



If P&C Insurance AS

Interim Report

3rd Quarter 2024

Translation from Estonian language

Interim Report 3rd Quarter 2024

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:	1 January 2024
End of reporting period:	30 September 2024
Chairman of the Management Board:	Andris Morozovs
Auditor:	AS Deloitte Audit Eesti

If P&C Insurance AS management board has compiled 3rd quarter 2024 interim report which is presented on pages 7-14.

Member of the
Management Board

Heinar Olak / Signature /

27.11.2024

Member of the
Management Board

Tiit Kolde / Signature /

27.11.2024

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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 388,000 policyholders and is one of the leading P&C companies in Estonia and is among top 5 companies in Latvia and Lithuania. 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-September 2024

Net profit for the period remained stable, showing a slight increase of ca. 0.1 % compared to preceding year and amounted to €26,2 million (€26,2 million in 9 months 2023). Profit from Insurance Service result was €22,3 million (€20,5 million in 9 months 2023), corresponding to a combined ratio of 87.5% (87.2% in 9 months 2023).

Insurance revenue, gross

Insurance revenue gross for the period grew by ca. 12% reaching €182,9 million (€163,8 million in 9 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.

Insurance Service expense

Insurance Service expense, claims incurred, including claims handling cost, amounted to €116,5 million (€102,6 million in 9 months 2023), corresponding to a loss ratio of 64.4% (63.8% in 9 months 2023). The change was primarily attributable to high large claims cost.

Continuous efficiency improvements and tight cost control, supported by digitalization and automation of customer integration processes, reduced the expense ratio to 23.1% (23,4% in 9 months 2023).

Total operating expenses, excluding claims handling expenses, increased to €41,3 million (€37,4 million in 9 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 €333,0 million at the end of Q3 2024 (€339,0 million at the end of 2023).

Inflation has dominated investor concerns over the past couple of years and into 2024. While the first half of the year saw dramatic shifts in investor expectations for interest rates, the third quarter saw investors and central banks gaining confidence that the inflation threat is now subdued. The European Central Bank cut interest rates by 25 basis points in September for the second time, following a similar move in June. Yields fell across the curve and bonds made strong gains in Q3. The optimistic case of an economic soft-landing in the US is still looking plausible, while in Europe, economic growth slows and especially the manufacturing sector faces challenges.

In Q3, we purchased investment-grade bonds into the portfolio for €9.5 million in total, with average maturity 5.1 years. We also made a €20million 3-month money market investment in CDs at 3.43% yield. No bonds were sold in Q3, and redemptions during the quarter were €6 million. In total, net investments in the portfolio were €23.5 million in Q3. Allocations from insurance operations were €7 million. Cash weight decreased from 11.6% in the end of Q2 to 7.8% in the end of Q3.

Total investment return was €14,3 million (€10,1 million in 9 months 2023) corresponding to 5.7% (4.4% in 9 months 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 30 September 2024, the number of full-time employees was 620 (31.12.2023 602).

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

If P&C Insurance AS remains dedicated to delivering a comprehensive range of property and casualty insurance products designed to meet the needs of both individual and corporate clients. With services accessible via digital platforms, phone support, and a robust network of brokers and partners, we prioritize excellence and exceptional service for our valued customers.

This summer, we launched a significant Pet Insurance campaign across the Baltic countries, demonstrating our commitment to addressing diverse customer needs.

A comprehensive Health Insurance campaign targeted corporate clients across the Baltics. In Lithuania, this included updated products and special events for customers and brokers, offering opportunities to share insights and foster closer collaboration. In Latvia and Estonia, the campaign emphasized health insurance marketing initiatives aimed at increasing awareness.

Our brand campaign, executed across all Baltic countries, further reinforced our dedication to supporting our customers in meaningful ways.

We actively participated in notable events, including the Electric Vehicle Competition 2024/25 in Latvia and the Corgi Race Vilnius event in Lithuania, showcasing our commitment to supporting innovative and community-focused initiatives.

Summer campus events in Lithuania, Latvia, and Estonia fostered employee engagement, strengthening team spirit and enhancing workplace culture.

During the third quarter, we welcomed 11 junior talents into our inaugural If Summer Internship Program, where they joined various units across the company. This initiative reflects our commitment to nurturing the next generation of insurance professionals and supporting their journey toward successful careers.

At If P&C Insurance AS, we continue to deepen our presence in the Baltics through innovative products, active community involvement, and initiatives that foster collaboration, team spirit, and sustainable growth. Our dedication to customers, partners, and employees drives us to consistently deliver value and build stronger connections.

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, elevated risks and expenses related to international trade, high interest rates, 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.

Competition between P&C Insurance market players is intense, and the competitive landscape may become even more challenging, particularly if economic growth remains weak or turns negative. Despite strengthening competitive environment, the financial prospects for the insurance industry are more favorable than those of the broader economic environment. Growth is anticipated to remain moderate, driven primarily by shifts in consumer behavior and a modest increase in demand for insurance products and to a lesser extent from repricing activities as the price adjustments necessitated by the high inflationary environment have already been factored into premium levels in recent years.

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-Sept	2023 Jan-Sept	2023 Jan - Dec
Earnings and expenses related information			
Insurance revenue, gross	182,934	163,811	223,024
Reinsurance premium expense	-4,174	-4,085	-5,264
Insurance service expense, claims incurred	-116,524	-102,567	-139,185
Insurance service expense, operating expenses	-41,339	-37,376	-51,524
Reinsurer's share of claims incurred	1,397	684	1,015
Insurance service result	22,294	20,468	28,066
Investment result	14,282	10,127	23,226
Insurance finance income or expense (-), net	-4,656	-1,012	-4,783
Net financial result	9,625	9,115	18,443
Net profit for the period	26,233	26,210	39,119
Information regarding financial position			
Investment assets	332,954	316,480	338,984
Insurance liabilities	223,464	204,408	208,936
Own funds	145,424	150,984	147,892
Key data			
Loss ratio ¹	64.4%	63.8%	63.5%
Expense ratio ²	23.1%	23.4%	23.7%
Combined ratio ³	87.5%	87.2%	87.2%
Total investment return ⁴	5.7%	4.4%	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	Claims ratio + 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 Q3

Thousand EUR	2024 Q3	2023 Q3
Insurance revenue, gross	62,527	57,823
Reinsurance premium expense	-1,366	-1,422
Insurance service expense	-52,719	-48,115
<i>Claims incurred</i>	-38,792	-34,994
<i>Operating expenses</i>	-13,927	-13,121
Reinsurer's share of claims incurred	-621	979
Insurance service result	7,822	9,266
Other income / expense	51	20
Result from other services	51	20
Investment result	9,005	3,598
<i>Direct investment income</i>	2,580	2,022
<i>Changes in value</i>	6,520	1,662
<i>Management costs</i>	-95	-88
Insurance finance income or expense, net	-3,525	701
<i>Insurance contracts</i>	-3,656	683
<i>Reinsurance contracts held</i>	130	17
Net financial result	5,480	4,299
Result before income taxes	13,371	13,585
Taxes	-508	-77
Net profit for the period	12,845	13,505

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Statement of profit and loss January - September

Thousand EUR	2024 Jan-Sep	2023 Jan-Sep
Insurance revenue, gross	182,934	163,811
Reinsurance premium expense	-4,174	-4,085
Insurance service expense	-157,863	-139,943
<i>Claims incurred</i>	-116,524	-102,567
<i>Operating expenses</i>	-41,339	-37,376
Reinsurer's share of claims incurred	1,397	684
Insurance service result	22,294	20,467
Other income / expense	100	64
Result from other services	100	64
Investment result	14,282	10,127
<i>Direct investment income</i>	7,240	6,570
<i>Changes in value</i>	7,321	3,810
<i>Management costs</i>	-280	-253
Insurance finance income or expense, net	-4,656	-1,012
<i>Insurance contracts</i>	-4,863	-1,090
<i>Reinsurance contracts held</i>	207	78
Net financial result	9,625	9,115
Result before income taxes	32,020	29,646
Taxes	-5,787	-3,436
Net profit for the period	26,233	26,210

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Statement of financial position

Thousand EUR	Note	2024 30 Sep	2023 31 Dec
ASSETS			
Cash and bank balances		44,408	29,610
Investment assets		332,954	338,984
<i>Other financial investment assets</i>	2	329,619	335,496
<i>Accrued interest</i>		3,336	3,488
Debtors		4,800	2,875
Prepayments and accrued income		766	933
Reinsurance assets		6,387	5,695
<i>Asset for remaining coverage</i>		-1,408	-1,336
<i>Asset for incurred claims</i>		7,794	7,031
Other assets		4,086	4,043
Tangible assets		4,086	4,043
Total assets		393,402	382,140
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY			
Creditors		16,121	17,109
<i>Other creditors</i>		13,077	13,779
<i>Lease liabilities</i>		3,043	3,330
Deferred tax liability		50	21
Accruals and deferred income		8,343	8,182
Insurance liabilities		223,464	208,936
<i>Liability for remaining coverage and acquisition cashflow asset</i>		49,580	46,108
<i>Liability for incurred claims</i>		173,885	162,828
Shareholders' equity		145,424	147,892
Share capital		6,391	6,391
Premium reserve		3,679	3,679
Statutory reserve		2,362	2,362
Profit brought forward		106,760	96,341
Net profit for the period		26,233	39,119
Total liabilities, provisions and shareholders' equity		393,402	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	-	-	-	-	-28,700	-	-28,700
Net profit for the year	-	-	-	-	-	26,233	26,233
Equity at end of Sep 2024	6,391	3,679	2,362	-	106,760	26,233	145,424
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	-	-	-	-	-	26,210	26,210
Equity at end of Sep 2023	6,391	3,679	2,362	-	112,341	26,210	150,983
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-Sep	2023 Jan-Sep
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from insurance operations		
Premium flows, direct insurance	185,446	171,734
Premiums ceded	-4,321	-3,557
Claim payments, direct insurance	-110,432	-95,069
Reinsurance flows	59	88
Cost of operations	-40,065	-36,607
Total	30,687	36,589
Cash flow from asset management		
Interest received	6,853	4,554
Interest paid	-48	-39
Investments in bonds and other interest bearing securities	-65,578	-46,104
Proceeds from disposals of bonds and other interest bearing securities	81,404	34,600
Total	22,631	-6,990
Dividend received	-	1,050
Paid income tax	-9,061	-3,958
CASH FLOW FROM OPERATING ACTIVITIES TOTAL	-9,061	-2,908
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-28,700	-23,100
Repayments of lease liabilities	-758	-738
CASH FLOW FROM FINANCING ACTIVITIES TOTAL	-29,458	-23,838
Cash flow for the period	14,799	2,853
Cash and bank balances		
Opening cash and bank balances for the period	29,610	42,425
Cash flow for the period	14,799	2,853
Closing cash and bank balances for the period	44,408	45,278

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	Fair value	Carrying	Acquisition	Fair value	Carrying
	value 2024 Sept 30	2024 Sept 30	amount 2024 Sept 30	value 2023 Dec 31	2023 Dec 31	amount 2023 Dec 31
Financial assets at fair value through profit or loss						
Bonds and other interest-bearing securities	308,227	332,954	332,954	302,682	338,984	338,984
Total financial assets at fair value through profit or loss	308,227	332,954	332,954	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

Thousand EUR	2024			2023		
	Sept 30			Dec 31		
	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	294,844	38,111	332,954	314,739	24,246	338,984
Total financial assets, at fair value	294,844	38,111	332,954	314,739	24,246	338,984