



If P&C Insurance AS

If P&C Insurance AS

Interim Report

1st Quarter 2024

Translated from Estonian language

Interim Report 1st Quarter 2024

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
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Web page:	if.ee
Beginning of reporting period:	1 January 2024
End of reporting period:	31 March 2024
Chairman of the Management Board:	Andris Morozovs
Auditor:	AS Deloitte Audit Eesti

If P&C Insurance AS management board has compiled 1st quarter 2024 interim report which is presented on pages 7-13.

Member of the Management Board	Heinar Olak / Signature /	31.05.2024
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Member of the Management Board	Tiit Kolde / Signature /	31.05.2024
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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 373,000 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 from operations January-March 2024

Net profit for the period increased by ca. 11% compared to preceding year and amounted to €4,2 million (€3,8 million in 3 months 2023). Profit from Insurance Service result was €4,9 million (€4,1 million in 3 months 2023), corresponding to a combined ratio of 91.6% (91.7% in 3 months 2023).

Insurance revenue, gross

Insurance revenue gross for the period grew by ca. 16% reaching €59,5 million (€51,2 million in 3 months 2023).

The premium development was attributable to successful acquisition of new customers and solid renewals of existing customers, both in Private and Commercial small- and medium customer segments as well as in the large customer segment.

Insurance Service expense

Insurance Service expense, claims incurred, including claims handling cost, amounted to €40,7 million (€33,7 million in 3 months 2023), corresponding to a loss ratio of 69.1% (68.0% in 3 months 2023). The change was primarily attributable to high large claims.

Continuous efficiency improvements and tight cost control, supported by digitalization and automation of customer integration processes, reduced the expense ratio to 22.5% (23,7% in 3 months 2023).

Total operating expenses, excluding claims handling expenses, increased to €13,1 million (€11,8 million in 3 months 2023), mainly driven by salary inflation and increase in commissions and fees related to business volumes.

Investment result

The value of financial investments was €339,4 million at the end of Q1 2024 (€339.0 million at the end of 2023).

The long-awaited rate cutting cycle is getting closer, but expectations on the pace and magnitude have probably been exaggerated. In Q1, the ECB held interest rates unchanged but was quite clear with guidance for the first rate cut in June.

Total investment return was €3.0 million (€4,2 million in 3 months 2023) corresponding to 3.5% (1.3% in 3 months 2023).

The duration of the fixed income portfolio increased to 2.8 years in Q1 (2.6 in 31.12.2023).

Our investment focus remains unchanged. We will continue to focus on European fixed-rate investment-grade bonds, and plan to re-invest maturing bonds and allocations received from insurance operations selectively into medium term instruments.

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Insurance finance income/expense

The insurance finance income/expense (-) net result is mostly affected by the change in discount rate.

Number of employees

As at 31 March 2024, the number of full-time employees was 609 (31.12.2023 602).

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

If offers a comprehensive suite of P&C insurance products tailored to meet the needs of both individual and corporate clients. Our services are conveniently accessible through digital channels and phone, supported by a robust network of brokers and partners. Upholding a commitment to excellence, we continuously strive to deliver exceptional service to our valued customers.

In addition, during the first quarter across all Baltic countries, If initiated the MOD campaign. This campaign highlights the unique selling points and benefits of our products, emphasizing our digital approach to purchasing insurance and addressing prevention topics.

In March, we proudly solidified our commitment to community engagement by signing a sponsorship contract with the Vilnius Half Marathon, assuming the role of the primary sponsor for this esteemed event in Lithuania. These gatherings not only cultivate a culture of healthy lifestyle philosophy and emotional well-being but also serve as a platform to bolster community engagement and elevate brand recognition.

Further enhancing our organizational culture, we celebrated achievements and fostered employee engagement by recognizing the top performers of the quarter in all Baltic countries.

Moreover, we unveiled the If Sustainability Report, a testament to our unwavering dedication to sustainability. Our Baltic organization played a prominent role in this initiative, showcasing our commitment to environmentally responsible practices. Initiatives such as zero waste lectures, participation in Earth Hour, and waste sorting programs underscore our proactive approach to sustainability within our offices.

Outlook

The economic forecast and future trajectory of the P&C Insurance market in the Baltic countries are fraught with uncertainty for 2024. Factors including geopolitical tensions, escalating military conflicts, elevated risks and expenses related to international trade, fluctuations in interest rates, inflationary pressures, and various other economic variables are contributing to this uncertainty. Given the volatile economic environment, there is a need for frequent reassessment and adjustment of pricing strategies to maintain a delicate balance between risk management and customer value. Furthermore, it is anticipated that salary inflation will persist at elevated levels due to a growing scarcity of skilled labor, driven by population decline, an aging society, and increased cross-border employment by employers from higher-cost EU nations.

The dynamic economic environment underscores the necessity for ongoing evaluation and adjustment of pricing strategies to effectively mitigate risk while providing optimal value to customers. It is projected that policy and customer count advancement will experience moderate growth in 2024. Market volumes are anticipated to gradually outpace overall economic expansion, driven by heightened levels of consumption, investments, and trade activity, alongside an increasing recognition of the importance of acquiring insurance coverage.

Concurrently, there is a noticeable trend towards environmentally friendly and socially responsible products, gradually gaining momentum in consumer preferences. The focus on sustainable consumption is resonating with a wider audience, shaping their decisions. If is well-positioned to adapt to these evolving market dynamics.

In the Baltic region, If's business is anticipated to sustain premium growth in 2024, in line with the overall market dynamics. If is fully equipped to ensure business continuity and maintain a high standard of customer service.

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Key figures

Thousand EUR	2024 Jan-Mar	2023 Jan-Mar	2023 Jan - Dec
Earnings and expenses related information			
Insurance revenue, gross	59,475	51,246	223,024
Reinsurance premium expense	-1,497	-1,420	-5,264
Insurance service expense, claims incurred	-40,723	-33,653	-139,185
Insurance service expense, operating expenses	-13,055	-11,824	-51,524
Reinsurer's share of claims incurred	661	-221	1,015
Insurance service result	4,861	4,128	28,066
Investment result	3,002	4,151	23,226
Insurance finance income or expense (-), net	-907	-1,521	-4,783
Net financial result	2,095	2,630	18,443
Net profit for the period	4,202	3,774	39,119
Information regarding financial position			
Investment assets	339,370	282,933	338,984
Insurance liabilities	212,751	177,847	208,936
Own funds	131,794	145,643	147,892
Key data			
Loss ratio ¹	69,1%	68,0%	63,5%
Expense ratio ²	22,5%	23,7%	23,7%
Combined ratio ³	91,6%	91,7%	87,2%
Total investment return ⁴	3,5%	1,3%	7,3%

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Formulas

¹ Loss ratio	$\frac{\text{Claims incurred (incl. Claims handling costs), net of reinsurance}}{\text{Insurance revenue, net of reinsurance}}$
² Expense ratio	$\frac{\text{Insurance service expense, operating expenses}}{\text{Insurance revenue, net of reinsurance}}$
³ Combined ratio	$\text{Claims ratio} + \text{Expense ratio}$
⁴ Return on investments (yearly basis)	$\frac{\text{Investment result}}{\text{Weighted average volume of financial investments in the period}}$

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Statement of profit and loss January - March

Thousand EUR	2024 Q1	2023 Q1
Insurance revenue, gross	59,475	51,246
Reinsurance premium expense	-1,497	-1,420
Insurance service expense	-53,777	-45,478
<i>Claims incurred</i>	-40,723	-33,652
<i>Operating expenses</i>	-13,054	-11,824
Reinsurer's share of claims incurred	661	-221
Insurance service result	4,861	4,128
Other income	25	22
Result from other services	25	22
Investment result	3,002	4,151
<i>Direct investment income</i>	2,406	1,555
<i>Changes in value</i>	690	2,678
<i>Management costs</i>	-94	-82
Insurance finance income or expense, net	-907	-1,521
<i>Insurance contracts</i>	-942	-1,574
<i>Reinsurance contracts held</i>	35	54
Net financial result	2,095	2,630
Result before income taxes	6,980	6,780
Taxes	-2,778	-3,006
Net profit for the period	4,202	3,774

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Statement of financial position

Thousand EUR	Note	2024 31 Mar	2023 31 Dec
ASSETS			
Cash and bank balances		16,682	29,610
Investment assets		339,370	338,984
<i>Other financial investment assets</i>	2	336,259	335,496
<i>Accrued interest</i>		3,111	3,488
Debtors		4,804	2,875
Prepayments and accrued income		802	933
Reinsurance assets		4,712	5,695
<i>Asset for remaining coverage</i>		-2,397	-1,336
<i>Asset for incurred claims</i>		7,109	7,031
Other assets		4,232	4,043
Tangible assets		4,232	4,043
Total assets		370,603	382,140
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Creditors		18,525	17,109
<i>Other creditors</i>		14,975	13,779
<i>Lease liabilities</i>		3,550	3,330
Deferred tax liability		28	21
Accruals and deferred income		7,506	8,182
Insurance liabilities		212,751	208,936
<i>Liability for remaining coverage and acquisition cashflow asset</i>		46,904	46,108
<i>Liability for incurred claims</i>		165,847	162,828
Shareholders' equity		131,793	147,892
Share capital		6,391	6,391
Premium reserve		3,679	3,679
Statutory reserve		2,362	2,362
Profit brought forward		115,160	96,341
Net profit for the period		4,202	39,119
Total liabilities, provisions and shareholders' equity		370,603	382,140

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Changes in shareholders' equity

Thousand EUR	Restricted equity				Unrestricted equity		Total Equity
	Share capital	Premium Reserve	Statutory Reserves	Fair Value Reserve	Profit Brought Forward	Net Profit for the Year	
Equity at beginning of 2024	6,391	3,679	2,362	-	135,460	-	147,892
Dividends paid	-	-	-	-	-20,300	-	-20,300
Net profit for the year	-	-	-	-	-	4,202	4,202
Equity at end of Mar 2024	6,391	3,679	2,362	-	115,160	4,202	131,793
Equity at beginning of 2023	6,391	3,679	2,362	-24,011	159,452	-	147,873
Effect of changes in accounting policies (IFRS 9)	-	-	-	24,011	-24,011	-	-
Adjusted equity at beginning of 2023	6,391	3,679	2,362	-	135,441	-	147,873
Dividend paid	-	-	-	-	-23,100	-	-23,100
Net profit for the period	-	-	-	-	-	3,774	3,774
Equity at end of Mar 2023	6,391	3,679	2,362	-	112,341	3,774	128,547
Equity at beginning of 2023	6,391	3,679	2,362	-24,011	159,452	-	147,873
Effect of changes in accounting policies (IFRS 9)	-	-	-	24,011	-24,011	-	-
Adjusted equity at beginning of 2023	6,391	3,679	2,362	-	135,441	-	147,873
Dividend paid	-	-	-	-	-39,100	-	-39,100
Net profit for the year	-	-	-	-	-	39,119	39,119
Total comprehensive income	-	-	-	-	-	-	-
Equity at end of 2023	6,391	3,679	2,362	-	96,341	39,119	147,892

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Statement of Cash flows

Thousand EUR	2024 Jan-Mar	2023 Jan-Mar
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from insurance operations		
Premium flows, direct insurance	58,908	54,478
Premiums ceded	-486	-1,722
Claim payments, direct insurance	-38,599	-32,370
Reinsurance flows	36	42
Cost of operations	-11,480	-10,684
Total	8,379	9,744
Cash flow from asset management		
Interest received	2,580	1,164
Interest paid	-17	-12
Investments in bonds and other interest bearing securities	-22,788	-31,144
Proceeds from disposals of bonds and other interest bearing securities	24,053	17,863
Total	3,828	-12,129
Paid income tax	-4,583	-17
CASH FLOW FROM OPERATING ACTIVITIES TOTAL	-4,583	-17
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-20,300	-23,100
Repayments of lease liabilities	-251	-246
CASH FLOW FROM FINANCING ACTIVITIES TOTAL	-20,551	-23,346
Cash flow for the period	-12,927	-25,748
Cash and bank balances		
Opening cash and bank balances for the period	29,610	42,425
Cash flow for the period	-12,927	-25,748
Closing cash and bank balances for the period	16,682	16,677

Notes to the interim financial statements

Note 1. Accounting policies

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 2023 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 2023. The financial statements are available on Company’s website at www.if.ee.

The accounting policies for the Company that have been applied in this Interim report are the same as those applied in the 2023 Annual Report.

The totals in tables and statements in the interim report may not always reconcile due to rounding. The aim is for each line item to correspond to the source and therefore rounding differences may arise in totals.

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Note 2 Financial investments IFRS 9

The recognition of financial assets depends on their classification. The classification of assets categorized in accordance with IFRS 9 is shown below.

Thousand EUR	Acquisition value 2024 Mar 31	Fair value 2024 Mar 31	Carrying amount 2024 Mar 31	Acquisition value 2023 Dec 31	Fair value 2023 Dec 31	Carrying amount 2023 Dec 31
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	320,326	339,370	339,370	302,682	338,984	338,984
Total financial assets at fair value through profit or loss	320,326	339,370	339,370	302,682	338,984	338,984

The fair value is only shown for disclosure purposes. Financial instruments with fair value information are classified in three different hierarchy levels depending on their liquidity and valuation methods.

Financial investment assets in fair value hierarchy

	2024 Mar 31			2023 Dec 31		
Thousand EUR	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	313,207	26,163	339,370	314,739	24,246	338,984
Total financial assets, at fair value	313,207	26,163	339,370	314,739	24,246	338,984