



If P&C Insurance AS

Interim Report

3rd Quarter 2021

Translation from Estonian language

Contacts and signatures

If P&C Insurance AS main field of activity is non-life insurance services.

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Beginning of reporting period:	<i>1 January 2021</i>
End of reporting period:	<i>30 September 2021</i>
Chairman of the Management Board:	<i>Andris Morozovs</i>
Auditor:	<i>AS Deloitte Audit Eesti</i>

If P&C Insurance AS management board has compiled 3rd quarter 2021 interim report which is presented on pages 7-20.

Member of the Management Board	Heinar Olak	/Signature/	29.11.2021
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Member of the Management Board	Tiit Kolde	/Signature/	29.11.2021
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EXPLANATORY NOTE

If P&C Insurance AS (the Company, If) is a wholly owned subsidiary of the leading Nordic property and casualty Insurance group If P&C Insurance Holding Ltd (publ), which in turn is owned by the Finnish company Sampo plc. Sampo plc is listed on the Helsinki Stock Exchange and the Sampo Group is made up of the parent company Sampo plc and its subsidiaries If P&C, Mandatum Life, Hastings and Topdanmark.

If has been offering property and casualty insurance to private individuals and corporate customers in the Baltic markets since 1992. Across the Baltic countries, If has approximately 305,000 policyholders and is one of the leading P&C companies in Estonia. If's products include Property, Liability, Motor, Marine & Transport and Accident & Health insurance.

The Company is registered in Estonia and operates in Latvia and Lithuania through branches. The current corporate structure enables efficient operations with some shared business functions across all three Baltic countries.

This interim report includes the financial indicators of the Estonian unit operated by If P&C Insurance AS and the Latvian and Lithuanian branches.

Results for the nine months of 2021

The technical result increased from €13.6 million in 2020 to €13.7 million in 2021, combined ratio worsened somewhat to 88.1% (87.6%).

Gross written premiums increased in total by €11.3 million, from €116.9 million in 2020 to €128.2 million in 2021 (+9.7%).

Baltic P&C insurance market premium volume increased approximately by 5% during the first 9 months of 2021. Market growth rate is still below the historical underlying growth rate due to continued Covid-19 restrictions. Expected removal of the restrictions is likely to support the market volume growth going forward.

Total claims cost, including claims handling expenses, increased from €68.8 million in 2020 to €72.6 million in 2021, loss ratio increased to 63.2% (62.7%). Severe winter weather conditions early in 2021 and somewhat increased cost for large claims resulted in increased loss ratio, on the other hand continued Covid-19 restrictions affected the loss ratio positively especially in Motor insurance.

Expense ratio remained unchanged the first nine months of the year compared to year before. Salary cost inflation was lower than recent year and cost for premises and travel reduced compared to year before. Total operating expenses, excluding claims handling expenses, increased slightly from €27.3 million in 2020 to €28.6 million in 2021.

The overall net profit before tax increased to €15.4 million (€15.3) in first nine months of 2021. Income tax cost increased to 3.7 million (€0.5) due to the dividend distribution from the profit earned in Estonia which is taxed with corporate income tax in the dividend distribution period.

KEY FIGURES

€000	Q1-Q3 2021	Q1-Q3 2020
Premiums written, gross	128,238	116,929
Premiums earned, net of reinsurance	114,868	109,733
Claims incurred, net of reinsurance	72,581	68,799
Operating expenses ¹	28,567	27,336
Technical result ²	13,721	13,598
Profit before taxes	15,439	15,270
Net profit	11,713	14,790
Combined ratio ³	88.1%	87.6%
Expense ratio ⁴	24.9%	24.9%
Loss ratio ⁵	63.2%	62.7%
Return on investments ⁶	0.8%	0.7%

Formulas:

¹ Operating expenses	Insurance contract acquisition costs and administrative expenses (+) reinsurance commissions and other income
² Technical result	Premiums earned, net of reinsurance (-) claims incurred, net of reinsurance (-) operating expenses
³ Combined ratio	Expense ratio + loss ratio
⁴ Expense ratio	$\frac{\text{Operating expenses}}{\text{Premiums earned, net of reinsurance}}$
⁵ Loss ratio	$\frac{\text{Claims incurred (incl. Claims handling costs), net of reinsurance}}{\text{Premiums earned, net of reinsurance}}$
⁶ Return on investments (yearly basis)	$\frac{\text{Investment income (-) investment expenses (+) changes in fair value recognised in other comprehensive income}}{\text{Weighted average volume of financial investments in the period}}$

Investment result

The value of financial investments decreased somewhat to €280.8 million as at 30 September 2021. Applying the full market valuation, the result from asset management decreased to €1.13 million, from €1.62 million in 3rd quarter 2020, with a return ratio of 0.8% compared to the previous 0.7%. Net investment result recognised in profit amounted to €1.72 million compared to €1.67 million in 9 months 2020, while -€0.59 million was recorded in other comprehensive income, up from -€0.05 million in 9 months 2020. Fixed income portfolio running yield increased up to 1.1%, and duration, incl. cash, decreased slightly to 2.7 years as opposed to 2.9 years at the end of 2020.

Number of employees

As at 30 September 2021, the number of full-time employees was 545 (30.09.2020 543).

Key activities of If P&C Insurance AS and its branches

If offers a complete range of P&C insurance products for both private individuals and corporate customers. We provide services remotely via digital channels and phone, but customers are also served with the help of strong network of brokers and partners. If is currently the fourth-largest P&C insurer in the Baltic region combined.

Customer surveys confirm that when choosing insurance provider, customers consider smooth sales and claims handling processes very important. Therefore, If remains focused on developing easy-to-use products and services supported by smart digital solutions that simplify the process for the customer throughout the entire customer journey, from a purchase to a possible claim.

If has managed to maintain excellent customer service levels during the coronavirus pandemic as well. The situation has been facilitated by the ongoing digital shift in the market where customers become more and more used to buying insurances online and communicating with the insurance companies remotely.

Recently, a survey conducted in the Baltic countries by research company Dive showed that If's service is the best among insurers. In addition to the number one position achieved in Estonia, we have reason to be very proud, because we are strongly in the top three insurers in all the Baltics. The fact that our customer service is valued the most and we are most recommended as an insurance company shows the right choices we have made.

STATEMENT OF COMPREHENSIVE INCOME Q3

€000	Note	Q3 2021	Q3 2020
PREMIUMS EARNED, NET OF REINSURANCE			
Premiums earned, gross		41,735	37,977
Premiums ceded		-1,183	-786
TOTAL	2	40,552	37,191
OTHER INCOME			
Investment result	3	554	537
Reinsurance commissions and other income		96	46
TOTAL		650	583
TOTAL REVENUE		41,202	37,774
CLAIMS INCURRED, NET OF REINSURANCE			
Claims incurred, gross		-26,688	-23,908
Reinsurers' share of claims incurred		29	-150
TOTAL	4	-26,659	-24,058
EXPENSES			
Insurance contract acquisition costs		-6,366	-5,705
Administrative expenses		-3,776	-3,443
TOTAL	5	-10,142	-9,148
TOTAL CLAIMS AND EXPENSES		-36,801	-33,206
NET RESULT BEFORE TAXES		4,401	4,568
INCOME TAX		-182	-124
NET PROFIT FOR THE FINANCIAL PERIOD		4,219	4,444
OTHER COMPREHENSIVE INCOME			
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Change in the value of available-for-sale assets		-305	3,133
TOTAL		-305	3,133
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		3,914	7,577

STATEMENT OF COMPREHENSIVE INCOME

€000	Note	Q1-Q3 2021	Q1-Q3 2020
PREMIUMS EARNED, NET OF REINSURANCE			
Premiums earned, gross		118,260	112,026
Premiums ceded		-3,391	-2,294
TOTAL	2	114,869	109,732
OTHER INCOME			
Investment result	3	1,718	1,672
Reinsurance commissions and other income		290	220
TOTAL		2,008	1,892
TOTAL REVENUE		116,877	111,624
CLAIMS INCURRED, NET OF REINSURANCE			
Claims incurred, gross		-72,926	-69,067
Reinsurers' share of claims incurred		345	268
TOTAL	4	-72,581	-68,799
EXPENSES			
Insurance contract acquisition costs		-18,085	-17,221
Administrative expenses		-10,771	-10,334
TOTAL	5	-28,856	-27,555
TOTAL CLAIMS AND EXPENSES		-101,437	-96,354
NET RESULT BEFORE TAXES		15,440	15,270
INCOME TAX		-3,727	-480
NET PROFIT FOR THE FINANCIAL PERIOD		11,713	14,790
OTHER COMPREHENSIVE INCOME			
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Change in the value of available-for-sale assets		-592	-47
TOTAL		-592	-47
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		11,121	14,743

STATEMENT OF FINANCIAL POSITION

€000	Note	30 September 2021	31 December 2020
ASSETS			
Cash and cash equivalents		68,604	52,880
Financial investments	7	280,841	296,496
Receivables related to insurance activities	6	37,245	31,178
Accrued income and prepaid expenses		4,530	4,003
Reinsurance assets	9	6,569	5,786
Investment in subsidiary		88	88
Property, plant and equipment	8	4,372	3,160
TOTAL ASSETS		402,249	393,591
LIABILITIES AND EQUITY			
Liabilities related to insurance activities		7,433	7,644
Lease liabilities		4,054	2,779
Accrued expenses and deferred income		6,975	6,708
Deferred tax liability		92	75
Liabilities arising from insurance contracts	9	210,534	196,144
Total liabilities		229,088	213,350
Share capital		6,391	6,391
Share premium		3,679	3,679
Mandatory capital reserve		2,362	2,362
Fair value reserve		6,675	7,268
Retained earnings		142,341	143,939
Net profit for the year		11,713	16,602
Total equity		173,161	180,241
TOTAL LIABILITIES AND EQUITY		402,249	393,591

STATEMENT OF CHANGES IN EQUITY

€000

	Share capital	Share premium	Mandatory capital reserve	Fair value reserve	Retained earnings	Net profit for the year	Total equity
At 1 January 2020	6,391	3,679	2,362	5,088	163,439	-	180,959
Dividends paid ¹⁾	-	-	-	-	-19,500	-	-19,500
Other comprehensive income	-	-	-	2,180	-	-	2,180
Net profit for the year	-	-	-	-	-	16,602	16,602
At 31 December 2020	6,391	3,679	2,362	7,268	143,939	16,602	180,241
At 1 January 2021	6,391	3,679	2,362	7,268	160,542	-	180,241
Dividends paid ¹⁾	-	-	-	-	-18,200	-	-18,200
Other comprehensive income	-	-	-	-593	-	-	-593
Net profit for the year	-	-	-	-	-	11,713	11,713
At 30 September 2021	6,391	3,679	2,362	6,675	142,341	11,713	173,161

- ¹⁾ In March 2021, the Company distributed 18.2 million euros (2020: 19.5 million euros) in dividends to the sole shareholder. In accordance with the Estonian Income Tax Act, income tax cost in amount of 3.5 million euros on the dividend distributed from the profit earned by the Company in Estonia, is recognized in the period of dividend payment, therefore related income tax expense appeared in the statement of comprehensive income. Dividend distributed from the profit earned by Latvian or Lithuanian branches is taxed in the respective country and is exempt from the corporate income tax in Estonia when distributing further to the sole shareholder of the Company.

STATEMENT OF CASH FLOWS

€000	Note	Q1-Q3 2021	Q1-Q3 2020
Cash flow from operating activities			
Premiums received	2	122,026	113,798
Premiums ceded	2	-3,522	-2,310
Claims paid, incl. claims handling expenses	4, 5	-68,958	-58,348
Cash flow from reinsurance		312	208
Employee-related and service-related expenses		-28,750	-26,665
Investments in bonds and other interest-bearing securities		-9,918	-68,150
Proceeds from disposals of bonds and other interest-bearing securities		19,870	80,560
Investments in term deposits		-	-5,000
Proceeds from term deposits		5,000	15,000
Interest received		2,937	2,296
Interest paid		-6	-8
Income tax paid		-4,015	-423
Net cash flow from operating activities		34,976	50,958
Cash flow from investing activities			
Purchase of property, plant and equipment		-104	-206
Proceeds from disposal of property, plant and equipment		-	1
Net cash flow from investing activities		-104	-205
Cash flow from financing activities			
Dividends paid		-18,200	-3,500
Repayment of lease liability		-947	-1,013
Net cash flow from financing activities		-19,147	-4,513
Change in cash flow		15,725	46,240
Cash and cash equivalents at beginning of reporting period		52,880	17,968
Cash and cash equivalents at end of reporting period		68,605	64,208

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Note 1. Accounting principles and basis of estimations used in the preparation of the financial statements

This interim report has been prepared in conformity with the IAS 34 “Interim Financial Reporting” requirements for condensed interim financial statements.

The If P&C Insurance AS annual report for the financial year ended 31 December 2020 was prepared in conformity with the IFRS and the interpretations issued by IFRIC, which have been approved by the EU. The applied standards and interpretations are described in Company’s accounting policies for the financial year 2020. The financial statements are available on Company’s website at www.if.ee.

Though the company forms the group together with its subsidiary Support Services AS and is the consolidating entity, the Company has elected in accordance with IFRS 10 paragraph 4 not to present consolidated financial statements and presented only separate financial statements. The Company is a wholly-owned subsidiary of If P&C Insurance Holding Ltd (publ) and the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards (IFRS). Consolidated financial statements of the parent are available at websites www.if.se and www.sampo.com under section *Figures-Annual report*.

Note 2. Premiums earned, net of reinsurance

€000	Q1-Q3 2021	Q1-Q3 2020
Premiums written, gross	128,238	116,929
Change in the provision for unearned premiums	-9,978	-4,903
Premiums earned, gross	118,260	112,026
Reinsurance premiums	-3,957	-2,731
Change in the provision for unearned premiums	566	437
Premiums ceded	-3,391	-2,294
TOTAL	114,869	109,732

Note 3. Investment result

€000	Q1-Q3 2021	Q1-Q3 2020
<u>Interest income/expense on:</u>		
Available-for-sale financial assets		
Bonds and other interest-bearing securities	2,238	2,209
Loans and receivables		
Term deposits	-	6
Cash and cash equivalents	1	-
Lease liabilities		
	-6	-8
TOTAL	2,233	2,207
<u>Gain from the disposal of:</u>		
Available-for-sale financial assets		
Bonds and other interest-bearing securities	268	172
TOTAL	268	172
<u>Gain/loss from the change in the value of:</u>		
Exchange rate changes		
	-56	-35
TOTAL	-56	-35
Investment expenses	-727	-672
TOTAL INVESTMENT RESULT	1,718	1,672
 Reconciliation of the fair value reserve of available-for-sale financial assets		
	Q1-Q3 2021	Q1-Q3 2020
Opening balance, available-for-sale financial assets	7,268	5,088
Changes in fair value during the year, recognised in other comprehensive income	-324	125
Realised gain recognised in profit or loss	-268	-172
Closing balance, available-for-sale financial assets	6,676	5,041
Change in the fair value reserve of available-for-sale financial assets during the year	-592	-47

Note 4. Claims incurred, net of reinsurance

€000	Q1-Q3 2021	Q1-Q3 2020
Gross		
Claims paid related to the reporting period	-51,587	-42,914
Claims paid related to previous periods	-20,422	-18,508
Amounts recovered from salvage and subrogation	6,918	6,242
Change in the provision for claims outstanding	-4,412	-10,639
Claims handling expenses	-3,423	-3,248
TOTAL	-72,926	-69,067
Reinsurers' share		
Claims paid related to the reporting period	14	5
Claims paid related to previous periods	112	22
Change in the provision for claims outstanding	219	241
TOTAL	345	268
Net		
Claims paid related to the reporting period	-51,573	-42,909
Claims paid related to previous periods	-20,310	-18,486
Amounts recovered from salvage and subrogation	6,918	6,242
Change in the provision for claims outstanding	-4,193	-10,398
Claims handling expenses	-3,423	-3,248
TOTAL	-72,581	-68,799

Note 5. Expenses

€000	Q1-Q3 2021	Q1-Q3 2020
Salaries and remuneration	-14,780	-13,803
Social security costs	-3,131	-2,949
Other personnel expenses	-1,070	-948
Total personnel expenses	-18,981	-17,699
Commissions to intermediaries	-7,342	-6,944
Data processing	-1,555	-1,643
Expenses on premises	-1,512	-1,598
Office expenses (incl. communication expenses)	-462	-508
Other operating expenses	-2,427	-2,411
TOTAL	-32,279	-30,803

Division of costs on the basis of functions:

Insurance contract acquisition costs	-18,085	-17,221
Administrative expenses	-10,771	-10,334
Claims handling expenses	-3,423	-3,248
TOTAL	-32,279	-30,803

Note 6. Receivables related to insurance activities

€000	30 Sept 2021	31 Dec 2020
Receivables related to direct insurance activities, incl.	36,918	30,947
- policyholders	31,681	26,846
- intermediaries	2,895	2,263
- subrogation with significant recoverability	1,769	1,362
- salvages	321	279
- other	252	197
Receivables related to reinsurance	201	159
Other receivables	126	72
TOTAL	37,245	31,178

Note 7. Financial investments

€000	30 Sept 2021	31 Dec 2020
Available-for-sale financial assets		
Bonds and other interest-bearing securities		
- listed	270,236	280,211
- unlisted	10,605	11,279
Incl. with a floating interest rate	4,222	4,226
Incl. with a fixed interest rate (0.125 -3.0%; 31.12.2020: 0.125%-3.0%)	276,619	287,264
TOTAL	280,841	291,490
Loans and receivables		
Term deposits	-	5,006
TOTAL FINANCIAL INVESTMENTS	280,841	296,496

Bonds and other interest-bearing securities by issuers

€000	30 Sept 2021	31 Dec 2020
Issued by Estonian financial institutions	3,885	3,855
Issued by Estonian companies	1,524	1,535
Issued by foreign governments	2,593	2,639
Issued by foreign financial institutions	109,641	117,554
Issued by foreign companies	163,198	165,907
TOTAL	280,841	291,490

Ratings of bond issuers (S&P)

	Percentage of fair value	
	30 Sept 2021	31 Dec 2020
AAA	2.2%	2.1%
AA+ until AA-	8.6%	9.0%
A+ until A-	17.3%	18.6%
BBB+ until BBB-	49.0%	50.5%
BB	1.8%	2.4%
Non rated	21.1%	17.4%
TOTAL	100%	100%

Bonds and other interest-bearing securities by maturity terms

€000	30 Sept 2021	31 Dec 2020
Up to 1 year	19,223	10,530
1-2 years	57,847	34,251
2-5 years	156,973	187,426
5-10 years	46,798	59,283
TOTAL	280,841	291,490

Deposits by maturity terms

€000	30 Sept 2021	31 Dec 2020
Up to 6 months	-	5,006
6-12 months	-	-
TOTAL	-	5,006

Note 8. Property, plant and equipment

€000	Right-of-use: Buildings	Other PPE
Net book value as at 31 December 2019	3,915	650
Acquisition	209	205
Disposal	-	-851
Sales	-	-35
Acquisition cost as at 31 December 2020	5,389	1,578
-incl. fully depreciated	-	873
Depreciation charge for the year	-1,356	-319
Depreciation charge of sales and disposals	-	741
Accumulated depreciation as at 31 December 2020	-2,621	-1,186
Net book value as at 31 December 2020	2,768	392
Acquisition	2,222	104
Sales and write off	-	-160
Acquisition cost as at 30 September 2021	7,611	1,522
-incl. fully depreciated	-	949
Depreciation charge for the year	-946	-134
Depreciation charge of sales	-	125
Accumulated depreciation as at 30 September 2021	-3,567	-1,194
Net book value as at 30 September 2021	4,044	328

Note 9. Liabilities related to insurance contracts and reinsurance assets

€000	30 Sept 2021	31 Dec 2020
Gross		
Provision for incurred and reported claims and claims handling expenses	102,241	96,616
Provision for incurred but not reported claims	33,758	34,971
Provision for unearned premiums	74,535	64,557
TOTAL	210,534	196,144
Reinsurer's share		
Provision for incurred and reported claims and claims handling expenses	4,792	4,599
Provision for incurred but not reported claims	261	235
Provision for unearned premiums	1,516	952
TOTAL	6,569	5,786
Net		
Provision for incurred and reported claims and claims handling expenses	97,449	92,017
Provision for incurred but not reported claims	33,497	34,736
Provision for unearned premiums	73,019	63,605
TOTAL	203,965	190,358

Note 10. Related party transactionsRelated parties

The company's shareholders, enterprises under the joint control of or enterprises controlled by the company, the company's staff, Management Board and Supervisory Board members, their close relatives and other individuals over whom the above persons have significant influence, are considered related parties.

Transactions with members of the Management Board and members of the Supervisory Board

The Management Board members received a total of €1,084 thousand in remuneration, including social tax (9 months 2020: €799 thousand). During the reporting period, no severance fee was paid to Management Board members (9 months 2020: €73 thousand). No remuneration was paid to members of the Supervisory Board.

Insurance contracts with total premiums of €6 thousand were concluded with the management individuals in the financial period (9 months 2020: €7 thousand).

Reinsurance transactions with group companies

The company has concluded reinsurance contracts with If P&C Insurance Ltd (publ).

€000	Calculated reinsurance premiums		Indemnifications and commissions received	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
If P&C Insurance Ltd (publ)	2,264	1,615	43	11

Receivables and payables related to the above transactions as at:

€000	30 Sept 2021	31 Dec 2020
Receivables		
If P&C Insurance Ltd (publ)	3	-

€000	30 Sept 2021	31 Dec 2020
Payables		
If P&C Insurance Ltd (publ)	1,284	1,222

Other related party transactions, transactions with other group companies

€000	Services purchased		Services rendered	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Mandatum Life Insurance Baltic SE	-	-	11	8
Nordea Group companies	63	31	-	-
If P&C Insurance Ltd (publ)	9	8	176	182
Sampo plc	436	498	-	-
If IT Services A/S	359	383	-	-
Total	867	920	187	190

There are no receivables but following payables related to the above transactions as at:

€000	30 Sept 2021	31 Dec 2020
Payables		
Mandatum Life Insurance Baltic SE	-	1
Sampo plc	-	169
If P&C Insurance Ltd (publ)	46	11
If IT Services A/S	36	63
Total	82	244

If Insurance has acquired financial assets and has earned investment income from the following group companies:

€000	30 Sept 2021	31 Dec 2020
Financial assets		
Nordea Group companies	5,113	5,160

€000	Q1-Q3 2021	Q1-Q3 2020
Investment income/expense		
Nordea Group companies	33	33