

Underwriting Risks at Sampo Group

With respect to the underwriting businesses carried out in the subsidiary companies, it has been established that If P&C, Topdanmark and Mandatum Life all operate within Nordics, but mostly in different geographical areas and in different lines of business and hence their underwriting risks are different by nature. There are some common risk factors like the life expectancy in Finland. Also in Denmark If P&C and Topdanmark have some overlapping areas. However, there are no material underwriting risk concentrations in the normal course of business.

Consequently, business lines as such are contributing diversification benefits rather than a concentration of risks. This general risk picture has not changed with increased holding in Topdanmark, because it underwrites mainly

Danish risks with focus on client bases which only marginally overlap with If P&C's client bases.

On the following table Underwriting Solvency Capital Requirements of Insurance Sub-group, 31 December 2017, underwriting activities and sensitivities to related risks of three operative insurance companies are compared to each other based on their standard formula gross SCRs, because the reported Sampo Group underwriting SCR is based on them. In Topdanmark's section, the company has presented net SCR numbers. Standard formula SCRs do not either reflect risks as well as internal models used by If P&C and Topdanmark, but in this context they can be used as a common basis for comparison purposes.

**Underwriting Solvency Capital Requirement of Insurance Sub-group
31 December 2017**

Underwriting risk	If P&C	Topdanmark	Mandatum Life	Sampo Plc	Diversified Sampo Group	Sum of the parts	Delta
Life underwriting	74	105	406	0	561	584	-23
Health underwriting	513	238	2	0	747	754	-6
Non-life underwriting	1,248	248	0	0	1,494	1,496	-1
Underwriting Risk gross	1,835	591	408	0	2,803	2,833	-30
Diversification	-477	-214	-2	0	-982	-693	-289
Underwriting Risk net	1,358	376	406	0	1,821	2,141	-319

In terms of SCRs If P&C is contributing most to the group SCR and it has clear focus on non-life underwriting and related health underwriting. Business is well spread over all Nordic countries, but having smallest portion of business in Denmark. Geographical diversification is not taken into account by SF and hence internally assessed capital need of EUR 672 million is much smaller.

Mandatum Life has focus on Finnish life insurance risks and hence it has practically no lines of business or geographical diversification benefits within underwriting. In Topdanmark capital consumption is most evenly spread over underwriting risks written solely in Denmark and its company specific diversification benefit over lines of businesses is relatively

largest compared to other Sampo Group companies.

All in all at Sampo Group level, the underwriting activities are well-diversified by lines of businesses, geographical areas and client groups. At Sampo Group level the SF gives diversification benefit of EUR 319 million because underwriting activities at group level are more evenly distributed over lines of businesses than in separate companies. Sampo considers that diversified Group SCR of EUR 1,821 million is relatively conservative measure of the underwriting capital requirement, because SF at sub-group and Sampo Group level does not take into account geographical and client base diversification.