If P&C Insurance AS

Interim Report

4th Quarter 2022

Translation from Estonian language

Contacts and signatures

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

Business name:	*If P&C Insurance AS*
Registry code:	*10100168*
Address:	*Lõõtsa 8a, 11415 Tallinn*
Telephone:	*+372 777 1211*
E-mail:	*info@if.ee*
Web page:	*www.if.ee*
Beginning of reporting period:	*1 January 2022*
End of reporting period:	*31 December 2022*
Chairman of the Management Board:	*Andris Morozovs*
Auditor:	*AS Deloitte Audit Eesti*

If P&C Insurance AS management board has compiled 4th quarter 2022 interim report which is presented on pages 7-25.

Member of the Management Board	Heinar Olak	/Signature/	28.02.2023
Member of the Management Board	Tiit Kolde	/Signature/	28.02.2023

TABLE OF CONTENTS

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 360,000 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 year of 2022

The technical result deteriorated compared to the preceding year and amounted to €17.0 million (€19.5 million in 2021), corresponding to a combined ratio of 90.8% (87.5% in 2021).

Gross premiums written for the year 2022 amounted to €205.7 million (€168.8 million in 2021). The premium development was attributable to successful acquisition of new customers and solid renewals of existing customers, both in the large customer segment as well as in Private and Commercial small- and medium customer segments. Following the high inflation in 2022, premium rates were increased and contributed to high extent to the premium growth.

Total claims cost for the year, including claims handling cost, amounted to €122.7 million (€97.4 million in 2021), corresponding to a loss ratio of 66.5% (62.4% in 2021). Rapid increase in claims cost inflation resulted in worsening loss ratio in 2022, also number of large claims was somewhat higher than expected.

Continuous efficiency improvements and tight cost control, supported by digitalisation and automation of customer interaction processes, reduced the expense ratio to 24.3% (25.1% in 2021). Total operating expenses, excluding claims handling, increased to €44.7 million (€39.1 million in 2021) mainly driven by salary inflation and increase in commissions and fees related to business volumes.

The overall net profit after tax for the year decreased to €15.9 million (€18.2 million in 2021) and the current corporate income tax amounted to €4.4 million (3.9 million in 2021). The tax cost has increased mainly 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	2022	2021
Premiums written, gross	205,709	168,756
Premiums earned, net of reinsurance	184,357	156,062
Claims incurred, net of reinsurance	122,653	97,405
Operating expenses [1]	44,744	39,109
Technical result [2]	16,960	19,548
Profit before taxes	20,331	22,069
Net profit	15,924	18,170
Combined ratio [3]	90.8%	87.5%
Expense ratio [4]	24.3%	25.1%
Loss ratio [5]	66.5%	62.4%
Return on investments [6]	-8.8%	0.0%

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 was €300.2 million at year-end 2022 (€276.2 million in 2021).

The activity in the portfolio was high due to favorable market conditions as well as high investment grade bond supply especially in the financial sector. Also, investment grade spreads widened during the year, which helped to boost running yield when buying new investments at higher levels.

Net investment return was €3.4 million (€2.5 million in 2021) in the income statement and -€28.7 million (-€2.6 million in 2021) in other comprehensive income. The total investment return was -8.8% (0% in 2021) and €-25.4 million (€-0.04 million in 2021) in absolute terms.

The current interest rate environment offers good buying opportunities for the portfolio. The European Central Bank is still expected to raise deposit rate further. The rate as at 31.12.2022 stands at 2.0%. There are several uncertainties around the Eurozone economy as well as ongoing Ukrainian war. However, our investment focus remains unchanged, i.e., we seek opportunities in the European investment grade bond markets and plan to re-invest maturing bonds into medium term instruments.

Number of employees

In 2022, the number of full-time employees was 577 (550 in 2021) at year-end.

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

If offers the complete range of P&C insurance products to private individuals and corporate customers in the Baltic countries. If is currently the fourth-largest P&C insurer in the Baltic region combined.

During the fourth quarter If in all Baltic countries started a brand image campaign “If helps a lot“. In this campaign, we shine the spotlight on our customer service and claim handling, where “caring” is shown as an action and really helps our customers in a concrete way - by helping them and being by their side.

Also during this period If has continued growing it‘s visibility, this time with more focus on B2B products. Along with it organized several health insurance seminars in Estonia for business organizations.

November month we called a Celebrative month at If. The purpose was to acknowledge how we have helped our customers throughout the year and to celebrate these actions. Therefore, in all If countries on the same date we had If celebration parties for employees.

Each year If, instead of giving Christmas gifts to customers and partners, is doing good by donating to organizations that help increase security for the whole society. This year we have expanded our Christmas donation and on behalf of each employee working in the Baltics, If made a donation to local organizations that support Ukraine in its fight for freedom. The total amount of the donation is 53,000 euros in the Baltics. The donation in Estonia went to the Ukrainian Cultural Centre, in Latvia to donation marathon ‘Dod pieci’ and to non-governmental organization Blue-Yellow in Lithuania.

STATEMENT OF COMPREHENSIVE INCOME Q

€000	Note	Q4 2022	Q4 2021
PREMIUMS EARNED, NET OF REINSURANCE			
Premiums earned, gross		50,902	42,166
Premiums ceded		-1,164	-972
TOTAL	2	**49,738**	**41,194**
OTHER INCOME			
Investment result, net	3	979	803
Reinsurance commissions and other income		83	81
TOTAL		**1,062**	**884**
TOTAL REVENUE		**50,800**	**42,078**
CLAIMS INCURRED, NET OF REINSURANCE			
Claims incurred, gross		-32,824	-25,091
Reinsurers' share of claims incurred		-95	266
TOTAL	4	**-32,919**	**-24,825**
EXPENSES			
Insurance contract acquisition costs		-7,441	-6,483
Administrative expenses		-4,989	-4,141
TOTAL	5	**-12,430**	**-10,624**
TOTAL CLAIMS AND EXPENSES		**-45,349**	**-35,449**
NET RESULT BEFORE TAXES		**5,451**	**6,629**
INCOME TAX		-514	-172
NET PROFIT FOR THE FINANCIAL PERIOD		**4,937**	**-6,457**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Change in the value of available-for-sale assets		921	-1,965
TOTAL		**921**	**-1,965**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		**5,858**	**4,492**

STATEMENT OF COMPREHENSIVE INCOME

€000	Note	2022	2021
PREMIUMS EARNED, NET OF REINSURANCE			
Premiums earned, gross		188,769	160,426
Premiums ceded		-4,412	-4,364
TOTAL	2	**184,357**	**156,062**
OTHER INCOME			
Investment result	3	3,371	2,521
Reinsurance commissions and other income		354	372
TOTAL		**3,725**	**2,893**
TOTAL REVENUE		**188,082**	**158,955**
CLAIMS INCURRED, NET OF REINSURANCE			
Claims incurred, gross		-123,843	-98,016
Reinsurers' share of claims incurred		1,190	611
TOTAL	4	**-122,653**	**-97,405**
EXPENSES			
Insurance contract acquisition costs		-27,742	-24,569
Administrative expenses		-17,356	-14,912
TOTAL	5	**-45,098**	**-39,481**
TOTAL CLAIMS AND EXPENSES		**-167,751**	**-136,886**
NET RESULT BEFORE TAXES		**20,331**	**22,069**
INCOME TAX		-4,407	-3,899
NET PROFIT FOR THE FINANCIAL PERIOD		**15,924**	**18,170**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Change in the value of available-for-sale assets		-28,721	-2,558
TOTAL		**-28,721**	**-2,558**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		**-12,797**	**15,612**

STATEMENT OF FINANCIAL POSITION

€000	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents		42,425	78,327
Financial investments	7	300,170	276,198
Receivables related to insurance activities	6	45,515	36,267
Accrued income and prepaid expenses		5,669	4,551
Reinsurance assets	9	7,320	6,260
Investment in subsidiary		88	88
Property, plant and equipment	8	4,440	3,641
TOTAL ASSETS		**405,627**	**405,332**
LIABILITIES AND EQUITY			
Liabilities related to insurance activities		8,112	7,705
Lease liabilities		3,811	3,471
Accrued expenses and deferred income		9,578	7,847
Deferred tax liability		116	40
Liabilities arising from insurance contracts	9	237,254	208,616
Total liabilities		**258,871**	**227,679**
Share capital		6,391	6,391
Share premium		3,679	3,679
Mandatory capital reserve		2,362	2,362
Fair value reserve		-24,011	4,710
Retained earnings		142,411	142,341
Net profit for the year		15,924	18,170
Total equity		**146,756**	**177,653**
LIABILITIES AND EQUITY, TOTAL		**405,627**	**405,332**

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 2021	**6,391**	**3,679**	**2,362**	**7,268**	**160,541**	-	**180,241**
Dividends paid [1]	-	-	-	-	-18,200	-	**-18,200**
Other comprehensive income	-	-	-	-2,558	-	-	**-2,558**
Net profit for the year	-	-	-	-	-	18,170	**18,170**
At 31 December 2021	**6,391**	**3,679**	**2,362**	**4,710**	**142,341**	**18,170**	**177,653**
At 1 January 2022	**6,391**	**3,679**	**2,362**	**4,710**	**160,511**	-	**177,653**
Dividends paid [1]	-	-	-	-	-18,100	-	**-18,100**
Other comprehensive income	-	-	-	-28,721	-	-	**-28,721**
Net profit for the year	-	-	-	-	-	15,924	**15,924**
At 31 December 2022	**6,391**	**3,679**	**2,362**	**-24,011**	**142,411**	**15,924**	**146,756**

1) In March 2022, the Company distributed 18.1 million euros (2021: 18.2 million euros) in dividends to the sole shareholder. In accordance with the Estonian Income Tax Act, income tax cost 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	2022	2021
Cash flow from operating activities			
Cash flow from insurance operations			
Premiums received	2	196,197	164,383
Premiums ceded	2	-4,412	-4,495
Claims paid, incl. claims handling expenses	4, 5	-112,616	-94,239
Cash flow from reinsurance		629	433
Employee-related and service-related expenses		-43,541	-38,465
TOTAL		**36,258**	**27,617**
Cash flow from asset management			
Investments in bonds and other interest-bearing securities		-116,846	-18,907
Proceeds from disposals of bonds and other interest-bearing securities		65,035	32,078
Proceeds from term deposits		-	5,000
Interest received		3,040	3,284
Interest paid		-192	-8
TOTAL		**-48,963**	**21,447**
Income tax paid		-3,538	-4,114
Net cash flow from operating activities		**-16,243**	**44,951**
Cash flow from investing activities			
Purchase of property, plant and equipment		-574	-59
Net cash flow from investing activities		-574	-59
Cash flow from financing activities			
Dividends paid		-18,100	-18,200
Repayment of lease liability		-985	-1,244
Net cash flow from financing activities		**-19,085**	**-19,444**
Change in cash flow		**-35,902**	**25,447**
Cash and cash equivalents at beginning of reporting period		**78,327**	**52,880**
Cash and cash equivalents at end of reporting period		**42,425**	**78,327**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

1. Basis of preparation

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 2021 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 2021. 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*.

2. Changes in accounting policies and disclosures

Changes in accounting policies and presentation of information take place only if they are required by new or revised IFRS standards and interpretations or if a new accounting policy and/or presentation of information gives a more objective overview of the financial position, financial performance and cash flows of the Company.

Issued, but not yet effective, international accounting standards or standards that are not yet mandatory to the Company, are currently assessed as not likely to have any significant impact on the financial statements when first applied, except IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts.

IFRS 9 Financial Instruments became effective on January 1, 2018 and superseded IAS 39 Financial Instruments: Recogntion and Measurement. In accordance with an EU-adopted amendment to IFRS 4 Insurance Contracts, the IASB has decided that under certain circumstances, insurance companies may delay their initial application of IFRS 9 so that the date coincides with the initial application of IFRS 17 Insurance Contracts (see below). The Company meets these requirements since it has not previously applied IFRS 9 and the carrying amount of the insurance-related liabilities accounts for more than 90% of the carrying amount of the total liabilities. In light of this, the Company has decided to delay the application of IFRS 9 until January 1, 2023.

IFRS 9 changes the principles of classification and measurement of financial assets and introduces a new impairment model based on expected, rather than incurred, credit losses. The implementation of IFRS 9 will not have a material impact on the Group’s balance sheet, as the main part of the financial assets currently are measured at fair value, which will be the measurement basis also under IFRS 9. Unlike in current accounting, under IFRS 9 the changes in fair value will be recognised in the income statement, which may increase volatility in the accounting for financial instruments in future reporting periods. If has estimated that only a limited amount of financial assets will be measured at amortised cost and thus the amount of expected credit losses is minor. The measurement of financial liabilities will not change. The comparative period 2022 will not be restated. Refer to Note 10 for further information regarding main changes in accounting policies.

IFRS 17 Insurance Contracts was adopted by the EU in November 2021 and the Company applies with an effective date and date of initial application of January 1, 2023. IFRS 17 replaces IFRS 4 Insurance Contracts and, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. When certain criteria are met, insurers may apply a simplified approach, the premium allocation approach (PAA), for measurement of insurance contracts. If has determined that the premium allocation approach will be applied to all insurance business, as well as a full retrospective approach to the transition of the new standard with restated financial statements for the comparative year 2022.

The implementation of IFRS 17 is expected to have a major impact on the presentation and the extent of disclosures in the financial statements. Both assets and liabilities are expected to decrease due to reclassification of premium receivables and deferred acquisition costs from assets to insurance liabilities. Insurance finance income or expenses, as defined by the standard, will be presented fully in the income statement, and thus, the allowed OCI option will not be applied.

Looking at internal processes, the Company continued its preparation for the new international financial reporting standards IFRS 17 Insurance contracts and IFRS 9 Financial instruments. During 2022, focus has been on developing and refining both actuarial and financial reporting processes to comply with the new standards that are now being implemented in 2023.

Refer to Note 10 Transition effects of changed accounting policies applied from 2023 (IFRS 17 and IFRS 9) for more information regarding key changes in accounting principles and IFRS 17 balance sheet transition effects.

The new accounting policies and management judgement may change until If P&C Insurance AS publishes its year-end financial statements 2023 in accordance with IFRS 17 which include the opening balance sheet of 1 January 2022.

Note 2. Premiums earned, net of reinsurance

€000	2022	2021
Premiums written, gross	205,708	168,756
Change in the provision for unearned premiums	-16,939	-8,330
Premiums earned, gross	**188,769**	**160,426**
Reinsurance premiums	-4,526	-4,513
Change in the provision for unearned premiums	114	149
Premiums ceded	**-4,412**	**-4,364**
TOTAL	**184,357**	**156,062**

Note 3. Investment result

€000	2022	2021
Interest income/expense on:		
Available-for-sale financial assets		
Bonds and other interest-bearing securities	3,976	2,974
Loans and receivables		
Cash and cash equivalents	22	1
Lease liabilities	-16	-8
TOTAL	**3,982**	**2,967**
Result from the disposal of:		
Available-for-sale financial assets		
Bonds and other interest-bearing securities	-89	506
TOTAL	**-89**	**506**
Gain/loss from the change in the value of:		
Exchange rate changes	-66	-67
TOTAL	**-66**	**-67**
Investment expenses	**-456**	**-885**
TOTAL INVESTMENT RESULT	**3,371**	**2,521**

Reconciliation of the fair value reserve of available-for-sale financial assets	**2022**	**2021**
Opening balance, available-for-sale financial assets	**4,710**	**7,268**
Changes in fair value during the year, recognised in other comprehensive income	-28,632	-2,052
Realised gain recognised in profit or loss	-89	-506
Closing balance, available-for-sale financial assets	**-24,011**	**4,710**
Change in the fair value reserve of available-for-sale financial assets during the year	-28,721	-2,558

Note 4. Claims incurred, net of reinsurance

€000	2022	2021
Gross		
Claims paid related to the reporting period	-90,946	-77,063
Claims paid related to previous periods	-27,676	-22,030
Amounts recovered from salvage and subrogation	11,815	9,900
Change in the provision for claims outstanding	-11,698	-4,142
Claims handling expenses	-5,338	-4,681
TOTAL	**-123,843**	**-98,016**
Reinsurers' share		
Claims paid related to the reporting period	29	104
Claims paid related to previous periods	216	181
Change in the provision for claims outstanding	945	326
TOTAL	**1,190**	**611**
Net		
Claims paid related to the reporting period	-90,917	-76,959
Claims paid related to previous periods	-27,460	-21,849
Amounts recovered from salvage and subrogation	11,815	9,900
Change in the provision for claims outstanding	-10,753	-3,816
Claims handling expenses	-5,338	-4,681
TOTAL	**-122,653**	**-97,405**

Note 5. Expenses

€000	2022	2021
Salaries and remuneration	-21,641	-19,496
Social security costs	-4,534	-4,073
Other personnel expenses	-2,153	-1,522
Total personnel expenses	**-28,328**	**-25,091**
Commissions to intermediaries	-11,125	-9,301
Data processing	-2,664	-2,999
Expenses on premises	-2,007	-1,976
Office expenses (incl. communication expenses)	-1,126	-671
Other operating expenses	-5,186	-4,124
TOTAL	**-50,436**	**-44,162**

Division of costs on the basis of functions:

Insurance contract acquisition costs	-27,742	-24,569
Administrative expenses	-17,356	-14,912
Claims handling expenses	-5,338	-4,681
TOTAL	**-50,436**	**-44,162**

Note 6. Receivables related to insurance activities

€000	**31 Dec 2022**	**31 Dec 2021**
Receivables related to direct insurance activities, incl.	45,116	35,849
- policyholders	38,980	30,658
- intermediaries	3,378	2,776
- subrogation with significant recoverability	2,095	1,680
- salvages	386	331
- other	277	404
Receivables related to reinsurance	185	291
- incl. from related parties	13	29
Other receivables	214	127
TOTAL	**45,515**	**36,267**

Note 7. Financial investments

€000	31 Dec 2022	31 Dec 2021
Available-for-sale financial assets		
Bonds and other interest-bearing securities		
- listed	300,170	267,599
- unlisted	0	8,599
Incl. with a floating interest rate	4,192	8,224
Incl. with a fixed interest rate (0.0 -6.9%; 31.12.2021: 0.125%-3.0%)	295,978	267,974
TOTAL	**300,170**	**276,198**
TOTAL FINANCIAL INVESTMENTS	**300,170**	**276,198**

Bonds and other interest-bearing securities by issuers

€000	31 Dec 2022	31 Dec 2021
Issued by Estonian financial institutions	1,695	3,850
Issued by Estonian companies	1,495	1,522
Issued by foreign governments	2,301	2,571
Issued by foreign financial institutions	147,906	113,150
Issued by foreign companies	146,773	155,105
TOTAL	**300,170**	**276,198**

Ratings of bond issuers (S&P)	**Percentage of fair value**	
	31 Dec 2022	**31 Dec 2021**
AAA	2.0%	2.2%
AA+ until AA-	6.3%	8.7%
A+ until A-	38.7%	15.4%
BBB+ until BBB-	38.1%	50.4%
BB	1.2%	1.8%
Non rated	13.7%	21.5%
TOTAL	**100%**	**100%**

Bonds and other interest-bearing securities by maturity terms

€000	31 Dec 2022	31 Dec 2021
Up to 1 year	25,754	20,184
1-2 years	71,245	62,109
2-5 years	158,521	160,957
5-10 years	44,650	32,948
TOTAL	**300,170**	**276,198**

Note 8. Property, plant and equipment

€000	Right-of-use: Buildings	Other PPE	TOTAL
Net book value as at 31 December 2020	**2,768**	**392**	**3,160**
Acquisition	1,936	60	1,996
Disposal	-	-365	-365
Sales	-	-12	-12
Acquisition cost as at 31 December 2021	7,325	1,262	8,587
-incl. fully depreciated	-	947	947
Depreciation charge for the year	-1,227	-152	-1,379
Depreciation charge of sales and disposals	-	240	240
Accumulated depreciation as at 31 December 2021	-3,848	-1,098	-4,946
Net book value as at 31 December 2021	**3,477**	**164**	**3,641**
Acquisition	1,370	574	1,944
Reclassification	-45	-	-45
Write-off	-	-83	-83
Sales	-	-	-
Acquisition cost as at 31 Dec 2022	8,650	1,753	10,403
-incl. fully depreciated	-	878	878
Depreciation charge for the year	-996	-102	-1,098
Depreciation charge of sales and disposals	0	81	81
Accumulated depreciation as at 31 Dec 2022	-4,844	-1,119	-5,963
Net book value as at 31 December 2022	**3,806**	**634**	**4,440**

Note 9. Liabilities arising from insurance contracts and reinsurance assets

€000	31 Dec 2022	31 Dec 2021
Gross		
Provision for incurred and reported claims and claims handling expenses	108,866	107,640
Provision for incurred but not reported claims	38,562	28,089
Provision for unearned premiums	89,826	72,887
TOTAL	**237,254**	**208,616**
Reinsurer's share		
Provision for incurred and reported claims and claims handling expenses	5,830	4,889
7Provision for incurred but not reported claims	275	270
Provision for unearned premiums	1,215	1,101
TOTAL	**7,320**	**6,260**
Net		
Provision for incurred and reported claims and claims handling expenses	103,036	102,751
Provision for incurred but not reported claims	38,287	27,819
Provision for unearned premiums	88,611	71,786
TOTAL	**229,934**	**202,356**

Note 10. Transition effects of changed accounting policies applied from 2023 (IFRS 17 and IFRS 9)

Transition to IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance contracts and takes effect on January 1, 2023. IFRS 17, unlike its predecessor, contains a complete framework for the measurement and presentation of insurance contracts. The transition to the new standard is recognised as a change in accounting policy, with a retrospective application from January 1, 2022.
IFRS 17 introduces a general measurement model applicable to all insurance contracts and reinsurance contracts to measure the insurance liabilities and the reinsurance assets. When certain criteria are met a simplified approach, the premium allocation approach (PAA), may be applied. The premium allocation approach will be applied for all insurance business in If, as the coverage period for the main part of the insurance and reinsurance contracts is one year or less, and as longer-term contracts have been assessed to fulfil the eligibility criteria.

Significant changes in accounting policies: Insurance and reinsurance contracts issued

Liability for remaining coverage (LRC)
IFRS 17 stipulates that on initial recognition of an insurance contract, the carrying amount of the liability for remaining coverage (LRC) is measured at premiums received less insurance acquisition cash flows. This is a change compared to the current measurement of the provision for unearned premiums which is intended to cover anticipated claims costs and operating expenses during the remaining coverage period of the contract. Both assets and liabilities will consequently be reduced at the transition to IFRS 17, mainly

due to reclassification of both premium receivables as well as deferred acquisition costs to insurance liabilities.
Subsequent of initial recognition, the carrying amount is decreased by the amount recognised as insurance revenue for services provided in the period. Insurance revenue is recognised based on the expected premium receipts allocated to the period, which for most products will be the passage of time i.e. calculated on a pro rata temporis basis consistent with the current accounting policy.

The insurance acquisition cash flows reducing the carrying amount of LRC relates to commissions expenses as well as personnel expenses for internal sales units. The acquisitions cash flows are deferred over the coverage period of the contracts, generally one year .

The carrying amount of LRC is not discounted as the time between providing services and the related premium due date generally is not more than a year.

Liability for incurred claims (LIC)
The liability for incurred claims (LIC) is measured at the total of the fulfilment cash flows which consists of estimated future cash flows adjusted for time value of money (discounting) and a risk adjustment.

According to IFRS 17 all the estimated future cash flows are discounted with market-based yield curves, compared to the current accounting policy of only discounting the provisions for annuities (including annuity IBNR). The current discount rates are determined with a flat EUR discount rate. These will be replaced by IFRS 17 compliant yield curves.

The yield curves that will be applied after transition to IFRS 17 are constructed based a risk-free rate and an illiquidity premium for each of the main currencies. The risk-free rate is derived based on swap rates deducted with a credit risk adjustment, currently aligned with the methodology to derive EIOPA's risk-free interest rates applied for Solvency II reporting. This also comprises the last liquid point and the extrapolation method and assumptions, which includes the ultimate forward rate. The risk-free interest rate is adjusted with an illiquidity premium, which is derived based on a basket of high-rated bonds for each currency, up until the last liquid point and thereafter extrapolated with the same assumptions as the risk-free rate.

The effect from changes in discounting, is according to the current accounting policy presented in the income statement as Change in provision for claims outstanding. IFRS 17 requires changes in the time value of money and changes in financial risk to be presented in the income statement as Insurance finance income or expenses unless the allowed OCI option is applied. If will not apply the OCI option. Therefore, the effect from changes in interest rates as well as interest expense is presented in its entirety as Insurance finance income or expenses. Potential changes in the indexation of annuities are considered to meet the definition of a financial risk. Consequently, changes in indexation will be presented within Insurance finance income or expenses after the transition to IFRS 17.

IFRS 17 introduces an explicit risk adjustment, which reflects the uncertainty about the amount and timing of cash flows arising from non-financial risk. The risk adjustment will be derived through a confidence level technique whereby management has determined the appropriate quantile reflecting the compensation required for bearing non-financial risk and the degree of risk aversion. The confidence level applied in calculating the risk adjustment has been set to 85 percent. The risks considered when determining the risk adjustment are reserve risk, longevity risk and inflation risk. The change in risk adjustment, including related discounting effects, is presented within the income statement as Insurance service expenses.

Significant changes in accounting policies: Reinsurance contracts held
The same changes in accounting policies as for measuring the insurance contracts issued will be applied when measuring the reinsurance contracts held. The additional requirement to account for the effect of

the risk of non-performance by the issuer of the reinsurance contract has had an insignificant impact at transition to IFRS 17.

Transition approach and transition effects 1 January 2022

IFRS 17 will be applied retrospectively in its entirety at the transition date (a full retrospective approach). Consequently, groups of insurance contracts are identified, recognised and measured as if IFRS 17 had always been applied at the transition date groups, and any existing balances that would not exist if IFRS 17 had always been applied are derecognised. The resulting net difference is recognised as retained earnings in equity.
The changes in accounting policies affect several line items in If's balance sheet at transition. The table below presents the transition effects to the opening balances per 1 January 2022.

Transition table per 1 January

Balance sheet per IFRS4	IFRS 4 31 Dec 21	Reclassi fication	Remeasu- rement	IFRS 17 31 Dec 21	Balance sheet per IFRS17
Cash and cash equivalents	78 327	-	-	78 327	Cash and cash equivalents
Financial investments	276 198	-	-	276 198	Financial investments
Receivables related to insurance activities	36 267	- 33 389	-	2 878	Debtors
Accrued income and prepaid expenses	4 551	- 3 886	-	665	Accrued income and prepaid expenses
Reinsurance assets	6 260	- 1 108	152	5 304	Reinsurance assets
Investment in subsidiary	88	-	-	88	Investment in subsidiary
Property, plant and equipment	3 641	-	-	3 641	Property, plant and equipment
Deferred tax asset	-		525	525	Deferred tax asset
TOTAL ASSETS	**405 332**	**-38 383**	**677**	**367 626**	**TOTAL ASSETS**
Liabilities related to insurance activities	7 705	243	-	7 948	Creditors
Lease liabilities	3 471	-	-	3 471	Lease liabilities
Accrued expenses and deferred income	7 847	- 1 539	-	6 308	Accrued expenses and deferred income
Deferred tax liability	40	-	-	40	Deferred tax liability
Liabilities arising from insurance contracts	208 616	- 37 087	4 793	176 322	Insurance liabilities
Shareholders' equity					**Shareholders' equity**
Share capital	6 391	-	-	6 391	Share capital
Share premium	3 679	-	-	3 679	Share premium
Mandatory capital reserve	2 362	-	-	2 362	Mandatory capital reserve
Other restricted reserves	4 710	-	-	4 710	Other restricted reserves
Retained earnings	142 341	-	- 4 116	138 225	Retained earnings
Net profit for the year	18 170	-	-	18 170	Net profit for the year
TOTAL LIABILITIES AND EQUITY	**405 332**	**-38 383**	**677**	**367 626**	**TOTAL LIABILITIES AND EQUITY**

The key measurement changes decreasing the Liability for incurred claims relate to changes in discounting effect with an amount of 6,093 thousand EUR relating to both changed scope and yield curve, and an effect from recognising an explicit discounted risk adjustment compared to implicit prudence under current accounting policies.

The key measurement changes impacting the Liability for remaining coverage relate to changes in acquisition cash flows amounting to -1,512 thousand EUR, relating to changed scope, definition and calculation method. The Liability for remaining coverage is also impacted by the recognition of a loss component in amount of 212 thousand EUR for the limited number of onerous groups identified. At transition 1 January 2022 the equity effect amounted to negative 4,116 thousand EUR.

Transition to IFRS 9 Financial instruments
IFRS 9 Financial Instruments became effective on January 1, 2018 and superseded IAS 39 Financial Instruments: Recognition and Measurement. However, as described in Note 1 the Company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before January 1, 2023. Consequently, the Company will apply IFRS 9 for the first time on January 1, 2023. The IFRS 9 comparative period 2022 will not be restated.
IFRS 9 changes the principles of classification and measurement of financial assets and includes a new impairment model based on expected, rather than incurred, credit losses.

Significant changes in accounting policies: Classification and measurement

Financial assets

A significant change in IFRS 9 compared to IAS 39 is how financial assets are classified into different measurement categories. Under IFRS 9, financial assets are classified as being subsequently measured either at fair value through profit or loss (FVPL), at fair value through other comprehensive income (FVOCI) or at amortised cost (AMC). The Company will not have any financial assets classified as fair value through OCI at transition to IFRS 9. The current IAS 39 categories held-to-maturity, available-for- sale and loans and receivables cease to exist under IFRS 9.

Debt instruments are according to IFRS 9 classified based on a combination of the Company's business model for managing the financial assets and if the contractual cash flow characteristics consists of solely payments of principal and interest (SPPI). The business model is assessed at a portfolio level, reflecting how the financial assets are managed together to achieve a particular business objective. Factors assessed in determining the business model includes how the performance of the portfolio is evaluated and reported to management; how risks are assessed and managed and the frequency, volume, reasons, and timing of sales. When assessing the SPPI criteria, the principal is defined as the fair value at initial recognition which can subsequently change if there are repayments of principal. Interest is assessed if being consistent with compensation per a basic lending arrangement which includes time value of money, credit risk, other basic lending risks and profit margin.

Fair value through profit or loss: Debt instruments are mandatorily classified in this category when the business model reflects the assets being managed and evaluated on a fair value basis or is held for trading, alternatively if the contractual cash flows do not consist of solely payments of principal and interest. At transition to IFRS 9, the main part of the Company's financial assets will be classified at fair value through profit or loss instead of previous classification as available for sale under IAS 39. Consequently, for future reporting periods, the fair value changes will be recognised in the statement of profit or loss, which is expected to increase earnings volatility.

Amortised cost: Debt instruments are classified in this category when the objective of the business model is to hold the financial asset in order to collect contractual cash flows, and the contractual cash flows meet the SPPI criteria. The carrying amount is calculated using the effective interest rate method, and adjusted for a loss allowance, which per IFRS 9 is based on expected credit losses (ECL). At transition to IFRS 9 the Company does not have investment assets, classified as Loans and receivables.

Equity instruments are classified as fair value through profit or loss. IFRS 9 introduces an irrevocable option which can be made at initial recognition to classify equity instruments (not held for trading) at fair value through other comprehensive income. At transition the Company do not have any equity instruments.

Financial liabilities

The transition to IFRS 9 is not changing the measurement of the Company's financial liabilities.

Significant changes in accounting policies: Impairment

IFRS 9 introduces impairment requirements based on a forward-looking 'expected credit loss (ECL)' model, which replaces the model applied under IAS 39 based on incurred losses. The new impairment model will apply to the Company's financial assets classified as amortised cost. The impairment requirements do not apply to equity instruments or other financial instruments measured at FVPL.

IFRS 9 introduces a general approach for impairment in which a loss allowance is based on a three staged model and calculated either for "12-month expected credit losses" (Stage 1) or "lifetime expected credit losses" (Stage 2 and 3) and the changes in expected credit losses are recognised in profit or loss. In stage 1 the credit risk has not increased significantly, in stage 2 the credit risk has increased significantly since initial recognition and stage 3 the financial asset is assessed to be credit-impaired (at default).

The general approach will be applied in the Company, with a model based on three components: probability of default (PD), loss given default (LGD) and exposure at default (EAD). The PD is determined based on each investment's individual rating and thereto related default rate tables. The LGD is the estimated portion of notional that may not be recovered in the event of default.

Transition approach and transition effects

IFRS 9 will be applied retrospectively at the transition date 1 January 2023. The comparative period 2022 will not be restated.

The implementation of IFRS 9 does not have a material impact on the Company's balance sheet, as the main part of financial assets are reported at fair value under IAS 39 in the balance sheet, which is the measurement principle also under IFRS 9. Debt instruments currently classified as available for sale, will on transition to IFRS 9 be classified at fair value through profit or loss. The new classification requirements will therefore not have a material impact on the total equity however the existing fair value reserve in amount €24 011 thousand will be transferred into retained earnings on 1 January 2023.

At transition to IFRS 9 only a limited amount of financial assets will be classified as amortised cost, generally those currently classified as Loans and receivables under IAS 39. The financial assets in scope for expected credit losses is consequently limited.

Note 11. Related party transactions

Related 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 €1,637 thousand in remuneration, including social tax (2021: €1,335 thousand). During the reporting period, no severance fee was paid to Management Board members (Q4 2021: €0). No remuneration was paid to members of the Supervisory Board.

Insurance contracts with total premiums of €13 thousand were concluded with the management individuals in the financial period (2021: €9 thousand).

Reinsurance transactions with group companies

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

	Calculated reinsurance premiums		**Indemnifications and commissions received**	
€000	**2022**	**2021**	**2022**	**2021**
If P&C Insurance Ltd (publ)	2,827	2,307	53	43

Receivables and payables related to the above transactions as at:

€000	**31 Dec 2022**	**31 Dec 2021**
Receivables		
If P&C Insurance Ltd (publ)	13	29

€000	**31 Dec 2022**	**31 Dec 2021**
Payables		
If P&C Insurance Ltd (publ)	1,277	913

Other related party transactions, transactions with other group companies

	Services purchased		**Services rendered**	
€000	**2022**	**2021**	**2022**	**2021**
Nordea Group companies	25	96	-	-
Mandatum Life Insurance Baltic SE	-	-	2	12
If P&C Insurance Ltd (publ)	239	86	238	232
Sampo plc	-	436	-	-
If IT Services A/S	571	497	-	-
Total	**835**	**1,115**	**240**	**244**

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

€000	**31 Dec 2022**	**31 Dec 2021**
Payables		
If P&C Insurance Ltd (publ)	67	68
If IT Services A/S	53	57
Total	**120**	**125**