment assets amounted to 0.8% at December 31, 2011.

The values of financial assets and liabilities are subject to changes in the underlying market variables. Table 10 shows the sensitivity analysis of the fair values of financial assets and liabilities to different market scenarios. The effects represent the instantaneous impact of a nonrecurring change in the underlying market variable on the fair values as of December 31 in each year. The sensitivity analysis includes the effects of derivative positions and is calculated before taxes.

TABLE 10 Sensitivity analysis of the fair values of financial assets and liabilities, Dec 31

	2011				2010			
MSEK	Interest rate		Equity	Properties	Interest rate		Equity	Properties
	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Assets								
Short-term fixed income	24	-24			7	-7		
Long-term fixed income	1,237	-1,191			1,704	-1,626		
Equity			-2,105				-3,004	
Other financial assets				-176				-140
Liabilities								
Subordinated bonds	-120	111			-63	61		
Derivatives, net	-124	115			-126	122		
Total change in fair value	**1,017**	**-989**	**-2,105**	**-176**	**1,522**	**-1,451**	**-3,004**	**-140**

Interest rate risk

Interest rate risk refers to the uncertainty in the values of assets and liabilities as well as interest income and expenses resulting from changes in market interest rates. When market interest rates rise, the value of fixed income securities falls and this has a direct impact on the company's equity and earnings.

According to If's Investment Policy, the composition of investment assets must take into account the nature of the insurance commitments with respect to interest rate risk and inflation risk.

The interest rate risk have during the year been limited by duration restrictions for instruments sensitive to interest rate changes. The duration of fixed income investments was 1.2 years at year-end 2011 (1.7 years in 2010). The interest rate sensitivity (duration) of fixed income investments is shown in Table 11.

TABELL 11 Duration and breakdown of fixed income investments per instrument type, Dec 31

	2011			2010		
MSEK	Carrying amount	%	Duration	Carrying amount	%	Duration
Scandinavian govt/credits	62,648	70.9	1.2	64,493	72.6	1.7
Euro govt/credits	11,161	12.6	1.3	11,789	13.3	1.8
Swedish index-linked bonds	2,718	3.1	3.6	2,683	3.0	4.5
Short-term fixed income	9,106	10.3	0.3	5,206	5.8	0.2
US govt/credits	2,658	3.0	1.9	4,608	5.2	1.5
Global govt/credits	60	0.1	0.6	47	0.1	0.2
Total	**88,351**	**100**	**1.2**	**88,826**	**100**	**1.7**

Since the technical provisions are predominantly stated in nominal terms in the balance sheet, from an accounting perspective, the company is mainly exposed to changes in future inflation. The economic value of these provisions, i.e. the present value of future claims payments, is however exposed to changes in interest rates. Furthermore, the provisions for annuities in Finland, Sweden and Denmark are discounted and potential changes in the discount rates will affect the level of technical provisions in the company's balance sheet.

The discount rates vary between countries mainly due to legislative differences, but they are at least indirectly impacted by the prevailing interest rate environment. The duration of provisions and thus sensitivity to changes in interest rates are analyzed in greater detail in Figure 4 and Table 4 in the section concerning insurance risk. The cash flows of financial assets and liabilities are presented by maturities in Table 18, in the section concerning liquidity risks.

Equity risk

Equity risk is the risk of loss due to changes in share prices. If is exposed to changes in the prices of equities through its investment operations. The equity risk is reduced by diversifying the investments across industry sectors and geographical regions.

If's equity portfolio is actively managed with a long-term investment horizon. At year-end, exposure amounted to MSEK 10,526 and the proportion of equities in the investment portfolio was 9.4%. Under If's Investment Policy, equity investment may not exceed 15% of the total investment portfolio. The equity portfolio consists of Nordic shares and a diversified global fund portfolio. Mandates for investments are stipulated in the Investment Policy.

TABLE 12 Breakdown of equity investments by industry sectors, Dec 31

MSEK	2011 Carrying amount	2011 %	2010 Carrying amount	2010 %
Insurance	17	0.2	1,799	17.1
Machinery	1,602	23.6	3,032	28.8
Specialty Retail	1,246	18.4	1,629	15.5
Telecommunication Services	617	9.1	427	6.8
Construction and Engineering	540	7.9	712	3.1
Financials Services	487	7.2	0	3.6
Electrical Equipment	355	5.2	406	4.1
Oil, Gas and Consumable Fuels	316	4.7	291	2.8
Household Durables	256	3.8	0	4.0
Others	1,353	19.9	2,223	14.2
Total	**6,789**	**100**	**10,518**	**100**

The sector allocation of equity excludes investments made through mutual equity funds of MSEK 3,737 (4,504).

TABLE 13 Breakdown of equity investments by geographical regions, Dec 31

MSEK	2011 Carrying amount	2011 %	2010 Carrying amount	2010 %
Scandinavia	6,773	66.1	10,511	71.2
North America	1,212	11.8	1,338	9.1
Western Europe	970	9.5	1,156	7.8
Far East	755	7.4	1,125	7.6
Latin America	272	2.7	338	2.3
Japan	254	2.5	303	2.0
Eastern Europe	0	0.0	0	0.0
Total	**10,236**	**100**	**14,771**	**100**

The geographical allocation of equity excludes investments of MSEK 290 (251) made through mutual equity funds.

Currency Risk

Currency risk is the risk of loss due to changes in currency exchange rates. If writes insurance policies that are mostly denominated in Scandinavian currencies and in euro. The currency risk is reduced by matching technical provisions with investment assets in the corresponding currencies or by using currency derivatives.

If's currency positions against the base currency and the currency risk are shown in Table 14.

TABLE 14 Currency risks, Dec 31

MSEK Currency	EUR	NOK	DKK	LVL	LTL	GBP	USD	JPY	OTHER
Open position (SEK)	-502	58	-215	-6	-6	22	103	2	-158
10% depreciation of foreign currency against SEK, 2011	50	-6	22	1	1	-2	-10	0	16
10% depreciation of foreign currency against SEK, 2010	4	36	9	1	1	-1	-20	1	5

Currency positions in the Baltic and Russia business area are excluded.

CREDIT RISKS

Credit risk is the risk of loss or of adverse change in financial position resulting from fluctuations in the credit standing by securities issuers, counterparties and other debtors. Credit risks arise both from investment, insurance and reinsurance operations.

Credit risk in investment operations includes the risk that a government or corporate issuer will not fulfill its obligations or otherwise obstruct the remittance of funds by debtors, particularly in the context of fixed income securities. Credit risks in investment operations can be divided into issuer risk, counterparty risk and spread risk. Issuer risk is often associated with a direct security holding, while counterparty risk is related to derivatives. The essential difference in terms of risk is that in the case of issuer risk, the entire value of the bond is at risk, while in the case of counterparty risk; only the current market value of the derivative contract is at risk. Spread risk relates mainly to changes in the credit spreads between fixed income instruments issued by banks and corporations and fixed income instruments issued by governments.

In addition to the credit risk associated with investment assets, credit risk arises from insurance operations through ceded reinsurance. Credit risk related to reinsurers arises through reinsurance receivables and through the reinsurers' portion of outstanding claims. Credit risk exposure towards policyholders is very limited, because non-payment of premiums generally results in the cancellation of insurance policies.

Credit risk management and control

Credit risks in investment operations are controlled by specific limits stipulated in If's Investment Policy. In the policy, limits are set for maximum exposures towards single issuers and per rating class. Before investing in a new instrument, the credit standing of the issuer is assessed thoroughly as is the valuation and liquidity of the instrument. Credit ratings, mainly from Standard & Poor's, Moody's and Fitch, are used to judge the creditworthiness of issuers and counterparties. In addition, portfolio performance and counterparties' credit standing are regularly monitored.

The credit risks are reported to the Investment Control Committee (ICC). Decisions made by the Chairman of ICC are to follow the limits defined in the Investment Policy. Since credit risk is actively taken in the investment allocation, as a part of investment operations in order to enhance investment returns, it should be viewed in connection with the risk reporting of market risks. Credit risk reporting is primarily based on the rating of the issuer, but ratings for individual instruments are also used.

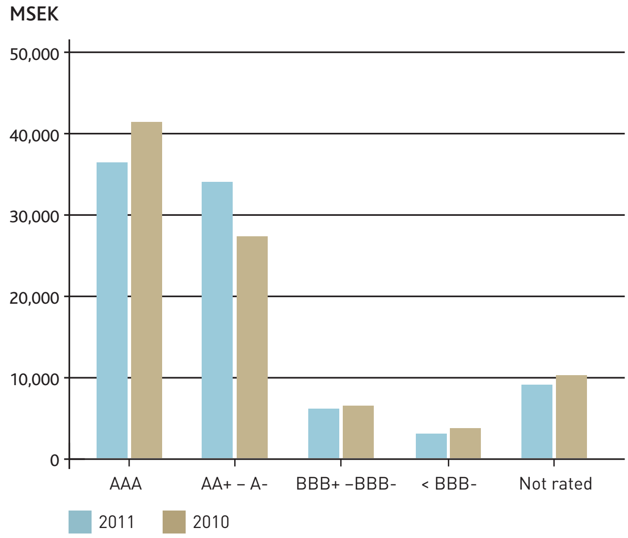
To limit and control credit risk associated with ceded reinsurance, If has a Reinsurance Security Policy which sets requirements for the reinsurers' minimum credit ratings and the maximum exposure to individual reinsurers. Credit ratings from rating agencies are used to determine the creditworthiness of reinsurance companies.

Quantification of credit risk

CREDIT RISK RELATED TO INVESTMENT OPERATIONS

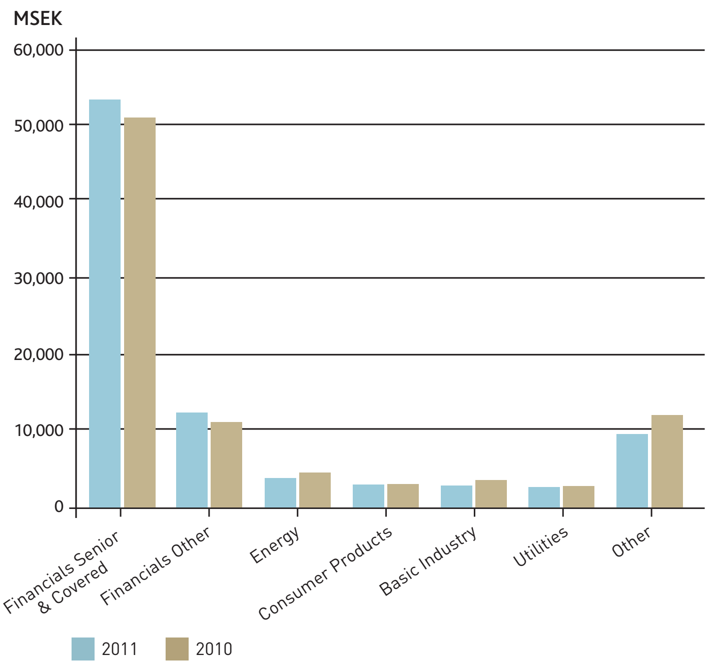
If`s most significant credit risk exposures arise from investments in fixed income investments. The allocation of fixed income investments per rating category is shown in Figure 5.

FIGURE 5 Fixed income investments per rating category, Dec 31



The credit risk in If's investment portfolio is mainly associated with corporations in the Nordic region. Figure 6 shows the sector allocation of fixed income investments.

FIGURE 6 Sector allocation of fixed income investment, Dec 31



CREDIT RISK RELATED TO REINSURANCE OPERATIONS

The distribution of reinsurance receivables and reinsurers' share of outstanding claims per rating category is presented in Table 15. In the table, MSEK 1,238 (1,179) is excluded, which mainly relates to captives and statutory pool solutions.

TABLE 15 **Reinsurance receivables and reinsurers' share of outstanding claims per rating category, Dec 31**

MSEK Rating (S&P)	2011	%	2010	%
AAA	2	0.1	0	0.0
AA	2,442	68.4	1,982	60.0
A	947	26.4	1,194	36.2
BBB	9	0.3	10	0.3
BB - CCC	5	0.1	0	0.0
Not rated	166	4.7	115	3.5
Total	**3,571**	**100**	**3,301**	**100**

The distribution of ceded treaty and facultative premiums per rating category is presented in Table 16.

TABLE 16 **Ceded treaty and facultative premiums per rating category, Dec 31**

MSEK Rating (S&P)	2011	%	2010	%
AAA	1	0.2	1	0.2
AA	297	54.9	210	37.5
A	243	44.9	348	62.2
BBB	0	0.0	0	0.0
BB - CCC	0	0.0	0	0.0
Not rated	0	0.0	1	0.1
Total	**541**	**100**	**560**	**100**

RISK CONCENTRATIONS

The largest market and credit risk concentrations related to individual counterparties are shown in Table 17.

TABLE 17 **Concentration of market and credit risks in individual counterparties and asset classes, Dec 31, 2011**

MSEK Market value	Equity	Covered bonds	Other long-term fixed income	Short-term fixed income	Positive fair values of derivatives	Total
Nordea Bank AB	0	6,375	3,241	1,137	6	10,759
Svenska Handelsbanken AB	0	5,960	2,424	0	0	8,384
Swedbank AB	0	6,468	1,835	18	0	8,321
Skandinaviska Enskilda Banken AB	0	3,501	2,277	1,149	24	6,951
SBAB	0	2,819	1,858	0	0	4,677
Den Danske Bank A/S	0	933	2,661	246	0	3,840
DNB Holding Asa	0	1,156	2,433	0	0	3,589
Landshypotek AB	0	2,240	301	0	0	2,541
Kommuninvest Sverige AB	0	197	2,176	0	0	2,373
TeliaSonera AB	617	0	1,247	0	0	1,864
Total top ten exposures	**617**	**29,649**	**20,453**	**2,550**	**30**	**53,299**

The ten largest individual reinsurance recoverables amounted to MSEK 3,164, representing 66% of the total recoverables. The largest reinsurer is Munich Re (AA-), which accounts for 27% of the total recoverables.

LIQUIDITY RISKS

Liquidity risk is the risk that an insurance undertaking will be unable to realize investments and other assets in order to settle its financial obligations when they fall due. Liquidity risk can be divided into refinancing risk of debt and market liquidity risk of investments.

Liquidity risk management and control

In P&C insurance, premiums are collected in advance and large claims payments are usually known long before they fall due, thus limiting the liquidity risk.

Liquidity risks are managed by cash management functions that are responsible for liquidity planning. Liquidity risk is reduced by having investments that are readily marketable in liquid markets. The available liquidity of financial assets, i.e. the element of the assets that can be converted into cash at a specific point in time, is analyzed and reported to IRCC on a quarterly basis. At year end, the liquidity position in each legal entity was favorable.

Quantification of liquidity risk

The maturities of technical provisions and financial assets and liabilities are presented in Table 18. In the table, financial assets and liabilities are divided into contracts with an exact contractual maturity profile, and other contracts. Only the carrying amount is shown for the other contracts. In addition, the table shows expected cash flows for net technical provisions, which are inherently associated with a certain degree of uncertainty.

TABLE 18 Cash flows for financial assets and liabilities and net technical provisions, Dec 31, 2011

	Carrying amount			Cash flows						
MSEK	Carrying amount	Without maturity	With contractual maturity	2012	2013	2014	2015	2016	2017-2026	2027-
Financial assets	110,929	14,943	95,986	30,515	19,583	21,892	15,568	14,483	3,951	4
Financial liabilities	9,891	0	9,891	5,384	758	126	1,462	59	1,274	0
Net technical provisions	80,376	0	0	28,831	8,030	5,491	4,578	3,822	21,251	16,493

OPERATIONAL RISKS

Operational risk is the risk of loss arising from inadequate or failed internal processes and systems, human error or external events (expected or unexpected). The definition includes Legal risk.

Operational risk management and control

If identifies operational risks through a number of different processes.

A trend analysis is performed yearly, where the most important trends affecting the insurance industry are identified and the effects on If are assessed. In this process, the most severe external operational risks are identified.

The line organization and corporate functions have the responsibility of identifying, assessing, monitoring and managing their operational risks. Risk identification assessments are performed quarterly. Identified risks are assessed from a severity perspective, encompassing probability and impact. The control status for each risk is assessed where a traffic light system is used: Green – good control of risk, Yellow – attention required, Red – attention required immediately. The most severe risks with control status yellow or red are reported to If's Operational Risk Committee.

The Operational Risk Committee coordinates the operational risk process and ensures its continuity. The committee's task is to provide opinions, advice and recommendations to the If Risk and Control Committee and report the current operational risk status. The status assessment is based on the assessments in the organization, reported incidents and other additional risk information.

Incident reporting and analysis is managed differently depending on type of incident. Some types of incidents are reported via a separate web-based incident reporting routine, and others are identified through controls and investigations.

In order to manage operational risks If has issued a number of different steering documents; Operational Risk Policy, Contingency Plans, Security Policy, Outsourcing Policy, Complaints Handling Policy, Claims Handling Policy, and other steering documents related to different parts of the organization. These documents are reviewed and updated at least yearly.

In addition to this, If has detailed processes and guidelines in order to manage possible external and internal frauds. Internal training on ethical rules and guidelines is a prioritized area.

PREPARATIONS FOR SOLVENCY II

In 2009, the Solvency II Framework Directive, which introduces a new risk-based solvency regime.

The economic risk-based solvency regime aims to deepen the integration of the insurance and reinsurance market, enhance the protection of policyholders and beneficiaries, improve international competitiveness of EU insurers and reinsurers and promote better regulation. Compared with the existing Solvency I regulation, the regulatory capital requirements in Solvency II will more closely reflect the specific risk profile of each company. This will lead to companies focusing on sound risk management and internal control procedures and thus increase risk awareness throughout the organization.

The new regulations are expected to be implemented by 2014.

A separate program, including a number of projects, was introduced in 2007 to prepare If for the anticipated changes.

This program has encompassed involvement in the Solvency II debate and a thorough review of If's corporate governance and internal control structure, the risk management framework as well as the internal capital model. Development of separate risk data storage has been ongoing since 2009. The work was completed during 2011. A tool for external Solvency II reporting is also currently being developed.

In early 2011, If P&C entered a so called pre-application process with the Swedish and Finnish Financial Supervisory Authorities. The process will continue during 2012 with the aim of having a partial internal model approved when the Solvency II legal framework enters into effect.

NOTE 4 Recognition of the effects of changed exchange rates

In addition to the Nordic currencies, the Group underwrites insurance in the most frequently used international currencies. Moreover, asset management is characterized by a large degree of international diversification. Accordingly, assets and liabilities in currencies other than SEK account for considerable sums. According to If's Currency Policy, exchange-rate risks are to be limited by conducting specific hedging transactions when required. The Group's currency policy set limits for currency exposure.

Exchange-rate effects in the technical result

MSEK	2011	2010	Change	Of which exchange-rate effects
Premiums earned, net of reinsurance	36,966	37,170	-204	-1,071
Investment income transferred from non-technical account	1,124	1,606	-482	-43
Other technical income	277	235	42	-8
Claims incurred, net of reinsurance	-27,614	-28,093	479	804
Operating expenses	-6,624	-6,634	10	201
Technical result	**4,129**	**4,284**	**-155**	**-117**

As a result of the large amount of foreign currency business operations, financial reports in SEK are continuously impacted by effects attributable to exchange-rate changes. In the income statement, transactions in foreign currency are translated into SEK using the average exchange rate during the month when the transaction was incurred or reported. Normally, the accounting of insurance contracts matches the contracted currency. Accordingly, exchange-rate effects that could have an impact on a specific reporting line in the income statement do not have a material impact on the total technical result.

Technical income and operating expenses net, distributed by currency

	Premum income	Total expenses	Of which claims costs	Of which operating expenses
SEK	28%	30%	25%	5%
NOK	37%	35%	28%	7%
DKK	9%	10%	8%	2%
EUR	22%	22%	18%	4%
USD	1%	0%	0%	0%
Other	3%	3%	2%	1%
Total	**100%**	**100%**	**81%**	**19%**

Balance sheet items established in foreign currency are translated into SEK using the exchange rate prevailing on the balance sheet date. Currency exposure in the balance sheet is mainly controlled by means of the activity involving continuous allocations of currency investments in the Group's investment assets. On other occasions, the exposure that arises is cost effectively managed through the use of currency forward contracts.

Exchange-rate effects in the balance sheet

MSEK Assets	2011	2010	Change	Of which exchange-rate effects
Intangible assets	1,257	1,259	-2	-1
Investment assets	100,449	102,078	-1,629	132
Reinsurers' share of technical provisions	4,709	4,575	134	14
Deferred tax assets	453	392	61	0
Receivables	10,166	9,367	799	-17
Other assets	2,159	1,977	182	-4
Prepaid expenses and accrued income	2,996	2,841	155	-6
Total assets	**122,189**	**122,489**	**-300**	**118**

Shareholders' equity, provisions and liabilities				
Shareholders' equity	21,563	22,818	-1,255	248
Subordinated debt	2,881	3,714	-833	-20
Technical provisions	85,085	83,733	1,352	-96
Provisions for other risks	4,661	5,365	-704	-3
Creditors	6,424	5,264	1,160	-8
Accrued expenses and deferred income	1,575	1,595	-20	-3
Total shareholders' equity, provisions and liabilities	**122,189**	**122,489**	**-300**	**118**

For 2011, a net exchange rate gain of MSEK 6 was recognized in the income statement. The gain arose as a result of the translation of the income statement and balance sheet items and from currency derivatives. Accordingly, exchange-rate gains/losses may be divided into:

Conversion of items in the income statement and balance sheet	-15
Realized effects of currency derivatives	624
Unrealized effects of currency derivatives	-603
Total exchange rate gain	**6**

NOTE 5 Result per business area

Group operations are controlled and reported primarily in accordance with If's customer groups and operations, which consist of private individuals, small companies and large-scale companies and asset management.

The Private, Commercial and Industrial business areas conduct operations in Sweden, Norway, Denmark and Finland. These countries have well-developed insurance markets with a long-standing tradition of property and casualty insurance and well-developed products. The local markets are characterized by being dominated by a few major insurers and a large number of small-scale players.

The operations in the Baltic countries and Russia constituted a separate business area until year end 2011. The business area consisted of insurance operations conducted in a subsidiary in Estonia with branches in Latvia and Lithuania and in subsidiaries in Russia. In late 2011, it was decided to phase out the private insurance operations in Russia. Services for Nordic corporate customers' Russian operations continue as before but is integrated in business area Industrial.

The asset management unit provides centralized management of the Group's investment assets and bank balances. The asset management unit has earnings responsibility for its operations within the investment restrictions regulated by means of the Group's investment policy. An estimated return on the assets that correspond to technical provisions is transferred from the non-technical account to the technical result for each business area.

Within segment reporting, a separate account is provided in terms of the Group-wide operations that If has chosen not to allocate to the Group's established business areas. Within Other, If reports its run-off operations and other Group-wide operations.

Business area consolidation is implemented, with the exception of asset management, in accordance with the same policies as those for the Group. The income statement items, assets and liabilities that are attributed to the various business areas are of a technical nature and constitute the principal operating items. Internal sales among the business areas had only a marginal impact on income and expenses for the various business segments.

Income statement and balance sheet per business area

MSEK	Private	Commercial	Industrial	Baltic & Russia	Asset management	Other [1]	Adjustment to consolidated principles [2]	2011 Group	2010 Group
Premiums earned, net of reinsurance	20,663	11,311	3,889	1,072	-	31	-	36,966	37,170
Allocated investment income transferred from the non-technical account	623	302	158	33	-	8	-	1,124	1,606
Other technical income	133	104	25	4	-	11	-	277	235
Claims incurred, net of reinsurance	-15,627	-8,436	-2,975	-551	-	-25	-	-27,614	-28,093
Operating expenses in insurance operations, net of reinsurance	-3,369	-2,057	-595	-355	-	-4	-	-6,380	-6,402
Other operating expenses	-115	-101	-20	0	-	-8	-	-244	-232
Technical result of insurance operations	**2,308**	**1,123**	**482**	**203**	**-**	**13**	**-**	**4,129**	**4,284**
Investment result, net					1,822	-803	2,156	3,175	5,187
Allocated investment income transferred to the technical account						-1,632		-1,632	-2,156
Interest expense, subordinated loans						-158		-158	-276
Share of associates' result						58		58	-
Dissolvement of collective guarantees provision						-		-	-239
Result before income taxes								**5,572**	**6,800**
Assets on December 31									
Intangible assets	-	104	-	44	-	1,109	-	1,257	1,259
Investment assets	-	-	-	-	100,449	-	-	100,449	102,078
Reinsurers' share of technical provisions	337	968	3,386	30	-	-12	-	4,709	4,575
Deferred tax assets	-	-	-	5	-	448	-	453	392
Debtors arising out of insurance operations	6,756	1,784	1,065	142	0	-119	-	9,628	8,802
Deferred acquisitions costs	848	478	30	27	-	12	-	1,395	1,242
Other assets [3]	-	-	-	-	1,760	2,538	-	4,298	4,141
Total assets	**7,941**	**3,334**	**4,481**	**248**	**102,209**	**3,976**	**-**	**122,189**	**122,489**
Shareholders' equity, provisions and liabilities on December 31									
Shareholders' equity	-	-	-	-	-	21,563	-	21,563	22,818
Subordinated debt	-	-	-	-	-	2,881	-	2,881	3,714
Technical provisions, gross	42,470	24,904	16,596	1,023	-	93	-	85,086	83,733
Provisions for other risks and charges	155	78	11	170	7	4,240	-	4,661	5,365
Deposits received from reinsurers	-	-	-	-	-	-	-	-	-
Creditors arising out of insurance operations	610	345	724	68	-	325	-	2,072	1,618
Other creditors [3]	-	-	-	-	1,999	3,927	-	5,926	5,241
Total shareholders' equity, provisions and liability	**43,235**	**25,327**	**17,331**	**1,261**	**2,006**	**33,029**	**-**	**122,189**	**122,489**

1) Including Run Off and other operations not allocated to the business areas.

2) Business area reporting includes all value changes on investment assets in the Investment result. As explained in Note 1 Accounting policies, the main principle is not to include value changes in the consolidated income statement but to include them in other comprehensive income until being realized.

3) Other debtors and creditors are not divided on the basis of business areas except for those related to asset management.

Operations per geographical area

Revenues per geographical area, below, are distributed among the countries in which If has companies or branches and, in all significant respects, matches the customers' geographical domicile.

Non-current assets have been allocated directly to the countries where they belong in terms of physical or business domicile.

Geographical area segment information

	Sweden		Norway		Denmark		Finland		Baltic and Russia		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Premiums earned, net of reinsurance	11,244	11,145	13,522	13,857	3,348	3,082	7,780	7,890	1,072	1,196	36,966	37,170
Non-current assets [1)]	443	518	194	112	2,801	22	991	1,010	101	129	4,530	1,791

1) Non-current assets refer to goodwill, other intangible assets, investments in associated companies and tangible assets.

Business area Private

BUSINESS TREND DURING THE YEAR

The technical result increased compared to last year and amounted to MSEK 2,308 (2,256). The combined ratio improved to 91.9% (93.0) mainly due to increased cost efficiency and better claims outcome.

Premium income increased during the year and gross premiums (excluding currency effects) increased by 4.5%. Denmark had continued good growth well above market average. Also Norway, Sweden and Finland showed positive development during the year.

The risk ratio improved during the year and was 68.5% (68.9). Claims in connection with the cold and snowy winter in the beginning of the year were lower than in 2010, but still substantial compared to previous years. The Scandinavian countries were also hit by storms and cloudbursts during the year which resulted in increased claims compared to normal.

Total operating expenses in insurance operations, excluding currency effects, increased by 0.6%. The cost ratio improved to 23.5% (24.1) as a result of increased efficiency.

MARKETS AND THE FUTURE:

The Nordic market for private insurance grew moderately in 2011. An important factor was that new car sales picked up during the year which contributed to an increase in motor insurance. Growth in 2012 depends on the development of the global recession. Historically, growth in premium volume tends to slow down in an economic down-turn.

During 2011, If strengthened its position on the market through continued focus on customers, investment in Internet sales, selective growth and operational excellence in pricing and automated processes. Work to secure high customer satisfaction was emphasized and further developed through internal competence programs, improvement initiatives and in communication with the market. Growth was mainly driven by sales through alliance partners, necessary premium increases, as well as pricing and risk selection policies that promote profitability. Also, further automated processes have contributed to cost improvement during the year.

The strategic direction for the business area remains unchanged in 2012, with continued focus on operational excellence in pricing and risk selection in all markets. This will be combined with continued competence building and business initiatives in line with If's customer promise "Relax, we'll help you". Also, a number of e-business solutions will be further developed in coming years, which will provide cost savings through automation of labour intensive processes such as claims handling and service functions. At the same time, the proportion of sales over the Internet are expected to increase.

Income statement and insurance-related balance sheet items

Business area Private

MSEK	Total 2011	Total 2010
Premiums earned, net of reinsurance	20,663	20,515
Allocated investment return transferred from the non-technical account	623	818
Other technical income	133	110
Claims incurred, net of reinsurance	-15,627	-15,671
Operating expenses in insurance operations, net of reinsurance	-3,369	-3,406
Other operating expenses	-115	-110
Technical result of property and casualty insurance	**2,308**	**2,256**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	6,749	6,217
Debtors arising out of reinsurance operations	7	14
Debtors arising out of insurance operations	**6,756**	**6,231**
Deferred acquisition costs	848	778
Reinsurers' share of deferred acquisition costs	-	-
Deferred acquisition costs, net	**848**	**778**
Technical provisions, gross	42,470	41,095
Reinsurers' share of technical provisions	337	324
Technical provisions, net	**42,133**	**40,771**
Creditors arising out of direct insurance operations	579	533
Creditors arising out of reinsurance operations	31	11
Creditors arising out of insurance operations	**610**	**544**

Business area Commercial

BUSINESS TREND DURING THE YEAR

The technical result for the year ended at 1,123 MSEK (1,212). The result was affected negatively by increased claims frequency, particularly within motor and property lines in the Swedish and Norwegian markets. The increase in the number of claims was attributed to the cold and snowy winter affecting all Nordic countries at the beginning of the year, combined with intense cloudbursts in Denmark in July. Costs for large claims were at normal levels in the Nordic countries and significantly lower compared to last year. Sweden alone had higher large claims costs than normal. Prior year claims costs developed positively, primarily within personal lines in Norway and Denmark. The combined ratio improved to 92.8% (93.5).

Premiums developed positively during the year and gross premiums (excluding currency effects) increased by 3.4%. In both Sweden and Finland, volumes are showing a clear trend-shift compared to previous years. Increased profitability focus in the Swedish market has enabled price increases. In Finland, price increases were a result of the economic development. In Norway, the volume situation has been challenging due to fierce competition. In Denmark, the economic recovery has been slow leading to low volume growth in the market.

Total operating expenses in insurance operations, excluding currency effects, increased by 1.1% while the cost ratio improved to 23.6% (23.8). The cost development is monitored strictly with focus on efficiency.

MARKETS AND THE FUTURE

The corporate insurance market has continued to gradually recover from the last global recession. Competition is still strong, but it is evident that prices in the market have increased to compensate for higher claims costs and years of fierce price competition. If's competitiveness in the corporate market has improved through consistent development of the business with better services and products, improving efforts to both attract and retain clients, while premium rates increased in 2011.

This trend is expected to continue in coming years due to a continued need for improved profitability. Market growth in 2012 is expected to be slightly positive and the expectation is that the competitiveness and focus on local markets will generate additional business opportunities and growth in the coming year. In the corporate market, the focus continues to be the right risk at the right price. This means meeting increasing claims cost with price increases in those segments where it is deemed necessary, while price increases can be avoided in those segments where claims trend is stable.

The strategy for the business area remains unchanged and is based on three basic concepts: customer satisfaction, cost efficiency and professionalism in risk selection and pricing. Investments in strategic IT projects continued in 2011. The business area's new production system has been implemented in Sweden, Norway and partly in Denmark. Continued investments in IT and incremental implementation will be important in the coming years. The improved system support enables a modern range of products, outstanding customer service and continued streamlining of work processes. Continuous improvement in efficiency is among the most important competitive advantages in business area Commercial.

Income statement and insurance-related balance sheet items

Business area Commercial

	Total	
MSEK	2011	2010
Premiums earned, net of reinsurance	11,311	11,475
Allocated investment return transferred from the non-technical account	302	463
Other technical income	104	97
Claims incurred, net of reinsurance	-8,436	-8,631
Operating expenses in insurance operations, net of reinsurance	-2,057	-2,102
Other operating expenses	-101	-90
Technical result of property and casualty insurance	**1,123**	**1,212**
Intangible assets	**104**	**78**
Debtors arising out of direct insurance operations	1,767	1,685
Debtors arising out of reinsurance operations	17	32
Debtors arising out of insurance operations	**1,784**	**1,717**
Deferred acquisition costs	478	412
Reinsurers' share of deferred acquisition costs	2	1
Deferred acquisition costs, net	**476**	**411**
Technical provisions, gross	24,904	25,084
Reinsurers' share of technical provisions	968	989
Technical provisions, net	**23,936**	**24,095**
Creditors arising out of direct insurance operations	279	252
Creditors arising out of reinsurance operations	66	41
Creditors arising out of insurance operations	**345**	**293**

Business area Industrial

BUSINESS TREND DURING THE YEAR

The technical result decreased during the year and amounted to 482 MSEK (623) and the combined ratio was 91.8% (90.6).

Compared with the previous year premiums increased by 2.6% adjusted for currency effects. Premium income was positively impacted by a net inflow of new customers. More major claims than normal had a negative impact during the year. The risk ratio was 71.5% (71.9). The development of prior year claims reserves was positive.

Total operating expenses in insurance operations, excluding currency effects, increased by 9.8%, mainly due to positive one-offs last year. The cost ratio deteriorated to 20.3% (18.7).

MARKET AND THE FUTURE

The Nordic corporate P&C insurance market is characterized by intense competition and weak profitability in many companies. An increased number of natural disasters in recent years have affected the insurance and the reinsurance companies, which contributed to increased claims costs. This in combination with low interest rates indicates the need for price increases.

The market position of the business area is stable in the role as the leading Nordic company for corporate P&C insurance. If has a positive view of the competitive situation and new customers have chosen If for their complex international insurance programs. The investment in the area of group life and health insurance also shows positive development and has been very well received in the market.

The business area is focused on assisting large Nordic corporate customers with the best network around the world and the best international services in claims and risk management. If is also continuing to focus on correct pricing of each individual risk based on the customer's specific exposure and risk situation.

Income statement and insurance-related balance sheet items

Business area Industrial

MSEK	Total 2011	2010
Premiums earned, net of reinsurance	3,889	3,984
Allocated investment return transferred from the non-technical account	158	247
Other technical income	25	23
Claims incurred, net of reinsurance	-2,975	-3,072
Operating expenses in insurance operations, net of reinsurance	-595	-538
Other operating expenses	-20	-21
Technical result of property and casualty insurance	**482**	**623**
Intangible assets	**-**	**-**
Debtors arising out of direct insurance operations	530	448
Debtors arising out of reinsurance operations	535	341
Debtors arising out of insurance operations	**1,065**	**789**
Deferred acquisition costs	30	25
Reinsurers' share of deferred acquisition costs	31	29
Deferred acquisition costs, net	**-1**	**-4**
Technical provisions, gross	16,596	16,301
Reinsurer' share of technical provisions	3,386	3,175
Technical provisions, net	**13,210**	**13,126**
Creditors arising out of direct insurance operations	198	104
Creditors arising out of reinsurance operations	526	348
Creditors arising out of insurance operations	**724**	**452**

Business area Baltic and Russia

BUSINESS TREND DURING THE YEAR

The technical result increased during the year to MSEK 203 (141). The combined ratio improved to 84.5% (93.4). Claims costs decreased as a result of milder winter and lower costs for large claims compared to previous year. The development of previous years' claims reserves was positive. Productivity improved and contributed to the improved results. In 2011, it was decided to discontinue writing private insurance in the Russian market and that existing contracts in the Russian subsidiary IPSC Region would be run off, which also affected the combined ratio positively.

During the year the recovery from the previous year's recession continued and premium income, excluding currency effects, increased by 1.5%. In the Baltics premium income increased 5.1%, excluding currency effects.

Winter weather also negatively impacted 2011 early in the year, but continued low claims cost inflation, positive development of claims frequency and positive result from previous year's claims outweighed the negative impact and risk ratio improved to 48% (56.4).

The total operating expenses in insurance operations, excluding currency effects, decreased by 6.6% due to continued efficiency and cost-saving measures in both the Baltics and in Russia. The cost ratio improved to 36.5% (37.0).

MARKET AND THE FUTURE

The Baltic economies continued to recover from the recession and GDP grew by 5-6% in the Baltics. Investment and private consumption began to slowly increase and led to higher loan volumes and increased new car sales. As a result of this P&C insurance market started to grow again. Growth was strongest in Lithuania at 8%, influenced by both the increased economic activity and price increases. The Estonian and Latvian P&C insurance markets grew by 1-2%.

Despite growth, profitability remained weak among many competitors in the Baltic countries even after the recession. If has managed to maintain a strong profitability due to high quality in underwriting and risk selection, combined with effective cost control. Specific measures have been taken to further improve profitability in Lithuania, where the entire market has profitability problems.

Careful underwriting and cost control will continue to be important for the business area. Investment in IT systems for continued efficiency, combined with investment in distribution over the Internet and improvements in claims handling contributes to meeting the service promise "Claims handling as it should be".

The Russian insurance market grew strongly when the economic growth started to recover. But profitability in the insurance market has remained weak, especially in motor insurance and in the private sector. Because market prospects are also expected to be negative on the long term, If decided in late 2011 to discontinue writing private insurance in the Russian market and that existing operations of the subsidiary IPCS Region will be run-off. Services for If's Nordic corporate customers' Russian operations remain the same through the subsidiary CJSC If Insurance, but are transferred to the business area Industrial from 2012 onwards.

Income statement and insurance-related balance sheet items

Business area Baltic and Russia

MSEK	Total 2011	2010
Premiums earned, net of reinsurance	1,072	1,196
Allocated investment return transferred from the non-technical account	33	68
Other technical income	4	2
Claims incurred, net of reinsurance	-551	-719
Operating expenses in insurance operations, net of reinsurance	-355	-398
Other operating expenses	0	-8
Technical result of property and casualty insurance	**203**	**141**
Intangible assets	**44**	**72**
Debtors arising out of direct insurance operations	105	123
Debtors arising out of reinsurance operations	37	34
Debtors arising out of insurance operations	**142**	**157**
Deferred acquisition costs	27	27
Reinsurers' share of deferred acquisition costs	1	1
Deferred acquisition costs, net	**26**	**26**
Technical provisions, gross	1,023	1,214
Reinsurers' share of technical provisions	30	95
Technical provisions, net	**993**	**1,119**
Creditors arising out of direct insurance operations	35	38
Creditors arising out of reinsurance operations	33	47
Creditors arising out of insurance operations	**68**	**85**

Asset management and other operations

The activities managed centrally within the organization that are not allocated to the operational business areas are reported in this area.

ASSET MANAGEMENT

The marked-to-market result from asset management operations decreased to MSEK 1,822 (7,658). The investment return was 1.8% (7.4).

At the beginning of the year, financial markets were dominated by hope of a global economical recovery, which resulted in relatively stable stock markets and low interest rates. However, during the second half of the year, the optimism turned to deep pessimism when the debt crises in several euro countries escalated with weakening stock markets and historically low interest rates as a consequence. Taking the financial turbulence into account this year's investment return is satisfactory even if it is considerably lower than last year's strong return. The decrease in results is mainly due to lowered returns on the equity portfolios.

All equity portfolios results were negative during the year and the total return for the aggregated equity portfolio was slightly more than –16%. The result reported by If was mainly impacted by the decline on Scandinavian stock exchanges. Interest rates on risk-free investments decreased during the year, while credit spreads (the difference between risk-free interest rates and non risk-free interest rates) rose slightly. This led to a healthy return on fixed income investments. The return of fixed income assets was 4.1%.

The return on properties was 16.9%.

The total portfolio return, 1.8%, was below the corresponding return for the benchmark. Both the equity and fixed income portfolios return was below their benchmark indices return.

The equity weight (including derivative instruments) varied during the year and was at its lowest, at 9%, during the third quarter and at its highest, at 14%, at the beginning of the year. The return for the equity portfolio was close to zero during the first half-year. During the third quarter, return was very weak after which the equity market recovered in the fourth quarter.

The duration of the fixed-income assets was consistently kept shorter than the benchmark value stated in the investment policy (5.0 years), and was 1.2 years at year-end.

During the year, the value of investment assets decreased to MSEK 100,449 (102,078), mainly caused by the effects of stronger SEK versus EUR/USD in the conversion of holdings in foreign equity and dividend paid. If's assets are mainly managed by the asset management entity in the Group parent, Sampo.

The risk level in the Baltic company and life portfolios remained low throughout the year.

OTHER OPERATIONS

Other operations primarily comprises effects of certain Group-wide measures and items not allocated to the other business areas, such as Group adjustments attributable to the reporting of defined-benefit pension plans, interest expenses for the Group's subordinated loans and run-off operations.

The technical result for the year amounted to profit of MSEK 13 (52). Gross and net technical provisions for run-off operations amounted to MSEK 46 (45). The Russian company IPSC Region has been placed in run-off from the end of the year 2011 and in 2012 will be transferred to the business area Other Operations.

NOTE 6 Premiums written

MSEK	2011 Gross	2011 Ceded	2011 Net	2010 Gross	2010 Ceded	2010 Net
Premiums paid and credited [1]	39,855	-1,921	37,934	39,991	-1,947	38,044
Portfolio premiums	-	-	-	-	-	-
Premiums written	**39,855**	**-1,921**	**37,934**	**39,991**	**-1,947**	**38,044**
[1] Of which insurance agreements for direct property and casualty insurance written in:						
Sweden	11,850			11,444		
Rest of EEA	27,153			27,653		
Total	**39,003**			**39,097**		

NOTE 7 Allocated investment return transferred from the non-technical account

The estimated return on the assets that correspond to the technical provisions is transferred from the finance operations (non-technical account) to the technical result. The return is calculated on the basis of the net of average technical provisions, less deferred acquisition costs, the technical result before the investment return has been added and average balances outstanding. The interest rates used in the calculation for each currency match the interest rate for government bonds with a maturity that approximates with the technical provisions. The transferred investment return is divided into two parts, one part that adds the annuity result by means of a reduction of costs for the upward adjustement of the annuity provision and one part that is reported separately as the allocated investment return.

The following calculated interest rates have been used for the principal currencies:

	2011	2010
Swedish kronor	2.4%	2.9%
Norwegian kroner	2.3%	3.2%
Danish kroner	1.9%	2.8%
Euro	2.0%	2.6%
Estonian kroner	-	5.3%
Lithuanias litas	4.9%	6.4%
Latvian lats	7.2%	9.8%

NOTE 8 Claims

MSEK	2011 Gross	2011 Ceded	2011 Net	2010 Gross	2010 Ceded	2010 Net
Claims costs attributable to current-year operations						
Claims paid	-15,169	247	-14,922	-14,842	194	-14,648
Operating expenses for claims adjustment	-2,324	-	-2,324	-2,418	-	-2,418
Claims portfolios	-	-	-	130	-	130
Change in claims reserve for incurred and reported losses	-7,527	1,138	-6,389	-7,463	1,047	-6,416
Change in claims reserve for incurred but not reported losses (IBNR)	-5,319	158	-5,161	-5,777	162	-5,615
Change in provision for annuities	-64	-	-64	-83	-	-83
Claims-adjustment costs	26	-	26	-126	-	-126
Claims costs attributable to prior-year operations						
Claims paid	-11,077	870	-10,207	-10,969	912	-10,057
Annuities	-1,042	-1	-1,043	-264	-	-264
Claims portfolios	-	-	-	-45	-	-45
Change in claims reserve for incurred and reported losses	7,525	-942	6,583	7,091	-982	6,109
Change in claims reserve for incurred but not reported losses (IBNR)	6,116	-229	5,887	5,655	-315	5,340
Total insurance claims	**-28,855**	**1,241**	**-27,614**	**-29,111**	**1,018**	**-28,093**

MSEK	Gross	2011 Ceded	Net	Gross	2010 Ceded	Net
Paid insurance claims						
Claims paid	-26,246	1,115	-25,131	-25,811	1,106	-24,705
Annuities paid	-363	-	-363	-376	-	-376
Claims portfolio	-	-	-	85	-	85
Operating expenses for claims adjustment	-2,324	-	-2,324	-2,418	-	-2,418
	-28,933	**1,115**	**-27,818**	**-28,520**	**1,106**	**-27,414**
Change in provision for claims outstanding						
Change in claims reserve for incurred and reported losses	-2	197	195	-372	65	-307
Change in claims reserve for incurred but not reported losses (IBNR)	797	-71	726	-122	-153	-275
Change in claims provision for annuities	-743	-	-743	29	-	29
Claims-adjustment costs	26	-	26	-126	-	-126
	78	**126**	**204**	**-591**	**-88**	**-679**
Total claims incurred	**-28,855**	**1,241**	**-27,614**	**-29,111**	**1,018**	**-28,093**

The general valuation principles for technical provisions are unchanged.

The provision for annuities is valued in accordance with actuarial principles taking anticipated inflation and mortality into consideration, and discounted to take the anticipated future investment return into account. To cover costs for the upward adjustment of annuity provisions required for the gradual reversal of such discounting, an anticipated return is added to annuity results (see Note 7).

Provisions for incurred but not reported losses pertaining to annuities in Finland are discounted. The provisions amounted to approximately MSEK 2,446 (2,524). The non-discounted value was MSEK 4,382 (4,232). The decrease of discounted reserves was partly due to currency effects (about 24%) and a real increase. The increase of undiscounted reserves is due to prolonged estimated payment pattern.

NOTE 9 Operating expenses

MSEK	2011	2010
Specification of income statement item operating expenses		
External acquisition costs [1]	-1,576	-1,445
Internal acquisition costs	-2,859	-2,869
Change in deferred acquisition costs, gross	153	84
Administrative expenses, insurance	-2,238	-2,318
Total operating expenses in property and casualty insurance	**-6,520**	**-6,548**
Reinsurance commission and profit participation in ceded reinsurance	142	157
Change in deferred acquisition costs, ceded	-2	-11
Total reinsurance commission and profit participation in ceded reinsurance	**140**	**146**
Other operating expenses	-244	-232
Total	**-6,624**	**-6,634**
1) Of which, provisions in direct insurance	-1,531	-1,403
Summary of total operating expenses		
Salaries and remuneration	-3,257	-3,328
Social costs	-615	-643
Pension costs	-586	-599
Other personnel costs	-212	-208
Total personnel costs	**-4,670**	**-4,778**
Premises costs	-444	-465
Depreciation/amorization	-94	-115
External acquisition costs	-1,576	-1,445
Other administrative costs	-2,538	-2,553
Total	**-9,322**	**-9,356**

MSEK	2011	2010
Allocation of operating expenses in the income statement		
Claims-adjustment costs included in Claims paid	-2,324	-2,418
External and internal acquisition costs included in Operating expenses in insurance operations	-4,435	-4,314
Joint administrative costs for insurance operations included in Operating expenses in insurance operations	-2,238	-2,318
Administrative costs pertaining to other technical operations included in Other operating expenses	-244	-232
Asset-management costs included in Investment costs	-81	-74
Total	**-9,322**	**-9,356**

NOTE 10 Investment income

MSEK	Direct income 2011	Direct income 2010	Value changes 2011	Value changes 2010	Total 2011	Total 2010
Financial assets mandatory at fair value through profit or loss (trading)						
Derivatives	20	350	-198	-328	-178	22
Financial assets designated by If as at fair value through profit or loss						
Properties	5	4	3	-14	8	-10
Interest-bearing securities	50	65	8	34	58	99
Shares	0	2	0	18	0	20
Financial assets available for sale						
Interest-bearing securities						
Interest income	3,436	3,413	-	-	3,436	3,413
Realized gains and losses	-	-	290	873	290	873
Impairment losses and reversed impairments	-	-	30	-26	30	-26
Shares						
Dividends	281	261	-	-	281	261
Realized gains and losses	-	-	789	625	789	625
Impairment losses	-	-	-1,530	-183	-1,530	-183
Loans and receivables						
Interest income	97	56	-	-	97	56
Total from financial assets	**3,889**	**4,151**	**-608**	**999**	**3,281**	**5,150**
Other assets						
Interest income	63	43	-	-	63	43
Dividends	2	2	-	-	2	2
Impairment losses	-	-	-35	-120	-35	-120
Currency result	-	-	6	232	6	232
Investment income	**3,954**	**4,196**	**-637**	**1,111**	**3,317**	**5,307**
Investment costs						
Allocated operating expenses					-80	-73
Other financial expenses					-62	-47
Investment income					**3,175**	**5,187**

Impairment losses in the income statment refer to holdings where there is objective evidence that the asset is impaired, in respect of interest-bearing securities defined as issuer default and in respect of shares generally when there is a significant and/or prolonged decline in the value. The carrying amount is reduced to current market value. Impairment losses on Other assets refer to recognized losses on goodwill related to the subsidiary Region.

Reconcilation of financial assets available for sale

MSEK	2011	2010
Opening balance, financial assets available for sale	3,830	1,451
Changes in value during the year	-1,771	3,750
Reversal of fair value changes related to reclassified holdings	-803	-
Recognized in income statement	418	-1,279
Translation difference	6	-92
Closing balance, financial assets available for sale	**1,680**	**3,830**
Net change, financial assets available for sale	-2,150	2,379

Return on investment assets 1)

	Current value Dec 31, 2011		Current value Dec 31, 2010		Return 2011		Return 2010	
	MSEK	%	MSEK	%	MSEK	%	MSEK	%
Interest-bearing securities	88,351	89	88,826	85	3,598	4,1	4,694	4,9
Shares	10,526	11	15,022	14	-1,775	-16,2	2,922	23,3
Currencies (active positions)	2	0	213	0	39	-	211	-
Total active investments	**98,879**	**100**	**104,061**	**99**	**1,862**	**1,8**	**7,827**	**7,6**
Currency 2)	-812	-1	-396	0	-34	-	21	-
Properties	881	1	698	1	128	16,9	27	4,8
Other	11	0	13	0	-134	-	-217	-
Total investment assets excl associated companies	**98,959**	**100**	**104,376**	**100**	**1,822**	**1,8**	**7,658**	**7,4**

1) The table above has the same format and is based on the same calculation methods as those used internally by If for the evaluation of investment operations. The evaluation does not include associated companies. The return on active investments has been calculated using a daily time-weighted calculation method. Properties and Other have been calculated using a monthly time-weighted calculation method. The bank balances are reported above as part of interest-bearing securities. Derivatives and securities settlement claims/liabilities have been reported under the relevant asset category above. The return on investment assets according to the comprehensive income statement amounts to MSEK 1,019 in 2011. Included in this amount is an one-off booking of MSEK -803 due to the reclassification of Topdanmark as a associated company. This effect has been exkluded in the table above as well as in the asset management result according to note 5, Result per business area.

2) In the asset category Currency, the current value of held currency derivatives is presented. The reported return on the same line also includes, in addition to the return from currency derivatives, currency exchange effects recognized in the income statement from the revaluation of items in the income statement and balance sheet.

NOTE 11 Taxes

MSEK	2011	2010
Current tax	-1,582	-1,590
Deferred tax	196	-225
Total tax in the income statement	**-1,386**	**-1,815**
Specification of current taxes		
Swedish units	-260	-583
Non-Swedish units	-1,339	-982
Current taxes pertaining to prior years	17	-25
Total current tax	**-1,582**	**-1,590**

For specification of deferred tax, see Note 18.

Specification of taxes related to other comprehensive income		
Related to financial assets avaliable for sale	569	-650
Other	-1	-13
Total current and deferred tax	**568**	**-663**

MSEK	2011	2010
Difference between reported tax and tax based on current Swedish tax rate		
Profit before taxes	5,572	6,800
Tax according to current tax rate, 26.3%	-1,465	-1,788
Currency related tax effects	0	0
Permanent differences, net	-10	-39
Share of associates' result after tax	15	-
Prior-year adjustments	-1	9
Reassessments of deferred tax assets	0	0
Tax losses for which no deferred income tax asset has been recognized	-4	-12
Different tax rates in foreign units	18	15
Changes in tax rates	61	-
Reported tax in the income statement	**-1,386**	**-1,815**

NOTE 12 Intangible assets

MSEK	Consolidated goodwill 2011	Consolidated goodwill 2010	Other goodwill 2011	Other goodwill 2010	Software and other intangible assets 2011	Software and other intangible assets 2010
Acquisition value, opening balance	870	881	394	394	167	144
Investments	-	-	-	-	49	49
Sales and scrappage	-	-	-	-	-20	-12
Translation differences	-4	-11	-	-	-1	-14
Closing accumulated acquisition value	**866**	**870**	**394**	**394**	**195**	**167**
Opening amortization	-120	-	-	-	-52	-61
Sales and scrappage	-	-	-	-	20	12
Amortization and impairments during the year	-35	-120	-	-	-15	-11
Translation differences	4	-	-	-	0	8
Closing accumulated amortization and impairments	**-151**	**-120**	**-**	**-**	**-47**	**-52**
Closing planned residual value	**715**	**750**	**394**	**394**	**148**	**115**

Consolidated goodwill, MSEK 715, pertains to the goodwill that arose from the acquisition of Sampo's Finnish property and casualty insurance operations (MSEK 715) and the fully impaired goodwill related to the acquisition of the Russian company Region (gross amount MRUB 705, corresponding to MSEK 151). To ensure that this item is not booked at an excessive carrying amount, an impairment test was conducted to determine the item's recoverable amount in December 2011. In this calculation, a cash flow model was used whereby the recoverable amount was set at the present value of future forecast profits/cash flow from this operation. The main basis for the calculation consisted of financial plans for the years 2012-2014. For subsequent years, the calculation is based on normalized earnings, with a combined ratio established at 95%. The calculation is supplemented by comparisons with price indicators for sales of similar businesses. Due to continued significant uncertainties around the future market situation in Russia, If has decided to close down the operations in Region and the goodwill value has been fully impaired (impairment loss this year MSEK 35). The impairment loss has been recognized in the "Changes in value" item within Investment result in the Income statement.

In the calculation, the following parameters were used:

	Operations in Finland	Operations in Russia
Long-term premium growth	2.0%	-
Return on investment assets	3.2%	9.3%
Discount interest rate (CAPM)	8.6%	13.6%

Other goodwill, MSEK 394, pertains to the portfolio goodwill attributable to the acquisition of Volvia's motor insurance operations in 2001. To ascertain the carrying amount of this item, an impairment test was conducted to determine the item's recoverable amount in December 2011. The calculation was based on financial plans for the years 2012-2014 and the earnings from the portfolio did not reveal any need for impairment of the carrying amount of this goodwill item.

Other intangible assets include capitalized costs for the development of various insurance systems. During 2011, MSEK 49 (49) was capitalized. Amortization according to plan amounted to MSEK 15 (11).

NOTE 13 Land and buildings

	Carrying amount MSEK	Carrying amount per leasable sq. m., SEK	Total area sq.m.	Vacancy rate	Direct yield
Office and commercial properties	241	6,107	39,603	32.2%	3.0%
Industrial properties and warehouses	5	1,571	2,890	0.0%	0.0%
Other properties	20	14,826	1,351	5.7%	-3.7%
Total	**266**	**6,077**	**43,844**	**29.2%**	**2.4%**
Previous year	268	6,072	44,137	27.6%	1.8%

Geographical distribution, carrying amount

MSEK	2011	2010
Finland	208	213
Estonia	44	38
Russia	2	5
Norway	5	5
Sweden	7	7
Total	**266**	**268**

MSEK	2011	2010
Carrying amount, opening balance	**268**	**321**
Supplementary capitalizations	-	-
Sales and scrappage	-2	-
Net changes in current value	2	-15
Translation differences	-2	-38
Carrying amount, closing balance	**266**	**268**

MSEK	2011	2010
Rental income during the fiscal year	**27**	**27**
Costs pertaining to land and buildings		
- operating expenses pertaining to premises that generated income during the fiscal year	19	20
- operating expenses pertaining to premises that did not generate income during the fiscal year	7	8
Future rental income from land and buildings		
Total future minimum rents		
<1 year	8	9
1–5 years	5	20
> 5 years	0	0

NOTE 14 Investments in associated companies

MSEK	Country	Number of shares	Holding %	Assets	Liabilities	Net Sales	Profit/ loss	Carrying amount 2011	Carrying amount 2010
Consulting AB Lennermark & Andersson	Sweden	1,209	22.0	95	58	136	6	7	7
Topdanmark A/S	Denmark	3,147 692	23.6	75,931	70,469	10,337	837	2,758	-
Autovahinkokeskus Oy	Finland	2,559	35.5	76	11	62	6	23	23
Urzus Group AS	Norway	142,648	28.6	92	31	43	-13	50	50
Besure Forsikring Skandinavia AS	Norway	28,800	18.9	28	2	0	-5	21	18
Total								**2,859**	**98**

As of December 31, 2011, the market value for the Topdanmark holding amounts to MSEK 3,377. Presented value of the company's assets and liabilities refers to September 30, 2011 (latest available public information). Net sales and profit refers to the period January 1, 2011, to September 30, 2011.

The other holdings are not publically quoted and stated amounts of the companies' assets and liabilities as well as net sales and profit/loss refer to latest available public information.

NOTE 15 Other financial investment assets

MSEK	Acquisition value 2011	Acquisition value 2010	Current value 2011	Current value 2010	Carrying amount 2011	Carrying amount 2010
Financial assets mandatory at fair value through profit or loss (trading)						
Derivatives (note 16)	0	0	1,019	567	1,019	567
Financial assets designated by If as at fair value through profit or loss						
Shares and participations	0	0	0	0	0	0
Bonds and other interest-bearing securities (Table 1)	1,387	976	1,381	810	1,381	810
Financial assets available for sale						
Shares and participations	13,075	13,842	11,485	15,904	11,485	15,904
Bonds and other interest-bearing securities (Table 1)	80,889	82,546	81,215	82,711	81,215	82,711
Total financial assets at fair value	**95,351**	**97,364**	**95,100**	**99,992**	**95,100**	**99,992**
Loans and receivables						
Deposits with credit institutions	1,476	1,066			1,476	1,066
Other loans	730	642			730	642
Total	**97,557**	**99,072**			**97,306**	**101,700**

Table 1
Bonds and other interest-bearing securities

MSEK	Nominal value		Fair value		Carrying amount	
Swedish government	1,182	1%	1,337	1%	1,337	1%
Swedish mortgage companies	23,723	29%	24,678	30%	24,678	30%
Swedish finance companies	14,126	17%	14,177	17%	14,177	17%
Swedish industrial companies	6,833	8%	7,391	9%	7,391	9%
Foreign governments	453	1%	480	1%	480	1%
Foreign municipalities	730	1%	773	1%	773	1%
Foreign mortgage companies	931	1%	944	1%	944	1%
Foreign finance companies	23,905	29%	23,155	28%	23,155	28%
Foreign industrial companies	6,303	8%	5,770	7%	5,770	7%
Other foreign issuers	4,250	5%	3,891	5%	3,891	5%
Total	**82,436**	**100%**	**82,596**	**100%**	**82,596**	**100%**

Years to maturity [1]	<1	1–2	2–3	3–4	4–5	5–6	6–7	7–8	8–9	9–10	10–15	15–30	**Total**
Fair value %	8	29	9	19	30	3	0	1	1	0	0	0	**100**

[1] The maturity period is not adjusted to take into account the possibility of premature redemption of bonds.

Investments by currency, carrying amount

MSEK	SEK	NOK	DKK	EUR	GBP	USD	JPY	RUB	Total
Land and buildings	7	4	-	253	-	-	-	2	**266**
Associated companies	78	7	2,758	23	-	-	-	-	**2,866**
Shares and participations	5,750	1,054	66	2,055	-	2,307	253	0	**11,485**
Bonds and other interest-bearing securities	43,038	16,057	-	19,207	-	4,240	-	54	**82,596**
Other loans	730	-	-	0	0	-	-	0	**730**
Deposits with credit institutions	900	-	-	478	-	-	-	98	**1,476**
Derivatives	844	20	-	155	-	-	-	-	**1,019**
Deposits with ceding undertakings	0	11	-	0	-	-	-	-	**11**
Total	**51,347**	**17,153**	**2,824**	**22,171**	**0**	**6,547**	**253**	**154**	**100,449**
Share	**51%**	**17%**	**3%**	**22%**	**0%**	**7%**	**0%**	**0%**	**100%**

NOTE 16 Derivatives

Equity derivatives

	2011 Current value	2011 Carrying amount	2011 Nominal amount	2010 Current value	2010 Carrying amount	2010 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	-	-	-	7	7	17
Total	**-**	**-**	**-**	**7**	**7**	**17**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Of which, cleared	-	-	-	-	-	-

Fixed-income derivatives

	2011 Current value	2011 Carrying amount	2011 Nominal amount	2010 Current value	2010 Carrying amount	2010 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	-	-	-	-	-	-
Futures	3	3	3,500	23	23	5,142
Swaps	166	166	1,446	49	49	1,448
Total	**169**	**169**	**4,946**	**72**	**72**	**6,590**
Of which, cleared	3	3	3,500	23	23	5,142
Contracts with a negative value recognized in balance sheet						
Options	-	-	-	-	-	-
Futures	-	-	-	2	2	2,109
Swaps	144	144	134	-	-	-
Total	**144**	**144**	**134**	**2**	**2**	**2,109**
Of which, cleared	-	-	-	2	2	2,109

Currency derivatives

	2011 Current value	2011 Carrying amount	2011 Nominal amount	2010 Current value	2010 Carrying amount	2010 Nominal amount
Contracts with a positive value recognized in balance sheet						
Options	13	13	934	-	-	-
Futures	837	837	5,029	488	488	16,306
Total	**850**	**850**	**5,963**	**488**	**488**	**16,306**
Of which, cleared	-	-	-	-	-	-
Contracts with a negative value recognized in balance sheet						
Options	16	16	948	-	-	-
Futures	1,644	1,644	28,675	671	671	20,916
Total	**1,660**	**1,660**	**29,623**	**671**	**671**	**20,916**
Of which, cleared	-	-	-	-	-	-
Total positive values	**1,019**	**1,019**		**567**	**567**	
Total negative values	**1,804**	**1,804**		**673**	**673**	

NOTE 17 Reinsurers' share of technical provisions

MSEK	2011 Provision for unearned premiums and unexpired risks	2011 Provision for claims outstanding	2010 Provision for unearned premiums and unexpired risks	2010 Provision for claims outstanding
Change during the year				
Opening balance	475	4,100	502	4,390
Translation differences	3	14	-49	-202
Change in provision	-9	126	22	-88
Closing balance	**469**	**4,240**	**475**	**4,100**

Supplementary information regarding the reinsurers' portion of technical provisions is presented in Note 26.

NOTE 18 Deferred tax

Changes in deferred tax 2010

MSEK	Opening balance Income statement	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Closing balance 2010
Deferred tax assets					
Tax losses carried forward	2	4	0	-	6
Provisions	346	9	-11	-	344
Goodwill [1]	253	-59	0	-	194
Accumulated depreciation difference	27	9	0	-	36
Other temporary differences	51	-45	0	-	6
Total deferred tax asset	**679**	**-82**	**-11**	**-**	**586**
Netted deferred tax asset against deferred tax liability	**-13**				**-194**
Deferred tax asset according to balance sheet	**666**				**392**
Deferred tax liability					
Equalization reserve and other similar provisions	3,536	-58	-258	-	3,220
Valuation of investment assets at fair value	228	61	-33	404	660
Accumulated depreciation difference	90	14	0	-	104
Other temporary differences	213	126	-26	-	313
Total deferred tax liability	**4,067**	**143**	**-317**	**404**	**4,297**
Netted deferred tax liability against deferred tax asset	**-13**				**-194**
Deferred tax liability according to balance sheet	**4,054**				**4,103**
Deferred tax expense according to income statement 2010		**-225**			

[1] Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

Changes in deferred tax 2011

MSEK	Opening balance 2011	Recognized in income statement	Translation difference	Recognized in other comprehensive income	Group contribution recognized in Shareholders Equity	Closing balance 2011
Deferred tax assets						
Tax losses carried forward	6	13	0	-	-14	5
Provisions	344	-16	-1	-	-	327
Goodwill [1]	194	0	0	-	-	194
Accumulated depreciation difference	36	-10	0	-	-	26
Other temporary differences	6	1	0	-	-	7
Total deferred tax asset	**586**	**-12**	**-1**	**-**	**-14**	**559**
Netted deferred tax asset against deferred tax liability	**-194**					**-106**
Deferred tax asset according to balance sheet	**392**					**453**
Deferred tax liability						
Equalization reserve and other similar provisions	3,220	-202	-5	-	-	3,013
Valuation of investment assets at fair value	660	-42	0	-515	-	103
Accumulated depreciation difference	104	0	0	-	-	104
Other temporary differences	313	36	-2	-	-	347
Total deferred tax liability	**4,297**	**-208**	**-7**	**-515**	**-**	**3,567**
Netted deferred tax liability against deferred tax asset	**-194**					**-106**
Deferred tax liability according to balance sheet	**4,103**					**3,461**
Deferred tax income according to income statement 2011		**196**				

[1] Goodwill pertains to the possibility of tax deductions for goodwill booked in If P&C Insurance Ltd. This goodwill is eliminated at Group level.

NOTE 19 Debtors arising out of direct insurance

MSEK	2011	2010
Receivables from policyholders	9,322	8,638
Receivables from insurance brokers	26	32
Receivables from insurance companies	30	47
Bad-debt provision	-319	-295
Total [1]	**9,059**	**8,422**

[1] Of which, MSEK 7 (4) is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	8,980	398	9,378
Of which, provision	-42	-277	-319
Total	**8,938**	**121**	**9,059**

Specification of change in bad-debt provisions

MSEK	2011	2010
Opening balance [1]	**-295**	**-319**
Individual provisions utilized during the fiscal year	21	9
Individual unutilized provisions reversed during the fiscal year	5	30
Individual provisions posted during the fiscal year	-19	-18
Change in standard computation based provision during the fiscal year	-31	-28
Translation difference	0	31
Closing balance [2]	**-319**	**-295**

[1] Of which, MSEK -22 (-47) is individual provisions.

[2] Of which, MSEK -16 (-22) is individual provisions.

NOTE 20 Debtors arising out of reinsurance

MSEK	2011	2010
Receivables from reinsurers	622	451
Bad-debt provisions	-53	-71
Total [1]	**569**	**380**

[1] Of which, MSEK 75 (-) is expected to be received later than 12 months after the balance-sheet date.

Age analysis	Not due and due less than six months	Due more than six months	Total
Receivable	415	207	622
Of which, provision	-1	-52	-53
Total	**414**	**155**	**569**

Specification of change in bad-debt provisions

MSEK	2011	2010
Opening balance [1]	**-71**	**-128**
Individual provisions utilized during the fiscal year	2	19
Individual unutilized provisions reversed during the fiscal year	17	34
Individual provisions recohnized during the fiscal year	-1	-3
Translation difference	0	7
Closing balance [2]	**-53**	**-71**

[1] Of which, MSEK -71 (-128) is individual provisions.
[2] Of which, MSEK -53 (-71) is individual provisions.

NOTE 21 Other debtors

MSEK	2011	2010
Due from related companies	9	0
Other	529	565
Total [1]	**538**	**565**

[1] Of which, MSEK 504 (422) is expected to be received later than 12 months after the balance-sheet date.

NOTE 22 Tangible assets

	Office equipment		Computer equipment		Motor vehicles		Other fixed assets	
MSEK	2011	2010	2011	2010	2011	2010	2011	2010
Acquisition value, opening balance	523	570	218	280	72	75	14	32
Investments	11	14	30	19	17	26	0	0
Sales and scrappage	-15	-9	-45	-59	-15	-25	-	-17
Reclassifications	0	0	0	-	-	-	-	-
Translation differences	0	-52	-1	-22	-1	-4	0	-1
Closing accumulated acquisition value	**519**	**523**	**202**	**218**	**73**	**72**	**14**	**14**
Opening depreciation	-448	-448	-182	-225	-24	-27	-7	-19
Sales and scrappage	15	8	45	58	9	14	-	19
Reclassifications	0	0	0	-	-	-	-	-
Depreciation during the year	-38	-49	-28	-34	-13	-13	0	-8
Translation differences	2	41	1	19	0	2	0	1
Closing accumulated depreciation	**-469**	**-448**	**-164**	**-182**	**-28**	**-24**	**-7**	**-7**
Closing planned residual value	**50**	**75**	**38**	**36**	**45**	**48**	**7**	**7**

Operational leasing agreements (lessee)

Operational leasing where the Group acts as lessee mainly pertains to costs for premises, vehicles and office equipment.

MSEK Due dates	Total future minimum lease payments 2011	2010
< 1 year	366	290
1–5 years	936	703
> 5 years	1,068	907
Total	**2,370**	**1,900**
Total lease payments during the period	**328**	**327**
Of which, minimum lease payments	326	325
Of which, contingent rents	2	2

Operational leasing agreements (lessor)

Operational leasing where the Group acts as lessor pertains to income from the leasing out of premises.

MSEK Due dates	Total future minimum lease payments 2011	2010
< 1 year	7	9
1-5 years	5	10
> 5 years	-	-
Total	**12**	**19**
Total lease payments during the period	**27**	**26**
Of which, minimum lease payments	27	26
Of which, contingent rents	0	0

The carrying amount of leased-out land and buildings is MSEK 135 (142)

NOTE 23 Deferred acquisition costs

MSEK	2011	2010
Opening value	1,242	1,253
Net change during the year	151	73
Exchange-rate difference	2	-84
Closing value	**1,395**	**1,242**

Acquisition expenditure during the year amounted to MSEK 4,435 (4,314). The item pertains to accrued sales costs that have a distinct connection to the writing of insurance contracts. The sales costs include operating expenses such as commission, marketing expenses, salaries and the cost of salespeople, which vary according to, and have a direct or indirect relationship with, the acquisition or renewal of insurance contracts. The sales costs are expensed in a manner that matches the amortization of unearned premiums, normally not more than one year.

NOTE 24 Other deferred costs and accrued income

MSEK	2011	2010
Accrued income, related companies	0	0
Other deferred costs and accrued income	437	341
Total	**437**	**341**

NOTE 25 Subordinated debt

MSEK	Original nominal value	Maturity	Dec 31, 2011	Dec 31, 2010
Subordinated loan, issued in 2001	MEUR 200	20 years	-	1,792
Subordinated loan, issued in 2002	MEUR 65	20 years	579	583
Subordinated loan, issued in 2005	MEUR 150	Perpetual	1,332	1,339
Subordinated loan, issued in 2011	MEUR 110	30 years	970	-
Total			**2,881**	**3,714**

The loans are issued with fixed interest rate terms for the first ten years. After ten years, they become subject to variable interest rates but they also include terms stating the right of redemption at this point in time. All loans and loan terms are approved by supervisory authorithies to be utilized for solvency purposes.

The loan issued in 2001 (MEUR 200) was redeemed in March 2011 after approval by supervisory authorities. The loan issued in 2002 (MEUR 65) was issued to If's previous owners in relation to their holding in If. In December 2011 a new loan was issued amounting to MEUR 110. Upon issue, all of the notes were placed with Sampo.

The loans issued in 2005 (MEUR 150) and 2011 (MEUR 110) are listed on the Luxembourg Exchange.

Interest expense, MSEK	Interest rate	2011	2010
Subordinated loan, issued in 2001	7.50%	33	149
Subordinated loan, issued in 2002	8.98%	53	56
Subordinated loan, issued in 2005	4.94%	68	71
Subordinated loan, issued in 2011	6.00%	4	-
Total		**158**	**276**

NOTE 26 Technical provisions, gross

MSEK	2011 Provision for unearned premiums and unexpired risks	2011 Provisions for claims outstanding	2010 Provision for unearned premiums and unexpired risks	2010 Provisions for claims outstanding
Changes during the year				
Opening balance	**16,542**	**67,191**	**17,105**	**70,888**
Unwinding of discounted annuities	-	508	-	550
Change in provision	959	-78	896	591
Translation differences	69	-106	-1,459	-4,838
Closing balance	**17,570**	**67,515**	**16,542**	**67,191**

Technical provisions and reinsurers' share

MSEK	2011	2010
Technical provisions, gross		
Unearned premiums and unexpired risks	17,570	16,542
Provision for incurred and reported claims	18,156	18,162
Provision for incurred but not reported claims	31,055	31,872
Provision for annuities	15,906	14,729
Provision for claims-settlement costs	2,398	2,428
Total	**85,085**	**83,733**
Reinsurers' share of technical provisions		
Unearned premiums and unexpired risks	469	475
Provision for incurred and reported claims	2,922	2,717
Provision for incurred but not reported claims	1,317	1,381
Provision for annuities	1	2
Provision for claims-settlement costs	-	-
Total	**4,709**	**4,575**
Technical provisions, net of reinsurance		
Unearned premiums and unexpired risks	17,101	16,067
Provision for incurred and reported claims	15,234	15,445
Provision for incurred but not reported claims	29,738	30,491
Provision for annuities	15,905	14,727
Provision for claims-settlement costs	2,398	2,428
Total	**80,376**	**79,158**

Since the company is exposed to several currencies, comparing the balance sheet data from year to year can be misleading. However, all currency effects have been excluded from the income statement. The currency effect on technical provisions for own account between 2010 and 2011 amounted to a net decrease of MSEK 37.

Valuation of technical liabilities

Technical liabilities must reflect the liability the company has for its insurance undertakings, meaning the insurance contracts underwritten. This may be divided into two parts; firstly, provisions for unearned premiums and, secondly, provisions for unsettled claims. The provisions for unearned premiums pertains to current contracts for which the contractual period has not expired. The dominant component, provisions for unsettled claims, pertains to future claims payments for the claims associated with all insurance contracts underwritten by the company.

Provisions for unearned premiums and unexpired risk

Provisions for unearned premiums correspond to the value of the company's aggregate liability for current insurance policies and are calculated using a generally accepted method. This involves taking into consideration how large a share of the premium is attributable to the period following the accounting period. The provision is subsequently tested to ensure it is sufficient to cover anticipated claims and operating expenses. If the provision is deemed to be insufficient, a provision is made for the unexpired risk corresponding to the calculated deficit.

Provisions for unsettled claims

The provisions for unsettled claims correspond to the value of all anticipated claims payments and related claims settlement costs, including those reported to the company and those that have probably occurred but not yet been reported.

The provisions for unsettled claims are calculated using statistical methods and/or individual assessment. Usually, the cost of major claims is estimated individually. Minor claims that occur more frequently (frequent claims) as well as the provisions for claims that have yet to be reported are assessed using statistical methods.

Apart from provisions for claims-related annuities and provisions for unknown but probable claims that pertain to Finnish annuities, the provisions for unsettled claims are not discounted. Provisions for claims-related annuities are discounted in accordance with current practice, taking into account inflation and mortality.

Description of method

If uses a number of statistical methods to determine the final claims cost that the company must pay.

The most common methods are Chain-ladder and Bornhuetter-Ferguson. The Chain-ladder method may be based on various types of data such as outgoing payments, claims costs or the number of claims. Historical claims trend factors and a selection of estimates of future development factors are analyzed. The selection of development factors are subsequently applied to the known costs to date for claims for each claims year (which are not yet fully developed) that is to be estimated. This provides an estimate of the anticipated claims costs for each claims year. The Chain-ladder methodology is most suitable for insurance portfolios that have a relatively stable progression. The method is less applicable in cases that lack sufficient historical data, such as in the case of new insurance products or portfolios with a long lag in claims reporting. In the case of such portfolios, the Bornhuetter-Ferguson method is most frequently used. This is based partly on a combination of claims history and partly on exposure data, such as the numbers of insured parties or premiums written. The actual claims history is given greater weight for older developed claims years while for more recent years, the known exposure is weighted to a greater degree towards experience from similar portfolios and product areas.

Assumptions and sensitivity

The assumptions and parameters used in determining the provisions to be posted are adjusted each quarter. A more in-depth analysis is implemented on an annual basis.

If is considerably exposed to personal claims arising primarily from obligatory motor third-party liability and workers' compensation policies. Of the total claims provision, more than 65% is attributable to these two insurance categories. If issues motor third-party liability insurance in the Nordic region, Baltic countries and until the end of 2011, also in Russia. Workers' compensation is issued in Norway, Denmark and Finland. From a customer perspective, the scope of the obligatory insurance provided is essentially similar. However, the portion covered by personal insurance and the portion financed through the state social security system differs among the various countries.

There are a number of factors affecting provisions and their uncertainty. The most important assumptions for portfolios dominated by personal claims are:

- Inflation;
- Discount rate;
- Mortality and
- Effect of legislative amendments and court practices.

INFLATION

The anticipated inflation trend is observed in all provisions, but is primarily important in claims settled over a long period of time. For long-term business, such as motor third-party liability and workers' compensation, assessments are made in-house regarding the future cost trend. This is based on external assessments of the future inflation trend in various areas, such as the consumer price index and payroll index, combined with If's own evaluation of cost increases for various types of compensation. Compensation costs can rise due to new or amended legislation or practices, for example. Various national rules mean that the sensitivity implications of the assumptions underlying inflation differ quite substantially between countries.

A large share of the claims cost in obligatory insurance consists of compensation for loss of income, which in terms of legislation is usually associated with a pre-defined index for the value adjustments of compensation. In Finland, compensation is paid out in the form of vested annuities and value adjustments are dealt with off the balance sheet in a non-funded pool system. This limits the inflation risk. In Sweden, compensation is also paid out in the form of vested annuities over a long period and provisions must cover future value adjustments. The same is also true in Danish occupational injury insurance. This entails substantial sensitivity to changes in inflation.

In Norway and in Danish motor third-party liability insurance, compensation is paid as a lump sum. Since in this case the duration is relatively short, the inflation risk is reduced. Refer to Note 3, Risks and risk management, for a sensitivity analysis of inflation.

DISCOUNT RATE

With the exception of the compensation to be paid in the form of vested annuities, provisions for claims and premium reserves are presented as nominal values (undiscounted). In Sweden, the maximum allowed discount rate is tied to market rates for index linked government bonds. The rate given below is the weighted average for If's annuities.

The presentation below shows discounted provisions and discount rate by country for countries with significant claims-related annuity portfolios:

Denmark	
Amount	MSEK 747
Discount rate	2.0% (real interest rate discounting)

Finland	
Amount vested annuities	MSEK 10,460
Amount IBNR	MSEK 2,446
Discount rate	3.15%

Sweden	
Amount	MSEK 4,673
Discount rate	0.24% (real interest rate discounting)

Refer to Note 3, Risks and risk management, for a sensitivity analysis of the discount interest rate.

MORTALITY

The provision risk for mortality is also related to claims-related annuities, since actual mortality may be lower than the mortality assumptions made in conjunction with the assessment of provision. The model used for mortality complies with the practices observed in the various countries. It is usually based on population death rates and/or specific joint-company analyses. The assumptions for mortality are generally differentiated in terms of age and gender. Refer to Note 3, Risks and risk management, for a sensitivity analysis of mortality. The underlying assumptions regarding mortality in the Finnish population were changed this year, based on a national study. The new Reference Mortality Model (K2011) resulted in significantly longer expected life span, on average 3.0 years for Workers Compensation and 2.4 years for Motor TPL annuities. This increased the total reserve by SEK 0.5 billion.

EFFECTS OF LEGISLATIVE AMENDMENTS AND COURT PRACTICES

When setting provisions, it is virtually impossible to take into account amendments to legislation and practices that affect future costs. However, there are methods for managing this uncertainty. As noted earlier, firstly the inflation assumptions are adjusted somewhat to take into account historical experience of the various insurance categories. In cases where individual claims issues are subject to legal examination and for which there is a risk of a prejudicial decision that will affect other claims, the provisions for similar claims are adjusted.

Changes in 2011

No significant changes in methods were implemented during the year.

During the year, the reported increase in the gross claims provision amounted to SEK 0.3 billion. Effects of exchange-rate changes were minor this year, amounting to SEK -0.1 billion. The real change in gross claims reserves adjusted for currency effects was an increase of SEK 0.4 billion. This increase can be broadly broken down by geographic area as follows:

- Claims provisions in the Swedish operation, including branches of the Industrial business area, increased by SEK 0.2 billion, mainly through an increase in Motor Third Party Liability reserves of SEK 0.3 billion largely driven by decreased discount rates for annuities. Reserves in Property increased by SEK 0.1 billion and reserves for accident claims decreased by SEK 0.2 billion. Other lines experienced only minor changes.
- Claims provisions in the Norwegian operation changed only slightly. The overall sum is a result of increased reserves in Property and reductions for Motor Third Party Liability and Workers' Compensation;
- Claims provisions in the Danish operation also changed only slightly on the total level, with increases in Property and reductions in Workers' Compensation and Marine/Cargo;
- Claims provisions in the Finnish operation increased by SEK 0.4 billion, mostly due to increases in the Motor Third Party Liability and Workers' Compensation as a consequence of the new mortality model;
- The claims provisions in the Baltic countries and Russia decreased by close to SEK 0.2 billion, mostly related to Property and Motor in Estonia and Lithuania and
- Claims provisions relating to remnants of old run off business showed only minor changes.

The reinsured share of the claims provisions increased by SEK 0.1 billion. This was also the real effect as the currency effect was minor. The overall increase of SEK 0.1 billion is a result of an increase of SEK 0.4 billion in ceded property reserves, due to large claims and the storm Dagmar, and a decrease of SEK 0.2 billion in ceded reserves for Workers' Compensation mostly in Norway.

Significant events

This year's outcome for major claims was higher than expected on a Nordic level. On a country level, the result was higher than expected in Norway and Sweden and somewhat lower than expected in Denmark and Finland. The largest single claim in 2011 was a paper pulp factory in Norway, estimated at SEK 0.4 billion gross. The storm Dagmar which hit all Nordic countries in December 2011 and claims are estimated at SEK 0.4 billion gross.

Claims costs trend

In addition to the sensitivity analysis, prior-year estimates of the claims costs for individual claims years also represent a measure of the company's ability to foresee final claims costs. The tables below show the cost trend for the claims years 2003-2011, before and after reinsurance. For claims years 2002 and earlier, the information is aggregated to one column. The time periods have been selected against the background of If introducing a Group-wide reinsurance program and joint detailed accounting routines as of 2003. The column for claims years 2002 and earlier only includes payments made after 2002, i.e. the starting point is the closing balance for claims provisions in 2002.

The upper part of the table shows how an estimate of the total claims costs per claims year evolves annually. The lower section shows how large a share of this is presented in the balance sheet. Since If has operations in various countries, the portfolio is exposed to a number of currencies. To adjust for currency effects, the local reporting currency has been translated to SEK at the closing rate at December 31, 2011. Consequently, the table is not directly comparable to corresponding tables reported in previous years or with the income statement, since all claims years include translated information and closing rates are used throughout.

Claims costs, gross

MSEK Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated claims cost											
- at the close of the claims year	44,968	23,021	22,508	23,967	24,086	24,668	26,024	26,105	27,174	27,900	
- one year later	46,991	22,658	22,187	23,457	23,945	24,645	25,608	25,644	27,535		
- two years later	47,852	21,934	21,615	22,971	23,687	24,320	25,065	25,368			
- three years later	48,570	21,848	21,565	22,718	23,656	24,019	24,807				
- four years later	49,417	21,674	21,416	22,413	23,282	23,596					
- five years later	49,766	21,512	21,169	22,096	22,831						
- six years later	49,772	21,392	20,804	21,607							
- seven years later	50,548	21,502	20,486								
- eight years later	51,207	21,293									
- nine years later	51,672										
Current estimate of total claims costs	51,672	21,293	20,486	21,607	22,831	23,596	24,807	25,368	27,535	27,900	
Total disbursed	30,095	18,924	17,798	18,834	19,700	19,986	20,428	20,203	21,042	15,009	
Provision reported in the balance sheet	21,577	2,369	2,688	2,773	3,131	3,610	4,379	5,165	6,493	12,891	65,076
- of which annuities	11,700	574	455	586	618	600	568	449	293	63	15,906
Other provisions											41
Provision for claims-settlement costs											2,398
Total provision reported in the balance sheet											**67,515**

Claims costs, net of reinsurance

MSEK Claims year	2002 and prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimated claims cost											
- at the close of the claims year	39,522	21,940	21,864	22,651	23,104	23,769	24,920	25,024	25,815	26,363	
- one year later	41,440	21,494	21,535	22,084	22,868	23,687	24,626	24,720	26,244		
- two years later	42,355	20,819	20,975	21,592	22,603	23,445	24,111	24,430			
- three years later	42,891	20,728	20,916	21,404	22,632	23,146	23,864				
- four years later	43,595	20,546	20,794	21,117	22,284	22,747					
- five years later	43,875	20,391	20,547	20,804	21,919						
- six years later	43,861	20,284	20,175	20,494							
- seven years later	44,188	20,396	19,877								
- eight years later	45,003	20,225									
- nine years later	45,541										
Current estimate of total claims costs	45,541	20,225	19,877	20,494	21,919	22,747	23,864	24,430	26,244	26,363	
Total disbursed	24,784	18,028	17,328	18,842	18,913	19,310	19,612	19,708	20,572	14,776	
Provision reported in the balance sheet	20,757	2,197	2,549	2,652	3,006	3,437	4,252	4,722	5,672	11,587	60,831
- of which annuities	11,699	574	455	586	618	600	568	449	293	63	15,905
Other provisions											46
Provision for claims-settlement costs											2,398
Total provision reported in the balance sheet											**63,275**

Comments

In 2010 and 2011 If had equivalent reinsurance coverage and self-retention amounting to MSEK 200 for the dominating risk coverage within property insurance and catastrophe cover.

Provisions pertaining to fixed claims-related annuities and related payments are included in the triangle. The Finnish discounted preliminary claims-related annuities are reported as annuities in the balance sheet. Of the total net provision for claims-related annuities of MSEK 15,905, MSEK 11,699 applies to 2002 and previous years.

Other provisions refer to run-off operations and comprise remnants from the old Marine & Energy portfolio as well as elimination of some internal fronting.

NOTE 27 Other provisions

MSEK	2011	2010
Provision for pensions and similar obligations	870	943
Other provisions	330	319
Provision for other risks and costs	**1,200**	**1,262**

Provision for pensions and similar obligations

MSEK	2011	2010	2009	2008	2007
Estimated present value of obligation	5,138	4,103	4,346	4,243	3,836
Fair value of plan assets	3,090	2,923	2,790	2,392	2,404
Net obligation/liability	**2,048**	**1,180**	**1,556**	**1,851**	**1,432**
Unrecognized actuarial losses	-1,347	-416	-682	-1,027	-510
Net liability recognized in balance sheet	**701**	**764**	**874**	**824**	**922**
Provision for social security fees	169	179	191	180	191
Provision for pensions and similar obligations	**870**	**943**	**1,065**	**1,004**	**1,113**

The reporting of defined-benefit pension plans complies with IAS 19.

Pension obligations, and the pension cost accrued during the fiscal period, are calculated using actuarial methods. Vested pension rights are calculated on a straight-line basis during the employment period. The calculation of pension obligations is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated liability is discounted to present value using an interest rate based on current market interest adjusted to take into account the duration of the company's pension obligations. Source for deciding the discount rate for the Swedish obligation are liquid covered mortgage bonds issued by mortgage institutions. Norwegian goverment bonds is used for the Norwegian obligation. After deducting plan assets and unrecognized actuarial gains and losses, a net asset or liability is entered in the balance sheet. The net obligation reported in the closing balance for 2011 pertains to defined-benefit pension plans for employees in Sweden and Norway. The pension benefits arising in other countries covered by the Group's operations have been classified as defined-contributions plans.

The following actuarial assumptions have been used for the calculation of defined-benefit pension plans in Sweden and Norway:

	Sweden Dec. 31, 2011	Sweden Dec. 31, 2010	Norway Dec. 31, 2011	Norway Dec. 31, 2010
Discount rate	3,75%	5,00%	2,75%	4,00%
Expected return on plan assets	3,00%	4,50%	3,75%	4,75%
Future salary increases	3,00%	3,25%	3,75%	3,75%
Price inflation	2,00%	2,00%	2,25%	2,25%
Expected return on plan assets is calculated using the following distribution of classes of assets under management:				
Bonds	43%	42%	64%	65%
Equities	34%	39%	15%	16%
Properties	11%	10%	17%	16%
Other	12%	9%	4%	3%

Distribution of obligations on funded and unfunded plans

	Funded plans		Unfunded plans	
MSEK	2011	2010	2011	2010
Estimated present value of obligation	4,507	3,539	631	564
Fair value of plan assets	3,090	2,923	-	-
Net obligation/liability	**1,417**	**616**	**631**	**564**
Unrecognized actuarial losses	-1,233	-371	-114	-45
Net pension obligation recognized in the balance sheet	**184**	**245**	**517**	**519**

Amount entered in the income statement

MSEK	2011	2010	2009	2008	2007
Current service cost	124	136	151	130	147
Interest cost	173	183	179	177	165
Expected return on plan assets	-141	-136	-130	-140	-113
Actuarial losses (plus) or gains (minus) reported for the year	13	20	52	12	33
Losses (plus) or gains (minus) on reductions and settlements	5	3	12	19	24
Costs/revenues pertaining to prior-year service	-	-	-	-	-
Pension cost	**174**	**206**	**264**	**198**	**256**

Specification of change in net liability					
Pension obligations:					
On Jan 1	4,103	4,346	4,243	3,836	3,661
Current service cost	124	136	151	130	147
Interest cost	173	183	179	177	165
Actuarial gains/losses	900	-186	-445	396	-238
Losses or gains on reductions and settlements	5	3	11	14	16
Obligations settled through payment	-	-	-	-	-20
Costs/revenues pertaining to prior-year service	-	-	-	-	-
Exchange-rate differences on foreign plans	-7	-230	336	-197	210
Benefits paid	-160	-149	-129	-113	-105
Present value of obligations on Dec 31	**5,138**	**4,103**	**4,346**	**4,243**	**3,836**

(continuation) Specification of change in net liability

MSEK	2011	2010	2009	2008	2007
Fair value of plan assets:					
On Jan 1	2,923	2,790	2,392	2,404	2,060
Expected return on plan assets	141	136	130	140	113
Actuarial gains/losses	-50	21	-71	-183	49
Fees	193	232	235	228	158
Funds used in settling obligations	-	-	-	-	-20
Exchange-rate differences on foreign plans	-1	-151	195	-114	126
Benefits paid	-116	-105	-91	-83	-82
Fair value of plan assets on Dec 31	**3,090**	**2,923**	**2,790**	**2,392**	**2,404**

Other provisions:

Specification of change in other provisions

MSEK	2011	2010
Opening balance	319	356
Provisions utilized during the fiscal year	-116	-110
Unutilized provisions reversed during the fiscal year	-11	-16
Provisions added during the fiscal year	138	103
Translation difference	0	-14
Closing balance [1]	**330**	**319**

1) Of which MSEK 68 (141) to be settled later than 12 months after the balance-sheet date.

Other provisions consist mainly of funds amounting to MSEK 202 (212) reserved for future expenses attributable to previously implemented or planned future organizational changes. The development of more efficient administrative and claims-adjustment processes and structural changes in distribution channels is resulting in organizational changes affecting all business areas. In addition to the provisions attributable to restructuring measures, the item includes employer contributions of MSEK 19 (20) reserved for commitments attributable to endowment policies and provisions for law suits and other uncertain obligations amounting to MSEK 80 (58).

NOTE 28 Creditors arising out of direct insurance

MSEK	2011	2010
Payables to policyholders	1,339	1,133
Payables to insurance brokers	73	68
Payables to insurance companies	45	16
Total [1]	**1,457**	**1,217**

1) Of which MSEK - (2) to be settled later than 12 months after the balance-sheet date.

NOTE 29 Other creditors

MSEK	2011	2010
Tax debt (current)	937	1,259
Accounts payable	222	216
Securities settlement liabilities	3	0
Creditor, patient-insurance pool for the public sector	480	488
Other creditors, related companies	-	0
Other creditors	907	1,010
Total [1]	**2,549**	**2,973**

1) Of which MSEK 492 (545) matures later than 12 months after the balance-sheet date.

The "Other creditors" item includes liabilities pertaining to premium, withholding and value added taxes.

NOTE 30 Other accrued expenses and deferred income

MSEK	2011	2010
Accrued expenses, subordinated loans	91	190
Other accrued expenses [1]	1,431	1,351
Deferred income	19	23
Total	**1,541**	**1,564**

1) Other accrued expenses consist mainly of personnel-related provisions, such as for vacation-pay liability, social security fees, commission and other variable compensations but also reserves for uninvoiced other operating expenses.

NOTE 31 Pledged assets

MSEK	2011	2010
Pledged assets and equivalent securities		
Other financial investment assets	1,616	1,532
Cash and bank	88	98
Total	**1,704**	**1,630**

Assets covered by policyholders' beneficiary rights

The following securities are registered as assets covering technical provisions in If's Swedish insurance companies. In the event of an insolvency situation, policyholders have a beneficiary right in assets registered for coverage of technical provisions. In normal operating circumstances, If has the right to transfer assets in and out of the register as long as all insurance commitments are covered in accordance with the Swedish Insurance Business Act.

MSEK	2011	2010
Bonds, risk-free	11,589	9,985
Bonds, other	44,124	43,441
Equities in public companies	9,101	13,420
Property related assets	626	33
Total	**65,440**	**66,879**
Technical provisions, net	58,831	57,921
Surplus of registered securities	6,609	8,958
Total	**65,440**	**66,879**

Pledged assets and the pledging purposes were distributed as follows:

MSEK	2011	2010
Financial investment assets		
Collateral for insurance undertakings	1,270	1,188
Collateral for futures trading	346	344
Total	**1,616**	**1,532**
Cash and bank balances		
Collateral for insurance undertakings	87	85
Collateral for futures trading	-	12
Collateral for permission to conduct insurance operations	1	1
Total	**88**	**98**
Total	**1,704**	**1,630**

NOTE 32 Contingent liabilities and other commitments

MSEK	2011	2010
Surety and guarantee undertakings	381	507
Other commitments	99	244
Total	**480**	**751**

The subsidiaries If P&C Insurance Ltd and If P&C Insurance Company Ltd provide insurance with mutual undertakings within the Nordic Nuclear Insurance Pool and If P&C Insurance Ltd within the Norwegian Natural Perils' Pool and the Dutch Terror Pool.

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Insurance Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikring AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (UK) Ltd (now Marlon Insurance Company Ltd) in favor of the Institute of London Underwriters. The company was sold during 2007, and the purchaser issued a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

If P&C Insurance Holding Ltd, in favor of companies within Svenska Handelsbanken AB (publ), has pledged sureties for the company's obligations for current liabilities up to an amount of MSEK 500 and for obligations pursuant to derivative instruments, as well as for If P&C Insurance Ltd and Capital Assurance Company Inc, for these companies' obligations pursuant to standby letters of credit for the companies' insurance operations. Capital Assurance Company Inc was sold during 2008, and the purchaser issued a guarantee in favor of If for the amount that If may be required to pay under the standby letters of credit pertaining to Capital Assurance Company Inc.

With respect to certain IT systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur in relation to the owners of the systems.

If P&C Insurance Company Ltd has outstanding commitments to private equity funds totaling MEUR 11, which is the maximum amount that the company has committed to invest in the funds. Capital will be called to these funds over several years as the funds make investments.

NOTE 33 Comments on the consolidated cash flow statement

Description of method

In the income statement of a property and casualty insurance company, all premiums written are accrued over the term of the contract. Claims provisions are made continually, based on statistical models for anticipated claims, and when the claims occur the actual claims provisions are drawn up. Finally, the claim is settled through payment to the insured. Thus, the cash flows to which an insurance contract and a claim give rise differ considerably from how income accounting is performed. The link between the income statement and cash flow statement is shown in the operation's balance sheet, where accruals and deferrals are shown in the technical reserves (premium and claims reserves) and in the receivables and liabilities that constitute unsettled items attributable to insurance contacts. In insurance companies with extensive operations, the law of large numbers means that the effects of the underlying differences between accounting and real cash flow are reduced considerably.

The cash flow statement shows how cash flow arises and how it affects the Group's investments in bank and investment assets. The cash flow is generated primarily in insurance operations (the technical operations) and in the form of investment income from investment assets. In technical operations, the flows encompass premiums written, claims payments and operating expenses, which are shown in gross flow form. Premiums and claims payments in reinsurance operations, which are primarily settled through periodic statements, are reported in the compilation in their net flow forms.

Cash flow can also arise in other management in the form of transactions vis-à-vis shareholders (capital contributions, issues and dividends), the issuance of subordinated loans and interest payments as well as the flow generated from currency hedging for the entire operation.

The analysis has its foundation in the income statement items that are directly connected with external payment flows. These items are adjusted in the statement with the changes in the balance sheet during the period (counterparty receivables/assets) that are directly linked to the income statement items in question. The balance sheet items reported in the Group mainly comprise receivables/liabilities in foreign currency and are thus subject to ongoing revaluation to the particular exchange rates for each closing date. In the cash flow statement, the effect of this recalculation is eliminated and the individual cash flows shown in the analysis are therefore not directly evident as differences in the balance sheets and notes otherwise presented in the annual report.

Outcome 2011

Cash flow from insurance operations during the year decreased by MSEK 50 to MSEK 3,303 (3,353) and cash flow from investment operations, measured as the investment return received, increased to MSEK 3,843 (3,779). Cash flow for the year generated from operations totaled MSEK 7,146 (7,132). The cash surplus generated by operations that is not required to maintain short-term access to funds is transferred to asset management on a continuous basis.

Cash flow from insurance operations

Cash flow from premiums increased during the year and amounted to MSEK 39,059 (38,170). The strengthening of the SEK against primarily EUR and EUR-linked currencies resulted in a net increase of cash flow from premiums amounting to SEK 0.3 billion. Adjusted for the currency effect, the increase in premiums amounted to SEK 1.2 billion. Premium cash flows in the Nordic operations showed an increase compared with the previous year.

Claims payments

Claims payments during the year increased and amounted to MSEK 28,591 (27,642). The currency impact based on the strengthened SEK reduced the amount by SEK 0.2 billion. The increase was mainly attributable to operations in the Nordic countries.

Reinsurance flow

The reinsurance flow for the year was a negative MSEK 758 (neg: 777). The reinsurance flows in the income statement were negative in a net amount of MSEK 689 (that is, net of premiums for ceded reinsurance of negative MSEK 1,930 and the reinsurer's share of paid claims payments of MSEK 1,241). Changes in receivables/liabilities in reinsurance operations had a negative impact on the flow.

Cost of operations

Cash flow for cost of operations, which is netted with the cash flow from other technical income, increased during the year and amounted to MSEK 6,407 (6,398). Operating expenses in the consolidated income statement totaled MSEK 6,624 and other technical income totaled MSEK 277. The primary adjustments to items in the income statement pertain to depreciation and changes in provisions for operating expenses.

Cash flow from investment operations

Cash flow representing direct return on investment assets totaled MSEK 3,843 (3,779) and comprised the return received during the year in the form of dividends on shares of MSEK 281, MSEK 3,557 in coupon interest and a yield of MSEK 5 from property.

Cash flow from other operations

Cash flow from other operations was a negative MSEK 7,029 (neg: 9,612). The item's cash flows include dividend outflows totaling MSEK 3,700 (outflow: 5,000), investments in associated companies outflows in the amount of MSEK 1,035 (outflow: 68), realized effects of currency forwards inflows in the amount of MSEK 625 (outflow: 1,848), repayment and interest outflow on subordinated loans of MSEK 1,057 (outflow: 273) and tax payments outflows of MSEK 1,821 (outflow: 2,994).

Net investments in investment assets

Net investments during the year in investment assets were a negative MSEK 112 (neg: 2,834). Investment assets may be reconfigured based on allocation changes in the Group's investment policy or changes in market assessments. The cash flows per asset class that arose during the year were as follows:

- Net investments in the equities portfolio amounted to SEK 0.9 billion, primarily in Scandinavian equities and
- Net investments in interest-bearing securities resulted in net sales of SEK 1.0 billion.

NOTE 34 Average number of employees, salaries and remuneration

	2011 Average number of employees	2011 Of whom women	2010 Average number of employees	2010 Of whom women
Parent Company				
Sweden	1	0%	1	0%
Total in Parent Company	**1**	**0%**	**1**	**0%**
Subsidiaries				
Sweden [1]	1,833	49%	1,846	50%
Denmark	553	49%	515	48%
Estonia	292	74%	290	76%
Finland	1,713	64%	1,727	64%
France	5	40%	5	40%
Latvia	112	71%	109	70%
Lithuania	145	58%	146	58%
Netherlands	5	60%	5	40%
Norway	1,520	48%	1,533	48%
Russia	105	64%	201	66%
United Kingdom	8	50%	8	50%
Germany	7	57%	6	50%
Total in subsidiaries	**6,298**	**55%**	**6,391**	**55%**
Group total	**6,299**	**55%**	**6,392**	**55%**

1) Agents are not included. If has 82 (83) spare-time agents in Sweden.

Percentage of women in executive management

	Parent Company 2011	Parent Company 2010	Group total 2011	Group total 2010
Board of Directors	0%	0%	13%	13%
Other senior executives	0%	0%	18%	18%

Salaries and remuneration for employees, and social security fees

MSEK	2011 Salaries and remuneration	2011 Pension costs	2011 Social fees	2010 Salaries and remuneration	2010 Pension costs	2010 Social fees
Parent Company	12	2	3	13	2	5
Subsidiaries	3,245	584	612	3,315	597	638
Group total	**3,257**	**586**	**615**	**3,328**	**599**	**643**

NOTE 35 Costs during the fiscal year for salaries and remuneration for senior executives and other employees

MSEK	2011 Senior executives[1]	2011 Of which incentive programs and other variable compensations [2]	2011 Other employees	2010 Senior executives [1]	2010 Of which incentive programs and other variable compensations [2]	2010 Other employees
Parent Company	12	7	-	13	9	-
Subsidiaries in Sweden	28	15	853	31	22	873
Subsidiaries and branches outside Sweden	37	17	2 327	44	26	2 367
Group total	**77**	**39**	**3 180**	**88**	**57**	**3 240**

[1] Senior executives in the Parent Company and subsidiaries are defined as Board members, presidents, vice precident and members of the Parent Company and subsidiaries' executive management groups. The amounts for salary and remuneration also include severance pay of MSEK 2 (-).

[2] Information regarding incentive programs and other variable compensation pertains to amounts expensed each year, regardless of the earnings year.

Principles for determining remuneration of senior executives

Director fees are not paid to Board members employed in If and other companies within the Sampo Group. Remuneration of the CEO and other members of Group Management consists of a fixed salary, a potential yearly variable compensation, shares in multiyear incentive programs, other benefits and pensions. The distribution between fixed salary and yearly variable compensation should be proportionate to the position-holder's responsibilities and authority. The maximum yearly variable compensation payable to the CEO is 75% of his fixed salary. The maximum yearly variable compensation payable to other members of Group Management is 30-75% of fixed salary. The yearly variable compensation is based on the If Group results, unit results and individual results. For senior executives part of the Sampo Group Executive Committee the yearly variable compensation is also based on Sampo Group results. The majority of payments from variable compensation programs granted as of 2010 are deferred for at least three years. Thereafter, the Board shall evaluate and risk adjust the deferred compensation before any payment is made.

Pension benefits, variable compensation and other benefits paid to the CEO and other members of Group Management are part of their total remuneration.

Remuneration paid and other benefits during the year, KSEK	Basic salary	Variable payments	Payment pertaining to incentive programs[1]	Other benefits	Pension costs	Total
Chairman of the Board	-	-	-	-	-	-
Other Board members	-	-	-	-	-	-
President/CEO	5,062	1,111	2,726	517	1,928	11,344
Deputy CEO	2,199	255	2,142	231	722	5,549
Other members of Group Management (9 individuals)	21,002	3,347	14,125	1,597	5,406	45,477
Total	**28,263**	**4,713**	**18,993**	**2,345**	**8,056**	**62,370**

[1] For more information, refer to Incentive programs below.

Provisions expensed during the year for disbursement during future years, KSEK	Variable compensation	Incentive programs	Total
Chairman of the Board	-	-	-
Other Members of the Board	-	-	-
President/CEO	3,206	4,773	7,979
Deputy CEO	1,753	3,686	5,439
Other members of Group Management (9 individuals)	9,044	24,988	34,032
Total	**14,003**	**33,447**	**47,450**

Pensions and severance pay

Alongside statutory pension benefits, Swedish and Norwegian members of Group Management are covered by local occupational pension plans. Swedish members are entitled to temporary or lifetime defined-contribution pension. The annual premium corresponds to 38% of the fixed annual salary and the age of retirement is 60. Norwegian members are covered by a lifetime defined-benefit pension where the pension benefit, together with the statutory pension, totals 70% of the pension basis on full vesting. The age of retirement is 65. Apart from statutory earnings-based pension, no pension is paid to the Finnish member. Finnish pension legislation allows a flexible age of retirement between 63 and 68.

In the event of early termination of the CEO's employment by the company, he will be entitled to salary during a 12-month period of notice and severance pay amounting to two years' salary.

In the event of early termination of employment, other members of Group Management are entitled to salary during a period of notice of six to 12 months, and severance pay amounting to a minimum of 12 months and a maximum of 24 months.

Long-term incentive programs

Outstanding units and values, KSEK	Number of units	Maximum amount	Reserved amount
President/CEO	357,000	46,610	4,773
Deputy CEO	250,500	32,612	3,686
Other members of Group Management (9 individuals)	1,795,000	234,653	22,929
Others covered by the incentive programs	1,979,400	258,391	26,608
Total	**4,381,900**	**572,266**	**57,996**

A number of senior executives at If are covered by incentive programs issued by the Sampo Group. In 2008 a smaller program was issued, covering 1 employee in If. Larger programs were issued in August 2009 and September 2011, covering nearly 80 employees. These incentive programs are multiyear variable compensation programs. The outcome of the programs is determined by Sampo's share-price trend over a period of approximately three years starting from the issue of each program. Each participant in programs concerned is issued a number of incentive units, each of which carries entitlement to an incentive payment that is equal to the value appreciation of the Sampo share from one of three specified payment dates. The programs are subject to both thresholds, which mean that no variable compensation is paid unless the company achieves a significant degree of profitability, and caps that maximize the size of the payment. During the fiscal year the program issued in 2008 was terminated. Payments were made from the programs that were issued in 2008 and 2009.

NOTE 36 Auditors' fees

MSEK	2011	2010
Audit fees		
- Ernst & Young	15	17
- Other	0	0
Total auditors' fees	**15**	**17**
Audit fees outside assignment		
- Ernst & Young	-	-
Total auditors' fees outside assignment	**-**	**-**
Tax consultancy fees		
- Ernst & Young	1	1
Total tax consultancy fees	**1**	**1**
Other consultancy fees		
- Ernst & Young	0	0
Total other consultancy fees	**0**	**0**
Total	**16**	**18**

NOTE 37 Information about related companies

RELATIONS WITH ASSOCIATED COMPANIES

Parent company If P&C Insurance Holding Ltd acquired shares in Topdanmark A/S in May 2011, which together with the Finnish subsidiary If P&C Insurance Company Ltd shares in Topdanmark amounts to a share of 23.6%.

The parent company If P&C Insurance Holding Ltd owns a share of 28.6% of Urzus Group AS. Subsidiaries to Urzus convey insurance to If´s Swedish and Finnish P&C Insurance companies, for which they are paid commission.

The subsidiary If P&C Insurance Company Ltd (Finland) owns a share of 35.5% of the associated company Autovahinkokeskus Oy that commissions sales of vehicles redeemed by If.

RELATIONS WITH SAMPO

Sampo is defined as Sampo Abp. The subsidiaries of Sampo are defined as all of the subsidiaries in the Sampo Group with the exception of If P&C Insurance Holding Ltd and its subsidiaries.

If has concluded agreements with Sampo subsidiaries regarding the marketing of the counterparty's products in own distribution networks in primarily Finland and the Baltic countries. The compensation takes the form of commission.

In Finland, If has concluded agreements with Sampo subsidiaries regarding life and voluntary pension insurance agreements for employees. In Finland and the Baltic countries, Sampo or its subsidiaries have also concluded P&C insurance agreements with If.

Sampo's purchase of data-processing services and data production are conducted through If IT Services A/S which has monitoring and administrative responsibility for IT operations with the supplier.

The subsidiary If P&C Insurance Company Ltd (Finland) issued a subordinated loan of MEUR 65 in 2002, which was subscribed in full by the owners (inter alia Sampo) in relation to each of the owners' holding in If. In turn, Sampo has sold the loan to its subsidiary Mandatum Life. The loan has a duration of 20 years and carries fixed interest for ten years followed by variable interest. Futher information on this matter is provided in Note 25 Subordinated debt. The subsidiary If P&C Insurance Ltd (Sweden) issued in 2011 a subordinated loan of MEUR 110, which was fully subscribed by the owner Sampo Abp. The loan has a duration of 30 years and carries fixed interest for ten years, followed by variable interest.

Sampo Abp manage the main part of the Group's investment assets. Compensation for these services is based on a fixed commission calculated in accordance with the current value of the managed investment assets.

In Finland, Sampo and Sampo subsidiaries purchase HR services as well as procurement and investigation services from If.

Office premises and services are used together with subsidiaries in Sampo.

RELATIONS WITH NORDEA

Nordea is an associated company to Sampo which is If´s parent company and therefore is Nordea a related company to If.

Nordea is If's banking partner in Sweden, Finland, Denmark, Norway and Latvia and agreements have been concluded covering the management of bank accounts and related services. The Parent Company – If P&C Insurance Holding Ltd – is the primary account holder in the Nordic cash pool in Nordea. At year-end, balance on this account amounted to MSEK 610. The subsidiaries of P&C Insurance Holding AB also have its own accounts with Nordea. At year-end balance in those accounts amounts to MSEK 567. During the year fees were paid by MSEK 18 and interest income received by MSEK 2 and paid by MSEK 2.

In asset management, investments are made in bonds issued by companies in the Nordea Group and Nordea is also included among the market makers used for general securities trading. Futher information on this matter is provided in Note 3, table 17. During the year the coupon income was MSEK 208. Nordea is also the counterparty for transactions in interest rate- and currency derivatives. At year end, the market value for interest rate derivatives was MSEK 4 and for currency derivatives MSEK -200.

In Finland, the subsidiary If P&C Insurance Company Ltd has written insurance policies with Nordea subsidiaries. The policies also includes property financed by Nordea.

NOTE 38 Performance analysis per class of insurance

2011 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	6,043	6,147	10,896	1,256	11,617	1,785	24
Premiums earned, gross	5,910	6,130	10,312	1,244	11,443	1,700	31
Claims incurred, gross	-4,054	-4,700	-7,691	-587	-9,009	-905	-6
Operating expenses, gross [1)]	-1,088	-1,221	-1,650	-228	-1,716	-274	-3
Profit/loss from ceded reinsurance	-95	-9	-9	-136	-357	-174	0
Technical result before investment return	**673**	**200**	**962**	**293**	**361**	**347**	**22**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	285	-	1,036	**39,089**	810	-44	**39,855**
Premiums earned, gross	278	-	1,044	**38,092**	848	-44	**38,896**
Claims incurred, gross	-170	-	-1,492	**-28,614**	-231	-10	**-28,855**
Operating expenses, gross [1)]	-53	-	-106	**-6,339**	-202	54	**-6,487**
Profit/loss from ceded reinsurance	0	-	240	**-540**	-63	54	**-549**
Technical result before investment return	**55**	**-**	**-314**	**2,599**	**352**	**54**	**3,005**

2010 MSEK	Accident and health	Motor, third party liability	Motor, other classes	Marine, air and transport	Fire and other damage to property	Third party liability	Credit
Premiums written, gross	5,929	6,320	10,562	1,247	12,034	1,721	56
Premiums earned, gross	5,701	6,360	10,265	1,229	11,701	1,707	48
Claims incurred, gross	-3,828	-5,168	-7,623	-932	-8,766	-1,002	-3
Operating expenses, gross [1)]	-1,014	-1,224	-1,611	-235	-1,780	-275	-4
Profit/loss from ceded reinsurance	-104	-4	-15	-24	-295	-287	0
Technical result before investment return	**756**	**-36**	**1,015**	**39**	**860**	**143**	**41**

	Legal expenses	Assistance	Miscellaneous	Total direct insurance	Reinsurance accepted	Eliminations	Total
Premiums written, gross	278	-	1,081	**39,227**	806	-42	**39,991**
Premiums earned, gross	257	-	1,028	**38,296**	842	-42	**39,095**
Claims incurred, gross	-157	-	-942	**-28,420**	-673	-18	**-29,111**
Operating expenses, gross [1)]	-49	-	-258	**-6,450**	-98	2	**-6,545**
Profit/loss from ceded reinsurance	0	-	-179	**-908**	121	27	**-761**
Technical result before investment return	**51**	**-**	**-351**	**2,518**	**192**	**-31**	**2,678**

1) The item Operating expenses, gross includes other technical income of MSEK 277 (235) and other technical expense of MSEK -244 (-232).

Notes to the Parent Company

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

NOTE 1 Interest income and similar income items

MSEK	2011	2010
Currency result	2	3
Other interest income	104	30
Total	**106**	**33**

NOTE 2 Interest expense and similar expense items

MSEK	2011	2010
Impairment loss on shares in subsidiaries	-45	-320
Provisions for law suits	0	-58
Other interest income	-101	-19
Total	**-146**	**-397**

NOTE 3 Taxes

MSEK	2011	2010
Current tax	0	-4
Deferred tax	-1	15
Total tax in the income statement	**-1**	**11**
Specification of deferred tax assets		
Temporary differences	-	15
Total deferred tax assets	**-**	**15**

MSEK	2011	2010
Difference between reported tax and tax based on current Swedish tax rate:		
Profit before taxes	6,364	4,902
Tax according to current tax rate, 26.3%	-1,674	-1,289
Non-taxable dividend from Group companies	1,685	1,384
Non-deductible liquidation loss and impairment loss on shares in subsidiaries	-12	-84
Reported tax in the income statement	**-1**	**11**

NOTE 4 Shares in Group companies

	Country	Number of shares	Holding %	Carrying amount, MSEK 2011	2010
Shares in Group companies					
If Skadeförsäkring AB (publ), corp. reg. no. 516401-8102	Sweden	1,044,306	100	12,080	12,080
If Livförsäkring AB, corp. reg. no. 516406-0252	Sweden	10,000	100	73	73
Barn i Bil AB in liquidation, corp. reg. no. 556539-3757 1)	Sweden	1,000	100	-	0
If IT Services A/S	Denmark	501	100	1	1
If Vahinkovakuutusyhtiö Oy/If Skadeförsäkringsbolag Ab	Finland	960,000	100	4,435	4,435
If P&C Insurance AS	Estonia	10,000,000	100	442	442
IPSC Region 2)	Russia	4,290,000	100	91	118
CJSC If Insurance	Russia	1,000	100	90	90
Total				**17,212**	**17,239**

1) The company was liquated during the year.
2) Capital contribution to the company amounts to MRUB 80, corresponding to MSEK 18, and a recognized impairment loss amounts to MSEK 45. The impairment loss is based on a calculation of the expected recoverable amount, applying the same model used for measuring consolidated goodwill related to Region. Refer to Note 12 Intangible assets.

NOT 5 Shares in associated companies

	Country	Number of shares	Holding %	Carrying amount 2011	2010
Consulting AB Lennermark & Andersson, corp.reg.no. 556131-2223	Sweden	1,209	22.0	7	7
Topdanmark A/S [1)]	Denmark	838,450	6.3	1,032	-
Urzus Group AS	Norway	142,648	28.6	50	50
Besure Forsikring Skandinavia AS [2)]	Norway	28,800	18.9	21	18
Total				**1,110**	**75**

1) Besides the holding in If P&C Insurance Holding Ltd, the subsidiary If P&C Insurance Company Ltd owns 2,309,242 shares, corresponding to 17.3%.

2) If has a direct holding of 18.9%, as well as an indirect holding via Urzus Group AS, owner of 65.6% of the company.

NOTE 6 Contingent liabilities

MSEK	2011	2010
Surety and guarantee undertakings	18	479
On behalf of Group companies	18	479

In connection with the transfer of property and casualty insurance business from the Skandia group to the If Group as of March 1, 1999, If P&C Insurance Holding Ltd and If P&C Insurance Ltd issued a guarantee for the benefit of Försäkringsaktiebolaget Skandia (publ) whereby the aforementioned companies in the If Group mutually guarantee that companies in the Skandia group will be indemnified against any claims or actions due to guarantees or similar commitments made by companies in the Skandia group within the property and casualty insurance business transferred to the If Group.

If P&C Insurance Holding Ltd and If P&C Insurance Ltd have separately entered into contracts with Försäkringsaktiebolaget Skandia (publ) and Tryg-Baltica Forsikring AS whereby Skandia and Tryg-Baltica will be indemnified against any claims attributable to guarantees issued by Försäkringsaktiebolaget Skandia (publ) and Vesta Forsikring AS, on behalf of Skandia Marine Insurance Company (UK) Ltd (now Marlon Insurance Company Ltd) in favor of the Institute of London Underwriters. Marlon was sold during 2007, and the purchaser issued a guarantee in favor of If for the full amount that If may be required to pay under these guarantees.

If P&C Insurance Holding Ltd, in favor of companies within Svenska Handelsbanken AB (publ), has pledged sureties for the company's obligations for current liabilities up to an amount of MSEK 500 and for obligations pursuant to derivative instruments, as well as for If P&C Insurance Ltd and Capital Assurance Company Inc, for these companies' obligations pursuant to standby letters of credit for the companies' insurance operations. Capital Assurance Company Inc was sold during 2008, and the purchaser issued a guarantee in favor of If for the amount that If may be required to pay under the standby letters of credit pertaining to Capital Assurance Company Inc.

With respect to certain IT systems that If and Sampo use jointly, If P&C Insurance Holding Ltd has undertaken to indemnify Sampo for any costs caused by If that Sampo may incur in relation to the owners of the systems.

Proposed appropriation of earnings

Funds available for appropriation by the Annual Meeting in accordance with the balance sheet amount to MSEK 17,628, including the net profit for the year of MSEK 6,363.

The Board of Directors and President propose that the amount be appropriated as follows:

MSEK	
To be distributed as dividends to shareholders	0
To be carried forward	17,628
	17,628

Stockholm, March 5, 2012

Kari Stadigh
Chairman of the Board

Peter Johansson
Board member

Patrick Lapveteläinen
Board member

Torbjörn Magnusson
Board member, President and CEO

Our audit report was issued on March 5, 2012
Ernst & Young AB

Peter Strandh
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of If P&C Insurance Holding Ltd (publ), corporate identity number 556241-7559

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of If P&C Insurance Holding Ltd (publ) for the year 2011.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of If P&C Insurance Holding Ltd (publ) for the year 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 5, 2012

Ernst & Young AB

Peter Strandh
Authorized Public Accountant

Group Management

Torbjörn Magnusson
Born 1963
President and Chief Executive Officer
Employed 1999
Resident in Stockholm

Knut Arne Alsaker
Born 1973
Chief Financial Officer
Employed 2000
Resident in Täby

Johan Börjesson
Born 1967
Head of Human Resources
Employed 2005
Resident in Lidingö

Line M Hestvik
Born 1969
Head of Private business area
Employed 1999
Resident in Oslo

Ivar Martinsen
Born 1961
Head of Commercial business area
Employed 1999
Resident in Oslo

Katarina Mohlin
Born 1961
Head of Corporate Communications
Employed 2004
Resident in Stockholm

Dag Rehme
Born 1970
Chief Legal Counsel
Employed 2006
Resident in Stockholm

Morten Thorsrud
Born 1971
Head of Industrial business area
Employed 2002
Resident in Nesbru

Kjell Rune Tveita
Born 1963
Head of IT and Group Services
Employed 1999
Resident in Lövenskog

Timo Vuorinen
Born 1964
Head of Baltic business area
Employed 2003
Resident in Espoo

Ricard Wennerklint
Born 1969
Deputy Chief Executive Officer
Employed 1999
Resident in Stockholm

Glossary and definitions

ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT
Return on average technical provisions, after deducting the capital employed in insurance operations in the form of, for example, premium receivables, less reinsurance deposits and other assets plus half of the technical result before allocated interest for the year. The allocated investment return is based on risk-free interest.

CAPITAL BASE
Reported shareholders' equity after proposed dividend less intangible assets and unrecognised pension liabilities, plus untaxed reserves, subordinated loans (within some limits) and deferred tax liabilities. Major holdings of securities in financial institutions shall also be deducted when these securities constitute risk capital in the institution. The capital base must satisfy the solvency requirement. See solvency requirement.

CAPTIVE
An insurance company, owned by a non-insurance company, whose principal function is to reinsure part of the parent's risk, or risks of other units within the same group.

CEDENT
Direct insurance company that reinsures a part of its direct business with a reinsurer.

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 major claims.

CLAIMS RATIO
Claims incurred and premiums earned expressed as a percentage.

COMBINED RATIO
Claims incurred and operating expenses in insurance operations in relation to premiums earned, expressed as a percentage.
Cost of insurance operations
Sum total of operating expenses and claims costs.

COST RATIO
Claims handling cost and operating expenses in insurance operations in relation to net premiums earned, expressed as a percentage.

DEDUCTIBLE
Part of the claims amount that the insured must account for himself, in accordance with the insurance terms, and which is thus deducted from insurance compensation. Special deductibles exist in certain types of insurance, whereby a distinction is made between compulsory and voluntary deductibles. The latter leads to a reduction in the premium.

DIRECT INSURANCE
Insurance business that relates to contracts concluded between insurers and insured. The insurance company is directly responsible in relation to the insured.

DIRECT INVESTMENT RETURN
Operating surplus from buildings and land, dividends on shares and participations and interest income.

DURATION
The concept of duration has different definitions within the asset management and insurance operations.

Within asset management, duration is the same as the interest-rate risk and denotes how sensitive a fixed-income portfolio is to changes in average interest rates. Duration may be expressed as number of years, in which case it shows the weighted average maturity of the portfolio, meaning the remaining until invested capital plus interest is returned to the investor.

Within insurance operations, duration represents the period that starts when an insurance contract becomes effective and ends when it expires.

ECONOMIC CAPITAL
If uses Economic capital in internal management. It is an internal measure describing the amount of capital required in order to bear different kinds of risk. Economic Capital is defined as the amount of capital required to protect the economic solvency over a one year time horizon with a probability of 99.5%.

EXPENSE RATIO
Ratio between operating expenses in insurance operations and premiums earned expressed as a percentage.

GROSS BUSINESS
Insurance business before deduction of the portion of business that is reinsured with other companies.

GROSS PREMIUMS WRITTEN
Total premiums received during the financial year or taken up as a receivable at the end of the year. In contrast to premiums earned, premiums written are not capitalized; i.e. they are unaffected by opening and closing provisions for unearned premiums.

IBNR PROVISION
Provision for the estimated value of the company's liability for claims that have occurred but are unknown or, in view of the extent of the claim, are insufficiently known. IBNR = incurred but not reported.

INSURANCE MARGIN
Technical result less other technical income and expense in relation to net premiums earned, expressed as a percentage. Compare with Technical result.

INVESTMENT ASSETS
Assets that resemble a capital investment, including real estate and securities, as well as all investments in group and associated companies.

INVESTMENT RETURN
Net of following income and costs: interest income/expense, dividend on shares and participations, surplus/deficits from own properties, realized and unrealized changes in fair value of real estate, shares and participations and interest-bearing securities, and exchange-rate gains/losses. If recognizes the main part of unrealized value changes on shares and participations and interest-bearing securities in other comprehensive income.

NET BUSINESS
That part of the insurance business for which the insurance company assumes the risk and which is thus not reinsured with other companies.

NET PREMIUMS WRITTEN
Gross premiums written less ceded reinsurance premiums.

OPERATING EXPENSES IN INSURANCE OPERATIONS
Expenses related to the acquisition or renewal of insurance contracts plus corporate administration costs.

OPERATING RESULT
Profit/loss before appropriations and taxes.

PREMIUMS EARNED
That portion of gross premiums written that pertains to the fiscal year, meaning premiums written adjusted for changes in the provision for unearned premiums.

PRIOR-YEAR CLAIMS RESULT
Profit or loss that arises when claims originating from a prior year are either finally settled or revalued.

PROPERTY AND CASUALTY INSURANCE
Collective term for property insurance, liability insurance and reinsurance. 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.

PROVISION FOR UNEXPIRED RISKS
Provision to cover anticipated claims costs and operating expenses for policies in force at the accounting date and up to their next due date.

PROVISION FOR UNEARNED PREMIUMS
Liability item in the balance sheet corresponding to the portion of premiums written that, in the financial accounts, pertains to forthcoming years.

PROVISION FOR CLAIMS OUTSTANDING
Liability item in the balance sheet consisting of the estimated value of claims incurred but not yet paid and the expected operating expenses for the settlement of the claims.

REINSURANCE
A method of distributing risks whereby an insurance company purchases coverage for a part of its liability based on insurance or reinsurance contracts, so-called ceded reinsurance. Reinsurance accepted pertains to the business one insurance company accepts from other insurance companies in the form of reinsurance.

RETENTION
The highest insured or claims amount relating to the same risk that an insurer retains for its own account, without reinsurance.

RETURN ON EQUITY
Result for the year, adjusted for unrealized gains and losses on investments assets recognised in other comprehensive income, less full tax in relation to average shareholders' equity.

RISK RATIO
Ratio between insurance claims, excluding claims-adjustment costs, and premiums earned, expressed as a percentage.

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 BUSINESS
The liquidation of an insurance company or portfolio of insurance business which has been transferred to a separate administrative unit.

SOLVENCY CAPITAL
Shareholders' equity less deferred tax assets plus untaxed reserves, subordinated loans and deferred tax liability.

SOLVENCY RATIO
Key ratio representing the relative size of solvency capital. The solvency ratio is calculated as solvency capital in relation to net premiums written, excluding portfolio premiums. Compare with solvency capital.

SOLVENCY REQUIREMENT (SOLVENCY MARGIN)
The lowest permissible capital required for insurance operations from the viewpoint of the supervisory authorities. The requirement is based on the historical claims outcome or gross premiums written, whichever is higher.

TECHNICAL PROVISIONS
Provisions for unearned premiums, unexpired risks and claims outstanding.

TECHNICAL RESULT
Premiums earned less claims costs and operating expenses, plus the allocated investment return transferred from the non-technical accounts.

TECHNICAL RESULT BEFORE INVESTMENT RETURN
Item in the technical accounts comprising premiums earned less claims and operating costs.

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 by If for the evaluation of asset management.

UNDERWRITING
Includes 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.

CONTACT:

Sweden: tel. +46 771 430 000, www.if.se
Norway: tel. +47 980 024 00, www.if.no
Denmark: tel. +45 77 01 21212, www.if.dk
Finland: tel. +358 105 1510, www.if.fi