

# SAMPO INSURANCE COMPANY LIMITED

Sampo, the leading non-life insurance group in Finland, is made up of non-life insurance companies specialised in client segments. Their services are completed by the life and pension insurance companies that belong to the Sampo Group.

The Sampo Group is a full service insurer that offers its clients high quality insurance products and risk management expertise. Sampo wishes to offer its shareholders a competitive total return by means of a profitable insurance business and the well managed investments that support it.

Sampo's success is built on the commitment of personnel to our mutual values: the continuous development of professional competence, enterprise and innovation.



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# KEY INFORMATION ON THE SAMPO NON-LIFE GROUP

		1990	1991	1992	1993	1994	Change %
Turnover	FIM mill.	3 321	3 472	3 116	5 508	5 570	1.1
Premiums Written	FIM mill.	2 578	2 657	2 314	3 695	3 986	7.9
Net Investment Income	FIM mill.	497	346	571	1 182	740	-37.4
Claims Incurred	FIM mill.	2 461	2 709	2 575	3 611	3 223	-10.7
Operating Expenses	FIM mill.	605	596	543	669	884	+32.1
Unequalised Result	FIM mill.	-72	-257	-271	427	344	-19.4
Total on Balance Sheet	FIM mill.	7 996	8 349	8 667	14 858	16 234	9.3
No. of Personnel		2 365	2 351	2 225	2 642	2 966	12.3
Solvency Ratio	%	157	135	139	206	212	2.9
Earnings per Share	FIM	0.09	-29.58	-8.75	25.52	9.24	-63.8
Net Asset Value per Share	FIM	349	313	285	393	410	4.3
Adjusted Closing Share Price	FIM	370	152	110	294	215	-26.9

The exchange rate of 1 FIM (Finnish markka) is USD 4.7432.

## Sampo Non-Life Group Main Organisation

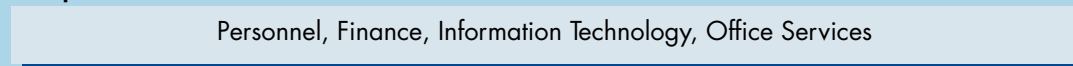
### Group Management



### Business Units



### Group Services



# CHIEF EXECUTIVE OFFICER'S REVIEW

Like a number of other countries, Finland has started to break free of the prolonged cycle of global recession, ending the year under review with a buoyant export sector and a four per cent growth in GNP. Yet high unemployment and the structural nature of the national debt have cast a shadow over the country's potential for economic recovery. The duality that has plagued the Finnish economy in recent years has not been shaken off to the extent that might have been hoped, and the domestic market is consequently taking longer to recover.

There has to be a gradual reduction in public expenditure to the sort of level which can be prudently covered by taxes and charges. And the longer structural reforms in public spending are deferred, the more difficult the inevitable task of restructuring the public sector economy will become. The Finnish national economy cannot expect to make a permanent recovery until and unless it is placed on a sound footing.

There is a direct analogy with insurance here. It is an accepted fact that insurance operations generally lag behind economic trends. That is the reason why, despite the welcome economic upturn, premiums written on direct insurance by non-life companies went down by a further two per cent during the year under review.

But the private sector is in the process of restructuring. Indeed, it has already accomplished, at least in part, some of the changes needed to meet the demands of competition that come with membership of the European Union. Integration compels companies to boost their efficiency, even if their markets are mainly domestic.

Sampo predicted this trend some time ago, and carried out its own structural reforms in the non-life companies before Finland joined the European Union. As a direct result of these far-sighted mergers and acquisitions, Sampo's market share rose from 20 per cent to 35 per cent in a little over a year.

The banking world has undergone a process of structural change, too. Their realignment culminated in the decision to merge Finland's two largest commercial banks, the Union Bank of Finland (SYP) and Kansallis-Osake-Pankki (KOP). Co-operation between Sampo and both of these banks has been exemplary. The merger, therefore, should not alter our operational prospects in the banking sector. However, the creation of one major bank could lead to more intensive competition

for life insurance savings, since the new bank has its own life insurance company.

## High Level of Solvency

Like many other Finnish insurance companies, Sampo has traditionally maintained a high solvency level. Group solvency capital currently stands at FIM 7.4 billion, and Sampo's solvency ratio is 212 per cent – a figure many times higher than the level considered good in European terms. Furthermore, trends emerging in the year under review show that a high level of solvency – especially in the prevailing operational climate – gives a distinct competitive edge to life and non-life insurance companies in particular.

The importance of solvency became more widely apparent to clients when two small Finnish life insurance companies went into liquidation. It was partly due to this that the Sampo Group's life insurance company, Kaleva, strengthened its market position to such a considerable extent. The company's premiums written rose by more than 80 per cent. Incidentally, Kaleva, which celebrated its 120th anniversary last year, is the oldest life insurance company in Finland.

Company solvency should be cherished and maintained, not squandered on short-sighted competition. The deregulation of statutory non-life insurance has created a situation where insurers may be tempted to price below risk and operating expense levels. This, if it happened, would benefit nothing and no-one – least of all the healthy long-term development of the insurance industry. Nonetheless, the danger is especially pertinent in regard to those non-life insurance companies which are less successful in the market, and whose solvency is somewhat questionable. In fact, incorrect pricing has already contributed to the closure of one Finnish life insurance company.

## Profitable Insurance Operations

Net underwriting results in the Sampo Non-Life Group improved in the year under review by almost FIM 700 million over 1993. This made it possible to increase the equalisation provision by FIM 74 million. In contrast, it had been necessary during the previous year to reduce the equalisation provision by FIM 95 million.

The operating profit of the Sampo Non-Life Group stood at FIM 301 million – FIM 19 million below the previous year's figures. This slight decrease in operating profit can be attributed mainly

to the reduction in value re-adjustments. During 1993, when the legal amendment came into effect, revaluations on investment shares, previously recorded as value adjustments on investments, were entered to a total of over FIM 0.5 billion. The corresponding sum for 1994 was only FIM 52 million.

The duality which is still troubling the national economy was in turn reflected in the accrued premiums written on direct insurance. Non-Life Group companies dealing mainly in export company insurance continued to enjoy greater success by volume than those Group companies specialising in the domestic market. The rapid fall in the motor TPL rate was responsible for the reduction in private household sector premiums written. Rate adjustments, and the increasingly active role of society in transport and industry, also affected the claims ratio which, in domestic direct insurance, was 79.9 per cent. All the same, that figure was fewer than five percentage points up on the previous year.

The outlook on the foreign reinsurance front improved considerably. Claims incurred in foreign reinsurance decreased, and so (by some margin) did the technical provisions of the two run-off companies. This positive development trend for both run-off companies was clearly attributable not only to the strengthening of the Finnish markka, but also to Sampo's strategy of cutting out risks in the international reinsurance business.

### **Branch Reorganisation**

Sampo played a full part in the restructuring of the Finnish insurance market which took place in the year under review.

Vahinkovakuutusosakeyhtiö Kansa became a wholly-owned subsidiary of Sampo in April, 1994. Detaching Kansa General from the Kansa companies' holding company organisation proved to be a demanding task. The difficulty was that the majority of the personnel were employed by the Kansa

Corporation, and operations, for the most part, were performed jointly with other Kansa companies which were not involved in the Sampo-Kansa transaction.

The division and allocation of functions were carried out during the Summer, and Kansa General then moved its head office and branch offices to Sampo premises. One result of these structural changes has been a cutback in the combined branch network of both companies from 130 to 85 branches. However, this was achieved without in any sense compromising service standards. To the contrary, Kansa General's customers now have access to a considerably expanded service network.

From a functional standpoint, it was also essential for Kansa General to transfer operations to the Flexi offices of the Sampo branches before the other Kansa companies went into liquidation. This process perplexed insurance clients, and permanently damaged Kansa's reputation.

### **Sampo Share Turnover Pick-up**

Turnover in Sampo shares on the Helsinki Stock Exchange picked up markedly in the review year, when 19 per cent of all shares changed hands. Sampo "A" Shares rose to rank among those most frequently traded on the Helsinki Stock Exchange, and were quoted for the first time on the London SEAQ. There are in all more than 420 000 Sampo shareholders. Their number remains large thanks to the change in corporate form and to the merger, through which no fewer than 800 000 Finnish people received gratuitous Sampo shares.

Four successful share exchange campaigns aimed at passive minor shareholders have attracted a sizeable degree of interest. And since the price paid for each share exceeded the Stock Exchange quotation, Sampo has reacted positively to these campaigns. This is fully in accordance with Sampo policy. We want our clients to profit from their shares, which they own on the basis of their custom with us. Moreover, the cost of normal share trading, especially of small batches of shares, has gone up in recent years. As a result of that trend, calls have been made for new modes of share-dealing operations

### **Work Continues**

Faced over the past two years with many changes, while the Group underwent such rapid restructuring through mergers and acquisitions, Sampo personnel have had to work under considerable pressure.

I should like to express my most sincere thanks to our staff for all their efforts. It has been a period when their normal working environment was sometimes considerably disrupted by operational events. It is, then, greatly to their credit that all personnel have successfully internalised those qualities which will be vital for our future development - expertise, a spirit of entrepreneurship and innovation.

I also wish to extend my warmest thanks to our shareholders and clients, a considerable number of whom have joined the Sampo Group during the last two years. We shall do our utmost to ensure that our services and expertise attain the same high level as our solvency.

In March, 1995

*Jouko K. Leskinen*

# SHARES AND SHAREHOLDERS

Sampo A Shares are quoted on the Helsinki Stock Exchange and on the SEAQ, a computer based trading system that operates in connection with the London Stock Exchange. Quotation on the SEAQ began in April 1994.

After the first four months of 1994, the price of Sampo Shares experienced a downward trend. The highest share price of the year was FIM 238 on the Helsinki Stock Exchange, and the lowest FIM 203. The average share price in 1994 was FIM 283, and the closing share price on Dec. 31 was FIM 215. The annual relative trading volume amounted to 2 816 661 shares, or FIM 797 million. In addition, 332 524 Sampo shares were exchanged on the SEAQ. Because of the way the system operates, some of the shares exchanged on the SEAQ are booked twice.

Sampo's solvency capital stood at FIM 7.4 billion at year end. The market value of the total share portfolio amounted to FIM 3.3 billion, and the corresponding net asset value per share was FIM 410.

## Shares and Votes

Sampo's share capital stands at FIM 310 000 000, and the par value of a share is FIM 20. There have been 300 000 shares cancelled without a reduction of capital, so that there were 15 200 000 shares on the market at the end of the year. The Board of Directors has not yet made a decision on the transfer of Sampo shares to the computerised securities system.

Sampo's shares have been divided into A Shares and B Shares. Of these shares, 15 140 000 are A Shares and 60 000 B Shares. The two shares only differ in the number of votes the holder is entitled to at the Annual General Meeting. Each A Share entitles the holder to one vote, and each B Share to five votes. In accordance with the Insurance Companies Act, no one may for himself or as authorised by another, vote more than one tenth (1/10) of the total number of votes represented at the meeting.

## Share Capital Increase

On May 15, 1994 the Annual General Meeting approved the Board's proposal to increase the share capital by FIM 30 000 000, from FIM 280 000 000 to FIM 310 000 000, by an issue directed at Kansallis-Osake-Pankki, which would subscribe for 1 500 000 new A Shares with a par value of FIM 20 at a price of FIM 380 per share. The share capital increase was entered into the trade register on June 30, 1994. The issue was used to cover FIM 570 million of the total acquisition price of Vahinkovakuutusosakeyhtiö Kansa, which stood at FIM 600 million.

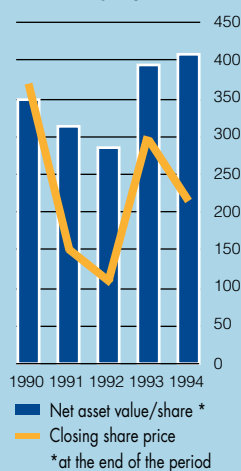
## Agreements Concerning Sampo Shares

According to the agreement signed between Unsa Ltd and the Kaleva Mutual Insurance Company, Kaleva or a party assigned by Kaleva has pre-emption over Sampo Shares held by Unsa Ltd at the current price, if Unsa Ltd intends to surrender them.

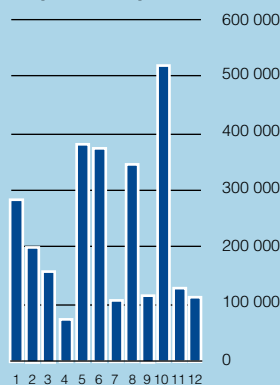
## Increases in the share capital in 1988-1994

Mode	Subscription period	Terms of subscription or subscriber	Price/share (FIM)	No. of new shares	Share capital after the issue
New issue	April 11 to May 20, 1988	1:1 plus subscription right	250 280	3 000 000	126 million
New issue	October 17 to November 18, 1988	2:1 plus subscription right	325 400	3 000 000	186 million
Merger compensation	December 12, 1993	Owners of Industrial Mutual Insurance Company		4 700 000	280 million
Directed issue	June 30, 1994	Kansallis-Osake-Pankki	380	1 500 000	310 million

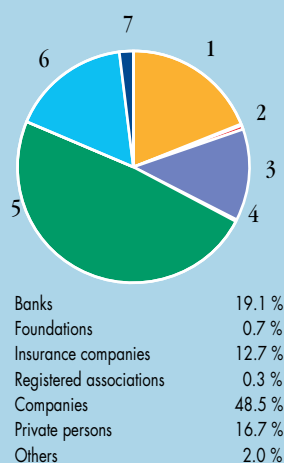
Net asset value per share and stock exchange quotation, FIM



Stock Exchange trading volume of Sampo shares per month 1994



Shareholder groups



### Executive Shareholdings

Shareholdings by Members and Deputy Members of the Supervisory Board, of the Board of Directors, and by the Managing Director and the Deputy Managing Director amounted on December 31, 1994 to a total of 275 shares, which represent 0.0018 per cent of the total number of votes.

### The Board's Issue Authority

The Annual General Meeting authorised the Board of Directors to decide between June 30, 1994 and May 17, 1995 on an increase in the share capital through an issue of shares. The authorisation includes disapplication of the shareholders' preemptive rights. The share capital increase may correspond to the maximum of a fifth of the company's share capital registered at the time of the authorisation by the shareholders' meeting and the Board's decision on a share capital increase. The maximum resultant increase in share capital is FIM 56 000 000.

The Board proposes that the Annual General Meeting grant the Board an authorisation of one year as of April 26, 1995, to pass a resolution on raising the share capital by a rights issue in one or more installments, so that the increase may be FIM 60 million at maximum. The Board would decide the subscription price of the new shares as well as the other terms of subscription. It could also waive shareholders' subscription priority if, from the company's standpoint, good reason for such an action existed, such as the financing of an acquisition, an affiliation agreement, or other precautionary measure to ensure the company's operation prerequisites. The Board could also pass a resolution on increasing the share capital against property given as subscription in kind.

### Earnings per Share and Proposed Dividend

The Group's Earnings per Share index decreased from the previous year, standing at FIM 9.24. However, the Net Asset Value per Share index that indicates solvency increased by about FIM 17, amounting to FIM 409.98 at the end of the accounting period.

The Sampo Board of Directors has proposed that a dividend of 20 per cent of the share nominal value be paid for the accounting period, or FIM 4 per share. An avoirt fiscal tax credit of FIM 1.33 per share is payable for the FIM 4 proposed dividend.

### Shareholders by number of shares owned, March 1, 1995

Shareholding	No. of shareholders	Total no. of shares	% of share capital
1 - 2	151 407	286 350	1.9
3 - 5	105 821	396 613	2.6
6 - 30	154 031	1 682 816	11.1
31 - 100	8 991	429 024	2.8
101 - 1 000	2 221	596 467	3.9
1 001 - 10 000	426	1 201 937	7.9
10 001 - 100 000	63	1 924 311	12.7
100 001 or more	18	8 682 482	57.1
Total	422 978	15 200 000	100.0

### Major shareholders as recorded in the share register on March 1, 1995

A and B shares	Number of shares	% of share capital	% of votes
Unsa Ltd	2 125 623	14.0	13.8
Kansallis-Osake-Pankki	1 500 000	9.9	9.7
Union Bank of Finland Ltd	957 519	6.3	6.2
Kaleva Mutual Insurance Company	769 399 <sup>1)</sup>	5.1	6.5
Insurance Company Sampo Pension Ltd	577 149	3.8	3.7
Oy Silja Line Ab	362 606 <sup>2)</sup>	2.4	2.3
Unitas Ltd	344 594	2.3	2.2
Enso-Gutzeit Oy	301 334	2.0	2.0
Pension-Varma Mutual Insurance Company	280 957	1.8	1.8
Kymmene Oy	223 606	1.5	1.5
Nova Life Insurance Company Limited	206 102	1.4	1.3
Sampo Finance Ltd	205 075	1.4	1.3
A. Ahlström Oy	181 272	1.2	1.2
Outokumpu Oy	175 784	1.2	1.1
Asko Oy	152 803	1.0	1.0
Oy Nokia Ab	111 133	0.7	0.7
Neste Oy	106 515	0.7	0.7
Veitsiluoto Oy	101 011	0.7	0.7
Oy Tampella Ab	97 680	0.6	0.6
Myllykoski Oy	83 645	0.6	0.5

<sup>1)</sup> 709 399 registered A Shares and 60 000 registered B Shares.

<sup>2)</sup> Oy Silja Line Ab have reported that they have sold nearly all these shares.

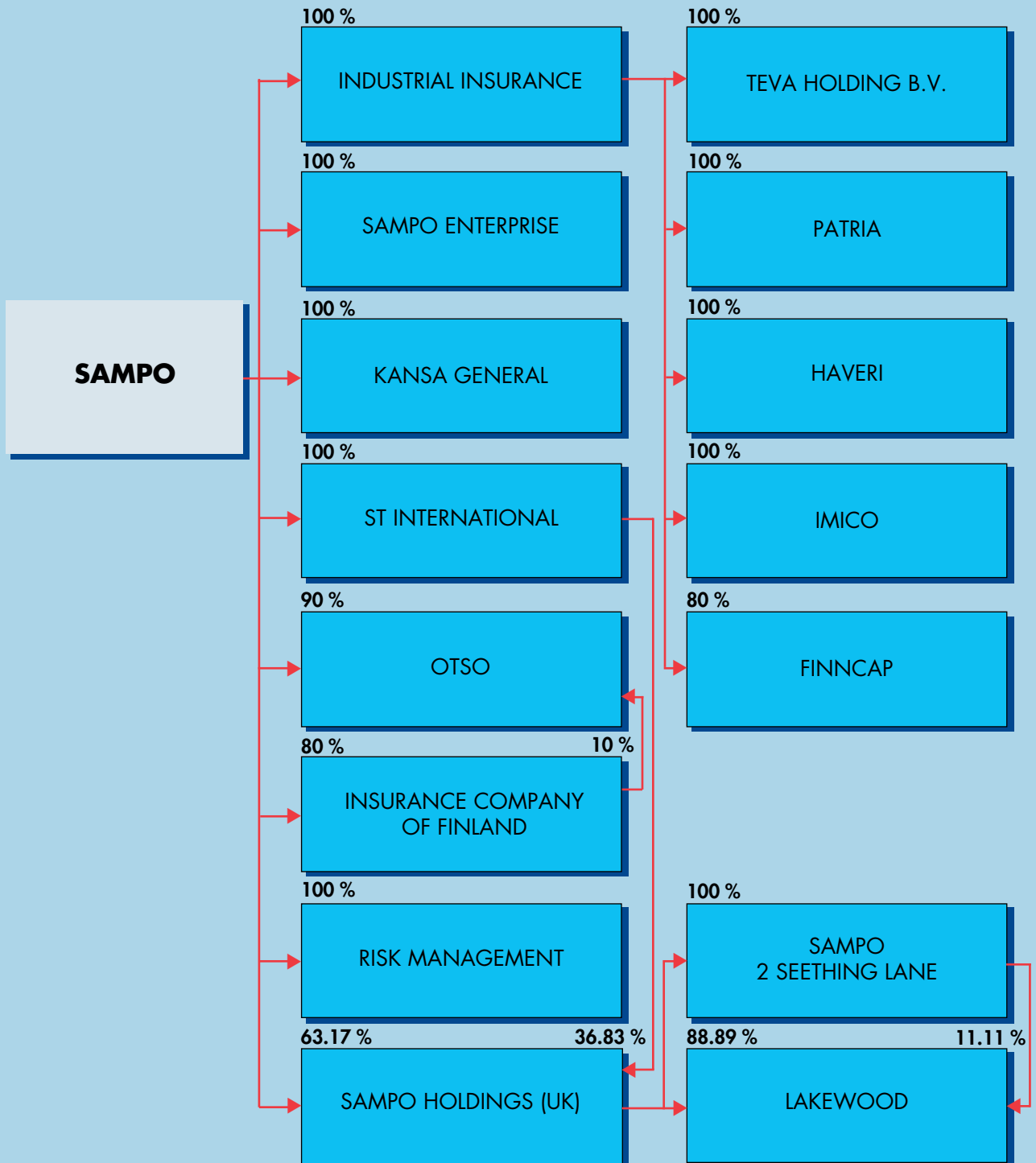
The net taxable income per share for shareholders entitled to the refund is thus FIM 5.33.

The shares issued in the issue directed at Kansallis-Osake-Pankki also entitle the holders to a full dividend for 1994. Dividend for 1994 is thus payable on the total number of shares, that is 15 200 000, to the total amount of FIM 60 800 000,

provided that the Annual General Meeting accepts the Board's proposal on the dividend.

The dividend is drawable as of April 27, 1995 against dividend coupon no. 7 at all offices of Osuuspankkien Keskusosakepankki Oy, Osuuspankki, Postipankki, and at all post offices.

# COMPOSITION OF THE SAMPO NON-LIFE GROUP



The Non-Life Group also contains 58 independent housing and real estate companies.



# ACCOUNTS FOR THE YEAR

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# SAMPO INSURANCE COMPANY LIMITED

## ANNUAL REPORT

*In 1994, the Sampo Non-Life Group's adjusted operating margin before depreciation exceeded that of the previous year and stood at FIM 514 million. The underwriting result improved by almost FIM 700 million, but the result on investments deteriorated by FIM 442 million compared to*

*the previous year. The combined ratio fell by 15 percentage points to 109.1 per cent.*

*The Sampo Non-Life Group's solvency was further consolidated – solvency capital increasing to almost FIM 7.4 billion at a solvency ratio of 212 per cent.*

*Corporate reorganisation within the Sampo Non-Life Group will continue in 1995, with Vahinkovakuutusosakeyhtiö Kansa being merged with Sampo Insurance Company Limited. Cost-effectiveness is sought through the integration of operations and production systems.*



**Board of Directors of the Sampo Non-Life Group. From the left: Vesa Vainio, Georg Ehrnrooth, Thor Björn Lundqvist, Ari Heiniö, Kari O. Sohlberg, Jouko K. Leskinen and Jukka Härmälä.**

## Non-Life Group Performance

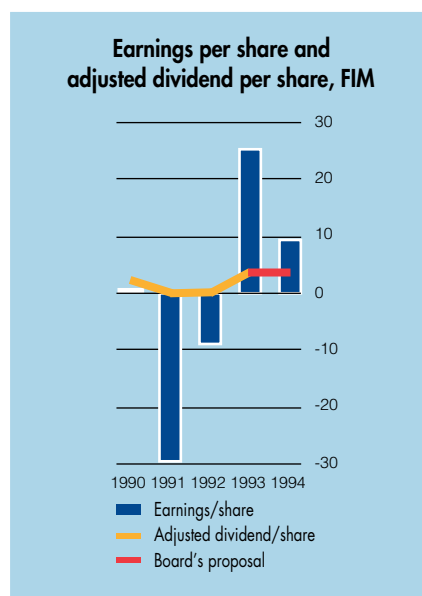
In 1994, the Sampo Non-Life Group's adjusted operating margin before depreciation exceeded that of 1993 and stood at FIM 514 million. The underwriting result improved by almost FIM 700 million, but the result on investments weakened in comparison to the previous year, when investment income was exceptionally high due to amendments in Finnish tax legislation. The equalisation provision affecting the Non-Life Group's result accrued by FIM 74 million, whereas it was reduced by FIM 95 million in the previous year. The Group's operating profit totalled FIM 301 million, and the result before appropriations and taxes stood at FIM 183 million. Earnings per share were FIM 9.24.

Subsequent to the merger of Sampo Insurance Company Limited and the Industrial Mutual Insurance Company in 1993, the business was divided through demerger between the parent company Sampo and two subsidiaries, Industrial Insurance and Sampo Enterprise. In 1994, the result of the parent company Sampo before appropriations and taxes amounted to FIM 97 million.

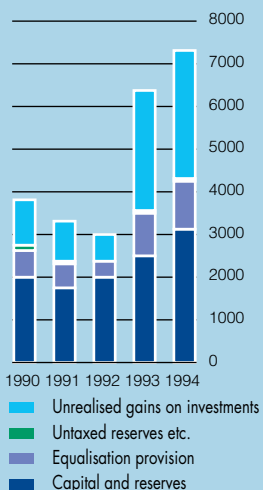
The Group's planned depreciation totalled FIM 213 million, which included a depreciation on goodwill in the amount of FIM 36 million, resulting from the acquisition of Kansa General. Other income included extraordinary items amounting to FIM 6 million, and other expenses amounting to FIM 0.5 million. The Group's taxes for the year amounted to FIM 63 million. The avoird fiscal tax credits on the dividends obtained by Sampo from its subsidiaries have been eliminated in the Consolidated Profit and Loss Account by entering them as deductions on direct taxes for the year. The Group companies paid a total of FIM 9 million in real estate tax, the parent company's share being FIM 3 million. Real estate tax is included in investment expenses in the year's accounts.

## Non-Life Group: Results

FIM mill.	Accounts 1994	Accounts 1993
Net underwriting result	587.6	- 98.9
Adjusted net investment income	791.0	1 227.8
Realised gains and losses on investments	842.6	256.5
Value adjustments and value re-adjustments on investments	- 315.3	173.2
Other investment income and expenses	263.7	798.1
Operating expenses	- 883.6	- 668.9
Other ordinary income and expenses	19.2	18.0
<b>Adjusted operating margin before depreciation</b>	<b>514.2</b>	<b>478.0</b>
Depreciation according to plan	- 212.8	- 157.3
<b>Operating Profit</b>	<b>301.4</b>	<b>320.7</b>
Change in equalisation provision	- 73.8	95.1
Revaluation of investments	-	17.6
Interest and expenses on long-term liabilities	- 51.2	- 63.2
Result before extraordinary items	176.5	370.2
Extraordinary income and expenses	6.3	-1.1
<b>Result before appropriations and taxes</b>	<b>182.7</b>	<b>369.1</b>

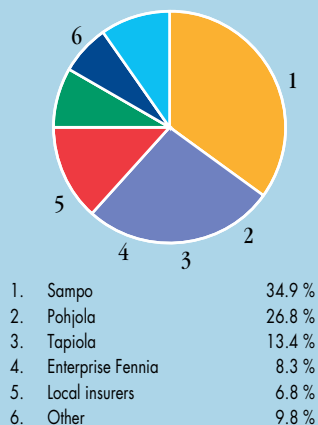


### Solvency capital, FIM mill.



### Domestic direct insurance non-life market shares 1994\*

(excl. banks' and Garantia's credit insurance)



**Total FIM 10.4 billion**

\* Projection

### Non-Life Group: Solvency

FIM mill.	Accounts 1994	Accounts 1993
Capital and reserves	3 133.5	2 505.3
Minority interest	24.4	23.6
Untaxed reserves incl. other than accumulated depreciation difference from land and buildings	79.5	69.3
Equalisation provision	1 111.1	998.2
Unrealised gains on investments	3 018.7	2 813.8
<b>Solvency capital</b>	<b>7 367.2</b>	<b>6 410.2</b>

### Non-Life Group Solvency

The Sampo Non-Life Group's solvency continued to improve, with solvency capital increasing to almost FIM 7.4 billion, and the solvency ratio standing at 212 per cent. Net asset value per share was FIM 410.

### Direct Insurance

The Sampo Non-Life Group's premiums written amounted to almost FIM 4 billion, of which direct insurance accounted for FIM 3 367 million. The most important class of insurance was fire and property insurance together with combined insurance, with premiums written standing at FIM 892 million. Premiums written on workers' compensation insurance amounted to almost FIM 740 million. Premiums written on motor TPL insurance diminished, mainly due to the fall in premium rates, and stood at FIM 463 million. According to advance information, the Group's market share of domestic direct insurance increased to 35 per cent as a result of the purchase of Vahinkovakuutusosakeyhtiö Kansa.

Uncollectable premiums continued to diminish and stood at FIM 35 million.

The value of claims paid by the Group totalled FIM 3 617 million. In particular, there were exceptionally few major fires to be compensated during the year under review. The Group's net claims ratio was 83.7 per cent. The combined ratio fell by 15 per cent to stand at 109.1 per cent.

The parent company Sampo's total premiums written amounted to FIM 1 044 million, of which FIM 1 021 million came from direct insurance. The claims paid by the parent company totalled FIM

1 004 million and the claims ratio for direct insurance was 78.2 per cent.

### Reinsurance

The Non-Life Group's premiums written on reinsurance totalled FIM 620 million. Premiums written on reinsurance accrued from domestic business, to a limited degree from foreign optional property insurance, life reinsurance and reciprocal business. Foreign insurance amounted to FIM 564 million, of which the premiums written on the foreign insurances of Finnish companies amounted to FIM 157 million, showing an increase of 31 per cent. A change in the accounting practice of life reinsurance increased the premiums written by FIM 142 million.

The Non-Life Group's reinsurance companies ST International Insurance Company Limited, Patria Reinsurance Company Limited and Lakewood Insurance Company Ltd (formerly Sampo U.K.) continued the run-off operations relating to the reinsurance portfolio. The procedure chosen for discontinuing liabilities has proved successful. The technical provisions decreased by FIM 600 million compared with the previous year, and stood at FIM 2.1 billion. The Group managed to terminate reinsurance contracts in the amount of FIM 178 million. The strengthening of the Finnish markka reduced the technical provisions by FIM 330 million. Sampo and Industrial Insurance are responsible for a part of the reinsurance cover granted by ST International and Patria.

The Group's total claims paid for reinsurance amounted to FIM 894 million, of which foreign business accounted for FIM 782 million.

## Non-Life Group: Investment Income and Expenses

FIM mill.	Accounts 1994 *	Accounts 1993
Income from interests	353.1	633.4
Income from dividends	73.9	36.9
Income from land and buildings	227.5	230.0
Other direct income	28.1	38.8
<b>Direct income</b>	<b>682.6</b>	<b>939.2</b>
Realised gains on investments	853.3	263.9
Revaluation	–	17.6
Value re-adjustments	52.0	539.9
Exchange profits	30.6	113.8
<b>Extraordinary income</b>	<b>935.9</b>	<b>935.2</b>
<b>Gross income</b>	<b>1 618.4</b>	<b>1 874.4</b>
Interest expenses	182.4	111.6
Expenses for land and buildings	133.5	114.0
Other direct expenses	44.8	25.6
<b>Direct expenses</b>	<b>360.7</b>	<b>251.2</b>
Realised losses on investments	10.7	7.4
Value adjustments	367.3	366.7
Exchange losses	140.0	66.9
Extraordinary expenses	518.0	441.0
<b>Expenses</b>	<b>878.7</b>	<b>692.2</b>
<b>Net investment income</b>	<b>739.8</b>	<b>1 182.2</b>

\* Adjustments relating to differences in exchange rates included as follows: Income from interests, FIM –70.7 million; Income from dividends, FIM 99.8 million; Realised gains and losses on investments, and value adjustments, FIM –53.0 million.

## Non-Life Group: Investment Portfolio

FIM mill.	Accounts 1994	Accounts 1993
Investment portfolio		
Loans	1 069.0	1 291.0
Bonds and debentures	2 598.5	1 649.0
Money market investments	1 442.0	1 841.2
Stocks and shares	3 661.4	2 947.9
Real estate investments	3 338.9	3 469.6
<b>Total book value</b>	<b>12 109.8</b>	<b>11 198.7</b>
Valuation difference		
Bonds and debentures	– 59.0	102.9
Stocks and shares	2 243.7	1 881.4
Real estate investments	834.0	829.5
<b>Total valuation difference</b>	<b>3 018.7</b>	<b>2 813.8</b>

## Investments

In 1994, the Sampo Non-Life Group's net investment income amounted to FIM 740 million. In the previous year, the sum was FIM 1 182 million and had included exceptionally high value re-adjustments totalling FIM 540 million. These resulted from the amendment of the Taxation of Businesses Act. In 1994, value re-adjustments amounted to FIM 52 million.

The result of investments was markedly improved by realised gains on investments amounting to FIM 853 million, the major part of them from shares. Trading in shares was active and, together with favourable exchange rate trends, resulted in the Group's revaluation items increasing to over FIM 3 billion, in spite of the high realised gains on investments. The current value of the Group's stock portfolio was FIM 5 905 million, and its proportion of the entire investment portfolio was 39 per cent.

The fall in interest rates reduced direct income, which stood at FIM 683 million. The fall in direct income was also due to the low demand for client credit. However, the share of interest-bearing instruments of the total investment portfolio remained almost unchanged, because investments in bonds were increased. Money market investments, bonds and debentures and loans account for 33 per cent of the investment portfolio.

Bonds and debentures were entered at acquisition price, as permitted in the instructions issued by the Ministry of Social Affairs and Health. Exchange rate losses totalling FIM 125 million were entered on bonds and debentures in foreign currencies, thus affecting the result. These, as well as the exchange rate differences in money market instruments, were entered as adjustments to income from interest. The negative interest income items, resulting from the entry of exchange rate differences, were entered under interest expenses on investments. The exchange rate differences of shares in foreign currencies were also entered as adjustments to the income and expenses relating to them.

Investments in shares and funds were made to an increasing degree on the international market. At the end of 1994, these investments stood at FIM 221 million.

## Non-Life group: Land and buildings portfolio 1994

FIM mill.	m <sup>2</sup>	Current value	Vacant (%)
Residential buildings	127 244	522	0.8
Office buildings and shops	335 152	2 705	9.9
Industrial buildings	48 019	75	16.7
Others	8 732	646	0.0
<b>Total</b>	<b>519 147</b>	<b>3 948</b>	<b>8.1</b>

That proportion of all investments that comprises land and buildings and real estate shares fell to 28 per cent, since no significant new real estate investments were made during 1994. Some 92 per cent of the real estate was leased on normal-term contracts and in compliance with the current level of rents.

Value adjustments amounting to FIM 200 million were made on quoted shares, FIM 14 million on other share investments, FIM 86 million on land and buildings and shares, and FIM 67

million on the shares of the American affiliated company Home Holdings. The strengthening of the Finnish markka resulted in exchange rate losses amounting to FIM 333 million on foreign investments, and these were compensated through the underwriting result as a reduction in the foreign currency technical provisions and claims paid.

At current value, the investment portfolio of the Sampo Non-Life Group totalled FIM 15.1 billion, of which some 13 per cent was foreign investment.

## Operating Expenses and Personnel

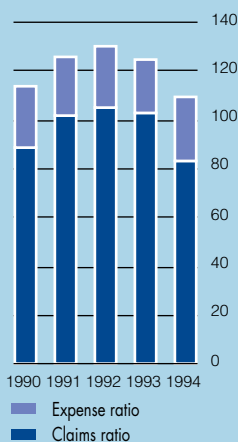
The Non-Life Group employed an average of 2 966 persons in 1994. Disregarding the increase in staff due to the acquisition of Kansa General, the Group's personnel decreased by two per cent from the previous year.

In 1994, the Group's expense ratio was 25.5 per cent, compared with 21.4 per cent in the previous year. In addition to the falling trend in premiums written, the increase in the expense ratio was mainly due to the merger of Kansa General with the Sampo Non-Life Group, the increase in payroll overheads, and the non-recurrent investments relating to corporate reorganisation. The Value Added Tax Act which came into force in June 1994 increased operating expenses by almost FIM 8 million. Insurance services remained outside the scope of this form of taxation, and thus insurance companies are forced to buy the services and goods they need in their tax-free operations at a taxable price, without right of deduction. The Value Added Tax Act allows, however, group registration of insurance companies and companies under their authority with close financial, economic and administrative ties to be considered as one entity for taxation purposes, which means that the sale of basically taxable services supporting insurance operations is tax-free within the group. However, despite this exception, insurance companies still have to pay a 22 per cent tax on insurance premiums.

Continuous change, extensive development projects, the merger of Sampo and Industrial Mutual and the incorporation of Otso Loss of Profits Insurance Company Ltd and Kansa General into the Sampo Non-Life Group have all increased the workload of the personnel and posed a considerable challenge. In 1994, training systems were developed to meet the Group's changed needs, and a complete renewal of the occupational health service was initiated.

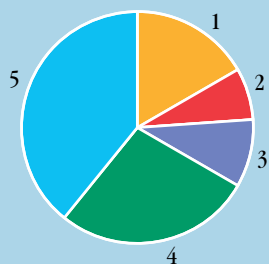
The Group's total expenditure on salaries and commissions amounted to FIM 456 916 242.58, of which the remuneration and commissions paid to

Combined ratio, %



Investments portfolio on Dec. 31, 1994

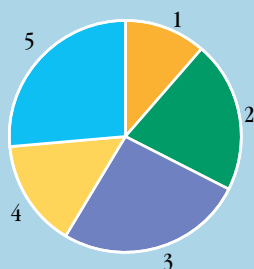
at current values



1. Bonds and debentures 16.5 %
2. Credits 7.2 %
3. Money market investments 9.5 %
4. Land and buildings 27.8 %
5. Shares 39.0 %

**Total FIM 15.1 billion**

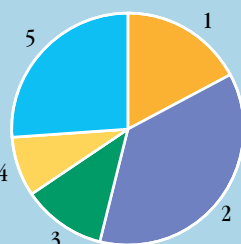
**Personnel by years of service Dec. 1994  
Sampo Non-Life Group**



1.	over 30 yrs	11.4 %
2.	20 – 29 yrs	21.1 %
3.	10 – 19 yrs	26.2 %
4.	6 – 9 yrs	14.8 %
5.	under 6 yrs	26.5 %

**Personnel by education Dec. 1994  
Sampo Non-Life Group**

(permanent personnel)



1.	University	17.3 %
2.	College	36.7 %
3.	Vocational school	11.6 %
4.	Secondary school graduate	8.4 %
5.	Elementary school, intermediate school, comprehensive school	26.0 %

executives and Board members accounted for FIM 8 463 679.37.

The parent company Sampo employed an average of 1 536 persons, their salaries and commissions amounting to FIM 235 340 649.36. Of this sum FIM 2 183 901.82 was paid to executives and Board members.

**Group Composition**

On December 31, 1994, the Sampo Non-Life Group's accounts included the parent company Sampo Insurance Company Limited, and the subsidiaries Industrial Insurance Company Limited, Sampo Enterprise Insurance Company Limited, Otso Loss of Profits Insurance Company Limited, Insurance Company of Finland Limited and Sampo Holdings (UK) Limited, each with its own sub-groups, and Vahinkovakuutusosakeyhtiö Kansa, ST International Insurance Company Limited, Risk Management Limited and 23 housing and real estate companies.

Kansa General became a member of the Group on April 15, 1994, when the share transaction between Sampo and Kansallis-Osake-Pankki was completed. On January 31, 1994, the Kansa Corporation, Kansallis-Osake-Pankki (KOP) and Sampo Insurance Company Limited had signed an agreement stipulating that the shares of

**Other Non-Life Group Companies: Key figures 1994**

FIM mill.	Sampo	Sampo Enterprise	Industrial Insurance	Kansa General (8 1/2 months)	Otso	Insurance Co. of Finland	ST International	Patria
Direct insurance premiums written	1 021.3	845.2	981.8	338.0	145.8	34.6	–	–
Reinsurance premiums written	22.5	27.8	505.0	9.1	137.7	2.1	– 1.3	– 27.4
Claims paid	– 860.2	– 721.3	– 1 239.7	– 326.7	– 163.0	– 34.8	– 3.2	– 26.9
Net investment income	344.7	141.0	264.4	– 49.8	69.9	23.2	– 63.5	– 2.4
Operating expenses	– 350.6	– 189.9	– 140.2	– 143.1	– 34.3	– 7.9	– 10.7	– 10.6
Operating margin before depreciation	172.8	64.5	144.3	– 83.7	59.7	18.7	– 23.0	5.1
Profit before appropriations and taxes	96.7	48.7	141.6	– 96.4	57.7	20.1	– 23.6	5.7
Profit for the financial year	73.4	34.2	98.7	– 96.4	43.7	14.9	– 23.4	5.2

Vahinkovakuutusosakeyhtiö Kansa would first be sold to KOP, on April 14, 1994, and then to Sampo on April 15, 1994. The company's shares were priced at FIM 600 million, of which sum FIM 570 million was paid by a directed issue, by raising the share capital by FIM 30 million. The number of shares increased by 1.5 million to 15.2 million. The impact of Kansa General's business is included in the Group's accounts over a period of eight and a half months.

### Group Administration

The Annual General Meeting on May 17, 1994 confirmed the number of members of the Supervisory Board at 45. Of those members due to step down, Mr Krister Ahlström, Mr Henrik Höglund, Mr Jyrki Juusela, Mr Heimo Karinen, Mr Keijo Ketonen, Mr Erkki Lahtinen, Mr Seppo Lindblom, Mr Carl G. Nordman, Mr Jorma Ollila, Mr Seppo Sipola, Mr Timo Summa and Mr Esa Swanljung were re-elected and Mr Pekka Vennamo was elected as a new member.

There were no changes in the composition of the Board of Directors of Sampo in 1994, its members being Mr Jukka Härmälä (Chairman), Mr Kari O. Sohlberg (Vice Chairman), Mr Georg Ehrnrooth, Mr Ari Heiniö, Mr Jouko K. Leskinen, Mr Thor Björn Lundqvist and Mr Vesa Vainio. The company's auditors are Authorised Public Accountants Mr Jaakko Nyman and Mr Thor Nyroos.

### Significant Events after Closing of the Financial Period

According to a merger agreement signed on March 24, 1995, Vahinkovakuutusosakeyhtiö Kansa will be merged with Sampo Insurance Company Limited, which owns Kansa General's entire share capital. The aim is to carry out the subsidiary merger on December 31, 1995. Before the merger, Kansa General will transfer its corporate insurance portfolio to Sampo Enterprise Insurance Company Limited. The merger agreement and the agreement to transfer part of the insurance portfolio are subject to approval by the Ministry of Social Affairs and Health. The execution of the merger agreement is in addition subject to approval by a court of law. The aim of the arrangement is to improve the Non-Life Group's cost-effectiveness.

It was decided on March 24, 1995 to increase the share capital of Kansa General by FIM 65 million to consolidate the company's solvency.

As the result of a transaction on March 13, 1995, Sampo acquired the entire share capital of Vastuu Reinsurance Company Limited. The Boards of Directors of ST International Insurance Company Limited and Vastuu approved the merger agreement. The parties aim to merge Vastuu with ST International on December 31, 1995.

On January 27, 1995, the Estonian Minister of Finance granted Sampo permission to establish the first all-Finnish insurance company in Estonia. Sampo Kindlustuse AS will concentrate on insuring private households.

### Changes in Legislation

Finland's membership of the EU and being party to the EEA agreement are to have a legislative impact on the insurance industry. On April 1, 1995, Finnish insurance legislation will be brought into line with the Council of European Communities' third directive on non-life insurance, third directive on life insurance and the directive concerning the financial statements of insurance companies.

The laws will apply, for example, the principles of the third insurance directives concerning a single licence and home Member State prudential supervision. This means that a Finnish insurance company is entitled, on the basis of a licence granted in Finland, to practise insurance business within the territory of the European Union, as permitted either by the right of establishment or the freedom to provide services. The Ministry of Social Affairs and Health is the primary controller of Finnish insurance companies, including their foreign operations. Similarly, a foreign insurance company domiciled within the European Union and possessing a licence granted by its home Member State may practise insurance business in Finland. The authority supervising the insurance industry in the company's home Member State is responsible for controlling the company's financial status.

The provisions concerning the calculation and covering of an insurance company's technical provisions will be amended to meet the requirements of the third directives on insurance. An insurance company's entire technical provisions must be covered. The preliminary confirmation of the calculation formulae for the technical provisions and the life insurance tariffs will be dispensed with. However, the preliminary confirmation procedure of statutory employment pension insurance and workers' compensation insurance will be continued. The valuation principles relating to an insurance company's financial statements correspond to the former principles, although the original aim in drafting the law was to begin assessing investments at current value. The acquisition cost and the current value of investments must, however, be entered by balance sheet item as an appendix to the Balance Sheet.

The new Insurance Contracts Act will enter into force on July 1, 1995. The Act tightens insurance companies' obligation to provide insurance applicants with information and further improves the position of the Policyholder in other respects.



## Prospects

The prospects of the Finnish insurance industry in the near future seem relatively bright. Growth in industry continues to be vigorous and is occurring in most other sectors as well. In the private sector, consumer demand is expected to increase. Due to the rapid growth in production, employment has shown signs of improvement, although the unemployment rate is expected to remain high. In addition to high unemployment, the national economy has to cope with the challenge of reducing the growing indebtedness of the Finnish state.

Income from direct insurance can justifiably be expected to take an upward turn. On the other hand, as economic activity picks up, the number of losses may increase, particularly in motor hull and motor TPL insurance and workers compensation insurance.

Uncertainty in the international investment market is reflected on the Finnish capital market. The solvency of Finnish insurance companies rests, however, on a strong foundation. Competitive as they are, they stand comparison well in intensifying international competition.

Redistribution in the savings market during the year under review increased the demand for life insurance markedly. There is, therefore, considerable potential for new business, especially in the life insurance market. By European standards, insurance saving is still at a somewhat low level in Finland.

The Sampo Non-Life Group will maintain its leading market position in 1995. Premiums written on direct insurance are expected to increase, profitability is expected to remain high and solvency excellent. The foreign reinsurance portfolio will continue to be run off according to the currently effective procedure.

Corporate reorganisation within the Sampo Non-Life Group will continue in 1995. Cost-effectiveness will be sought by integrating methods of operation and production systems. The Group's motivated and professional personnel will continue to guarantee a high level of customer satisfaction.

## Proposal of the Board for Distribution of Profit

Sampo Insurance Company Limited's non-restricted shareholders' equity stood at FIM 489 338 548.47, which includes a profit for the period of FIM 73 390 925.46. The Sampo Non-Life Group's non-restricted shareholders' equity was 420 687 013.92. The Board of Directors proposes that a dividend of 20 per cent of the par value, or FIM 4, be paid on the 15 200 000 A and B shares entitled to dividend. The Board of Directors recommends that the company's profit for the year be disposed of as follows:

to be paid in dividends	FIM 60 800 000.00
to be transferred to the contingency fund	FIM 11 600 000.00
to be retained on the closing account	FIM 900 925.46
	<hr/>
	FIM 73 390 925.46

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FIM '000	Notes*	Jan.1 to Dec. 31, 1994	Jan.1 to Dec. 31, 1993
Premiums Written	<b>1</b>		
Direct Insurance		+ 3 366 712	+ 3 120 409
Reinsurance		+ 619 632	+ 574 539
		<hr/>	<hr/>
		+ 3 986 344	+ 3 694 948
Credit Loss on Premiums		- 34 675	- 43 761
		<hr/>	<hr/>
		+ 3 951 669	+ 3 651 187
Investments	<b>2</b>		
Investment Income		+ 1 618 368	+ 1 856 750
Investment Charges		- 878 556	- 692 196
Revaluation		-	+ 17 600
		<hr/>	<hr/>
		+ 739 812	+ 1 182 154
Change in the Gross Provision for Unearned Premiums			
Total Change		+ 34 512	+ 82 583
Portfolio Transfer		-	- 7 035
		<hr/>	<hr/>
		+ 34 512	+ 75 548
<b>Underwriting Income</b>		<b>+ 4 725 993</b>	<b>+ 4 908 889</b>
Claims Incurred			
Claims Paid	<b>3</b>	- 3 617 354	- 3 558 769
Change in the Provision for Claims			
Total Change		+ 394 479	+ 65 185
Portfolio Transfer		-	- 117 696
		<hr/>	<hr/>
		+ 394 479	- 52 511
		<hr/>	<hr/>
		- 3 222 875	- 3 611 280
<b>Underwriting Margin</b>		<b>+ 1 503 118</b>	<b>+ 1 297 609</b>
Reinsurers' Share of			
Premiums Written	<b>1</b>	- 480 790	- 531 643
Change in the Gross Provision for Unearned Premiums		- 7 439	- 18 452
Claims Paid	<b>3</b>	+ 418 657	+ 473 398
Change in the Provision for Claims		- 179 966	- 42 503
		<hr/>	<hr/>
		- 249 538	- 119 200
<b>Underwriting Margin for Own Account</b>		<b>+ 1 253 580</b>	<b>+ 1 178 409</b>
Operating Expenses	<b>4</b>		
Salaries and Commissions		- 446 949	- 394 695
Payroll Overheads		- 171 367	- 143 238
Other Operating Expenses		- 265 240	- 130 963
		<hr/>	<hr/>
		- 883 556	- 668 896
<b>Operating Margin before Depreciation</b>		<b>+ 370 024</b>	<b>+ 509 513</b>

\* Refers to Analyses presented in Appendices, pp. 33 – 46

FIM '000	Notes	Jan. 1 to Dec. 31, 1994	Jan. 1 to Dec. 31, 1993
Depreciation According to Plan	<b>6</b>		
Investments		- 65 640	- 47 665
Fixed Assets		- 107 638	- 106 432
Goodwill		- 39 503	- 3 215
		- 212 781	- 157 312
<b>Operating Margin after Depreciation</b>		<b>+ 157 243</b>	<b>+ 352 201</b>
Other Income	<b>7</b>		
Realised Gains on Fixed Assets		+ 6 740	+ 35 557
Other Income		+ 20 402	+ 18 009
		+ 27 142	+ 53 566
Other Expenses	<b>8</b>		
Realised Losses on Fixed Assets		- 509	- 22 730
Other Expenses		- 1 126	- 13 940
		- 1 635	- 36 670
<b>Profit Prior to Changes in Provisions and Taxes</b>		<b>+ 182 750</b>	<b>+ 369 097</b>
Difference between Booked and Planned Depreciation	<b>6</b>	- 11 241	- 67 642
Provision for Other Risks and Charges			
Credit Loss Reserve		- 12 082	+ 6 676
Housing Reserve		+ 696	- 1 542
Operations Reserve		-	+ 1 879
Depreciation of Bonds		-	+ 24 025
Transition Reserve		+ 6 500	- 29 696
		- 4 886	+ 1 342
Direct Taxes			
Taxes for the Year		- 62 923	- 67 881
Taxes from Previous Years		+ 9 939	+ 150
Transferred to Capital and Reserves		- 10 000	-
		- 62 984	- 67 731
<b>Profit for the Year</b>		<b>+ 103 639</b>	<b>+ 235 066</b>
Minority Interest in the Profit/Loss for the Year		- 3 694	+ 1 500
<b>Non-Life Group, Profit for the Year</b>		<b>+ 99 945</b>	<b>+ 236 566</b>

# CONSOLIDATED BALANCE SHEET

FIM '000	Notes	Dec. 31, 1994	Dec. 31, 1993
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash at Bank and in Hand		992 359	1 238 625
Amounts Due from Reinsurers		1 428 894	1 599 268
Prepayments and Accrued Income		1 052 596	1 103 436
Other Current Assets		1 041 726	977 708
		<b>4 515 575</b>	<b>4 919 037</b>
<b>Investments</b>			
Loans	<b>10</b>	1 068 992	1 290 950
Bonds and Debentures	<b>11, 18</b>	2 598 537	1 649 049
Stocks and Shares	<b>12, 15, 16</b>	3 021 691	2 236 705
Real Estate Shares	<b>16</b>	522 510	534 167
Land and Buildings	<b>16, 18</b>	2 064 091	2 209 503
Other Investments		51 948	109 687
Accumulated Difference between Booked and Planned Depreciation	<b>6</b>	111 602	111 850
		<b>9 439 371</b>	<b>8 141 911</b>
<b>Fixed Assets</b>			
Stocks and Shares	<b>13, 15, 16</b>	639 950	711 184
Real Estate Shares	<b>16</b>	82 653	73 758
Land and Buildings	<b>16, 18</b>	669 607	652 205
Equipment		196 662	162 737
Other Fixed Assets		209 302	157 677
Accumulated Difference between Booked and Planned Depreciation	<b>6</b>	29 056	14 975
		<b>1 827 230</b>	<b>1 772 536</b>
<b>Goodwill</b>		451 824	23 426
<b>Valuation Items</b>			
Capitalised Interest		–	594
			<b>594</b>
		<b>16 234 000</b>	<b>14 857 504</b>

FIM '000	Notes	Dec. 31, 1994	Dec. 31, 1993
<b>LIABILITIES</b>	<b>17</b>		
<b>Current Liabilities</b>			
Amounts Due to Reinsurers		752 657	824 965
Accruals and Deferred Income		422 989	397 887
Other Liabilities		1 030 247	1 355 396
Technical Provisions			
Provision for Unearned Premiums		1 265 947	955 499
Claims Outstanding		9 392 201	8 576 569
		<u>10 658 148</u>	<u>9 532 068</u>
		12 864 041	12 110 316
<b>Untaxed Reserves</b>			
Accumulated Difference between Booked and Planned Depreciation	<b>6</b>	140 658	126 825
Credit Loss Reserve		20 606	8 524
Housing Reserve		20 866	21 562
Transition Reserve		29 864	36 364
		<u>211 994</u>	<u>193 275</u>
<b>Consolidation Reserve</b>		–	25 000
<b>Minority Interest</b>		24 421	23 585
<b>Capital and Reserves</b>	<b>20</b>		
Restricted Shareholders' Equity			
Share Capital	<b>19</b>	310 000	280 000
Reserve Fund		2 182 871	1 642 934
Revaluation Reserve	<b>18</b>	209 388	209 388
Other Restricted Reserves		28	26
Currency Conversion Differences		10 570	55 530
		<u>2 712 857</u>	<u>2 187 878</u>
Non-Restricted Shareholders' Equity			
Security Reserve		69 693	69 693
Other Non-Restricted Equity		251 049	11 191
Profit for the Financial Year		99 945	236 566
		<u>420 687</u>	<u>317 450</u>
		<u>3 133 544</u>	<u>2 505 328</u>
		16 234 000	14 857 504

# PARENT COMPANY PROFIT AND LOSS ACCOUNT

FIM '000	Notes	Jan. 1 to Dec. 31, 1994	Jan. 1 to Dec. 31, 1993
Premiums Written	<b>1</b>		
Direct Insurance		+ 1 021 298	+ 2 093 254
Reinsurance		+ 22 525	+ 53 902
		<hr/>	<hr/>
		+ 1 043 823	+ 2 147 156
Credit Loss on Premiums		- 13 937	- 41 623
Investments	<b>2</b>		
Investment Income		+ 709 365	+ 991 869
Investment Charges		- 364 696	- 529 671
		<hr/>	<hr/>
		+ 344 669	+ 462 198
Change in the Gross Provision for Unearned Premiums		+ 42 544	+ 224 617
Merger		-	+ 225 340
Portfolio Transfer		-	- 417 624
		<hr/>	<hr/>
		+ 42 544	+ 32 333
<b>Underwriting Income</b>		<b>+ 1 417 099</b>	<b>+ 2 600 064</b>
Claims Incurred			
Claims Paid	<b>3</b>	- 1 004 433	- 1 624 506
Change in the Provision for Claims		+ 144 209	+ 964 204
Merger		-	+ 1 860 706
Portfolio Transfer		-	- 2 968 950
		<hr/>	<hr/>
		+ 144 209	- 144 040
		<hr/>	<hr/>
		- 860 224	- 1 768 546
<b>Underwriting Margin</b>		<b>+ 556 875</b>	<b>+ 831 518</b>
Reinsurers' Share of			
Premiums Written	<b>1</b>	- 11 215	- 85 651
Change in the Gross Provision for Unearned Premiums		- 17 179	- 11 263
Merger		-	- 61 385
Portfolio Transfer		-	+ 71 184
		<hr/>	<hr/>
		- 17 179	- 1 464
Claims Paid	<b>3</b>	+ 10 644	+ 38 494
Change in the Provision for Claims		- 15 775	- 32 099
Merger		-	- 105 271
Portfolio Transfer		-	+ 133 018
		<hr/>	<hr/>
		- 15 775	- 4 352
		<hr/>	<hr/>
		- 33 525	- 52 973
<b>Underwriting Margin for Own Account</b>		<b>+ 523 350</b>	<b>+ 778 545</b>

FIM '000	Notes	Jan. 1 to Dec. 31, 1994	Jan. 1 to Dec. 31, 1993
Operating Expenses	<b>4</b>		
Salaries and Commissions		– 227 061	– 296 439
Payroll Overheads		– 94 851	– 106 610
Other Operating Expenses		– 28 658	– 108 712
		<hr/>	<hr/>
		– 350 570	– 511 761
<b>Operating Margin Before Depreciation</b>	<b>5</b>	<b>+ 172 780</b>	<b>+ 266 784</b>
Depreciation According to Plan	<b>6</b>		
Investments		– 20 719	– 25 284
Fixed Assets		– 62 448	– 84 472
		<hr/>	<hr/>
		– 83 167	– 109 756
<b>Operating Margin After Depreciation</b>		<b>+ 89 613</b>	<b>+ 157 028</b>
Other Income	<b>7</b>		
Realised Gains		+ 842	+ 11 111
Other Income		+ 7 783	+ 7 554
		<hr/>	<hr/>
		+8 625	+ 18 665
Other Expenses	<b>8</b>		
Realised Losses		– 443	–
Other Expenses		– 1 112	– 13 910
		<hr/>	<hr/>
		–1 555	– 13 910
Difference between Booked and Planned Depreciation	<b>6</b>	– 2 389	– 58 964
Provision for Other Risks and Charges			
Credit Loss Reserve		– 2 091	–
Transition Reserve		+ 6 191	–
		<hr/>	<hr/>
		+ 4 100	–
Direct Taxes			
Taxes for the Year		– 25 075	– 16 575
Taxes from Previous Years		+ 10 072	+ 214
Transferred to Capital and Reserves		– 10 000	–
		<hr/>	<hr/>
		– 25 003	– 16 361
<b>Profit for the Financial Year</b>		<b>+ 73 391</b>	<b>+ 86 458</b>

# PARENT COMPANY BALANCE SHEET

FIM '000	Notes	Dec. 31, 1994	Dec. 31, 1993
<b>ASSETS</b>	<b>9</b>		
<b>Current Assets</b>			
Cash at Bank and in Hand		66 202	312 590
Amounts Due from Reinsurers			
Provision for Unearned Premiums		159	17 339
Claims Outstanding		38 290	54 064
Deposits Made		4 438	6 174
Sundry Debtors		14 066	11 198
		<hr/>	<hr/>
		56 953	88 775
Prepayments and Accrued Income			
Premiums		327 722	437 478
Accrued Interest Receivable		43 619	46 424
Pensions and Annuities Paid in Advance		7 946	14 963
Other Prepayments and Accrued Income		15 391	37 083
		<hr/>	<hr/>
		394 678	535 948
Other Current Assets			
Sales Prices Receivable		22 424	1 557
Due from Affiliated Companies		135 069	61 112
Short-Term Investments in Securities		168 430	207 245
Other Current Assets		80 178	79 890
		<hr/>	<hr/>
		406 101	349 804
		<hr/>	<hr/>
		923 934	1 287 117
<b>Investments</b>			
Loans	<b>10</b>	682 411	784 716
Bonds and Debentures	<b>11</b>	500 853	493 041
Stocks and Shares	<b>12, 16</b>		
Other than Subsidiary Companies		1 015 983	709 799
Real Estate Shares	<b>16</b>		
Subsidiary Companies		165 844	161 844
Other Companies		538 634	549 247
		<hr/>	<hr/>
		704 478	711 091
Land and Buildings	<b>16, 18</b>	710 504	721 504
Other Investments		45 689	43 797
Accumulated Difference between Booked and Planned Depr.	<b>6</b>	48 493	49 555
		<hr/>	<hr/>
		3 708 411	3 513 503
<b>Fixed Assets</b>			
Stocks and Shares	<b>14, 16</b>		
Subsidiary Companies		1 480 606	943 466
Other Companies		272 035	275 501
		<hr/>	<hr/>
		1 752 641	1 218 967
Real Estate Shares	<b>16</b>		
Subsidiary Companies		11 142	11 142
Other Companies		78 907	71 520
		<hr/>	<hr/>
		90 049	82 662
Land and Buildings	<b>16, 18</b>	306 225	299 235
Equipment		122 713	145 815
Other Fixed Assets		101 424	137 796
Accumulated Difference between Booked and Planned Depr.	<b>6</b>	23 015	19 564
		<hr/>	<hr/>
		2 396 067	1 904 039
		<hr/>	<hr/>
		7 028 412	6 704 659



FIM '000	Notes	Dec. 31, 1994	Dec. 31, 1993
<b>LIABILITIES</b>	<b>9, 17</b>		
<b>Current Liabilities</b>			
Amounts Due to Reinsurers			
Deposits Retained		–	103
Other Liabilities		13 053	7 070
		<u>13 053</u>	<u>7 173</u>
Accruals and Deferred Income			
Premiums Received in Advance		9 201	20 019
Direct Taxes		34 084	26 595
Accrued Annual Holiday Pay		39 769	35 701
Other Accruals and Deferred Income		42 684	76 706
		<u>125 738</u>	<u>159 021</u>
Other Liabilities			
Loans from Pension Fund		332 341	357 356
Transferred Charges Payable		32 492	23 318
Loans		1 564	1 681
Sales Prices Payable		112 107	111 626
Due to Affiliated Companies		13 115	39 238
Other Liabilities		89 603	125 603
		<u>581 222</u>	<u>658 822</u>
Technical Provisions			
Provision for Unearned Premiums		377 114	419 658
Claims Outstanding	<b>5</b>	2 700 913	2 845 122
		<u>3 078 027</u>	<u>3 264 780</u>
		<u>3 798 040</u>	<u>4 089 796</u>
<b>Untaxed Reserves</b>			
Accumulated Difference between Booked and Planned Depreciation	<b>6</b>	71 508	69 119
Credit Loss Reserve		9 000	6 909
Transition Reserve		–	6 191
		<u>80 508</u>	<u>82 219</u>
<b>Capital and Reserves</b>	<b>20</b>		
Restricted Shareholders' Equity			
Share Capital	<b>19</b>	310 000	280 000
Reserve Fund		2 177 892	1 637 892
Revaluation Reserve	<b>18</b>	172 633	172 633
		<u>2 660 525</u>	<u>2 090 525</u>
Non-Restricted Shareholders' Equity			
Security Reserve		69 693	69 693
Contingency Reserve		339 348	284 348
At the Disposal of the Board		797	468
Profit or Loss Brought Forward		6 110	1 152
Profit for the Financial Year		73 391	86 458
		<u>489 339</u>	<u>442 119</u>
		<u>3 149 864</u>	<u>2 532 644</u>
		<u>7 028 412</u>	<u>6 704 659</u>

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

## CONSOLIDATED STATEMENT

FIM '000	1994	1993
<b>SOURCE OF FUNDS</b>		
Operating Margin Before Depreciation *	370 024	491 913
Other Income and Expenses	25 505	16 894
Change in Technical Provisions	1 126 080	3 962 488
Change in Other Current Liabilities	- 364 856	1 467 542
Change in Minority Interests	- 2 857	22 723
Change in Corporate Structure	-	64 397
Change in Consolidation Reserve	- 25 000	25 000
Change in Capital and Reserves	658 542	285 154
	1 787 438	6 336 111
<b>APPLICATION OF FUNDS</b>		
Change in Current Assets	- 403 462	2 281 199
Change in Investments	1 369 791	3 256 444
Change in Fixed Assets	153 047	711 193
Change in Goodwill	467 902	18 915
Change in Revaluation Items	- 594	594
Profit Distribution	200 754	67 766
	1 787 438	6 336 111

## PARENT COMPANY STATEMENT

FIM '000	1994	1993
<b>SOURCE OF FUNDS</b>		
Operating Margin before Depreciation	172 780	266 784
Other Income and Expenses	7 070	4 755
Change in Technical Provisions	- 186 753	- 1 188 822
Change in Other Current Liabilities	- 97 502	20 229
Change in Corporate Structure	-	13 100
Change in Capital and Reserves	572 500	295 763
	468 095	- 588 191
<b>APPLICATION OF FUNDS</b>		
Change in Current Assets	- 363 184	- 280 967
Change in Investments	216 035	- 768 584
Change in Fixed Assets	554 070	444 964
Profit Distribution	61 174	16 396
	468 095	- 588 191

\* The effect of revaluation has been eliminated from the operating margin before depreciation.

# APPENDICES

## ACCOUNTING PRINCIPLES

*Finnish insurance companies' accounting and final accounts are regulated by the Accounting Act, the Limited Companies Act, and the Insurance Companies Act as well as by the instructions and regulations issued by the Ministry of Social Affairs and Health, the authority supervising the insurance business. Furthermore, the rules and recommendations of the Helsinki Stock Exchange are applied to public companies.*

*The change in accounting legislation that came into effect at the beginning of 1993 will be applied in insurance companies for the first time in the accounting period that ends on December 31, 1995.*

*The Profit and Loss Accounts, Balance Sheets, Statements of Changes in Financial Position and related appendices have been presented in accordance with the instructions given by the Ministry of Social Affairs and Health.*

### **Sampo Non-Life Group Accounts**

*The Non-Life Group Accounts comprise, in addition to Sampo Insurance Company Limited, all subsidiaries it owns either directly or indirectly. The Non-Life Group companies have been presented in the Report by the Board of Directors.*

*The Non-Life Group Accounts have been drawn up as a compilation of the parent company and subsidiary companies' Profit and Loss Accounts and Balance Sheets. Inter-company income and expenses, internal profits, internal realised gains and losses, inter-group profit sharing, inter-company receivables and liabilities and shareholdings have been eliminated. Minority interests in the subsidiaries' Profit/Loss for the Period and Capital and Reserves have been entered as separate items on the Profit and Loss Account and Balance Sheet.*

*Vabinkovakuutusosakeyhtiö Kansa has been added to the Non-Life Group's Consolidated Accounts for the period April 15 - December 31, 1994, since subsidiaries are added to the consolidated accounts as from the acquisition date.*

*Cross-shareholdings have been eliminated by the acquisition cost method. The major part of the difference between the subsidiary shares' acquisition cost and the companies' capital and reserves at the time of the acquisition has been presented in the Balance Sheet as an unallocated goodwill. Depreciation on the proportion of the goodwill caused by the equalisation amount is made at the same*

*rate that the equalisation amount at the subsidiary's acquisition date will possibly be decreased later. Depreciation on the rest is made on a straight-line basis over a ten-year period. Part of the goodwill has been allocated to the subsidiaries' assets, land and buildings, and investment shares, within the limits permitted by their current values. Depreciation according to plan is made annually on the proportion allocated to buildings based on their average useful life.*

*The companies of the Industrial Mutual Insurance Company group, which became a part of the Sampo Non-Life Group in the merger of December 31, 1993, have been combined with the 1993 Consolidated Accounts in accordance with the pooling procedure. The Consolidated Profit and Loss Account also comprises that part of Olso Loss of Profits Insurance Company's and its subsidiaries' Profit and Loss Accounts for the year which correspond to the holding.*

*Before integration, the accounts of the overseas subsidiaries have been modified to correspond to the structure used in the Parent Company's accounts. Their closing figures have been translated into Finnish markka at the average rate of the Bank of Finland on the date of closing the accounts. The currency conversion differences resulting from changes in the exchange rates, which have arisen from the elimination of cross-shareholdings, have been entered separately under Restricted Shareholders' Equity, since all overseas subsidiaries have been founded by the parent company.*

*The 40 % share held by Teva Holding B.V., a wholly owned subsidiary, in the Dutch insurance company Hansa Industrial Insurance N.V.'s profits for the period and the preceding periods have been recorded in the Non-Life Group accounts.*

### **Associated Companies**

*In accordance with the accounting standards valid till the end of 1994, associated companies are not consolidated in the Consolidated Accounts, but dividend earned is entered as income in the Profit and Loss Account, and shareholdings are entered in the Balance Sheet.*

*In calculating the key figures per share, companies in which the Non-Life Group has a 20 – 50 per cent shareholding and vote and which have a significant impact on the results, have been treated as associated companies. The associated companies, the Group's share in their results for*

*the period and in their non-restricted shareholders' equity, as well as dividend earned and value adjustments on shares in associated companies have been presented separately in the Appendices.*

### **Items in Foreign Currency**

*In the Accounts of the Finnish Sampo Non-Life Group companies, the receivables and liabilities in foreign currency have been translated into Finnish markka at the Bank of Finland's average rate on the date of closing the accounts, or according to the forward exchange rate agreement. The interest proportion of the forward exchange rate agreement has been accrued to the validity period of the agreement. Investments in foreign currency have been valued at the exchange rate on the date of acquisition, or at the Bank of Finland's average rate on the date of closing the accounts, where this is lower. Fixed assets have been valued at the exchange rate on the acquisition date.*

*Currency conversion differences relating to insurance business have been entered as adjustments to the income and expenses concerned. Currency conversion differences on bonds and money market instruments have been entered as adjustments to the interest return on the securities concerned. In individual companies, the interest return items that have turned negative because of the allocation of currency conversion differences have been transferred to investment charges. Currency conversion differences on shares have also been entered as adjustments to the related income and expenses. Conversion differences that are due to the cash at bank and in hand and to deposits made, or that were not allocatable as adjustments to income or expense, have been presented as separate exchange profits or losses under investment income and expenses.*

### **Valuation and Matching of Current Assets, Investments, and Fixed Assets**

*Premium receivables and other current assets have been entered in the Balance Sheet at book value or at a lower probable value.*

*In accordance with the possibility introduced in the instructions of the Ministry of Social Affairs and Health, promissory notes classified as investments have been entered in the Balance Sheet at acquisition cost where the devaluation is only due to the fluctuation in the general interest rate level. The difference between the nominal value and the*

acquisition cost of bonds is shown as income from interest. Realised gains and losses on investments have likewise been entered as income from interest. The current value and Balance Sheet book value of bonds and income on interest arising from the difference between the nominal value and acquisition cost of debt instruments, entered as interest receivable, have been presented in the Appendices.

Stocks and shares have been entered in the Balance Sheet either at acquisition cost or at a lower probable value. Shares held as investments have been valued on the average price principle.

Land and buildings have been entered in the Balance Sheet at acquisition cost less depreciation or at a lower probable value. Certain book values of land and buildings include revaluations.

Examples of items capitalised under other long-term liabilities are computer systems crucial to an insurance company's operations and intended for long-term use, and refurbishing of owner-occupied and rented apartments. These have been entered at acquisition cost less depreciation.

Entries on increases and decreases in the book values of investments have been entered in the Balance Sheet. Revaluations have been presented as a separate item in the Profit and Loss Account under Investments. Revaluations have not been made in the 1994 Final Accounts. Value adjustments have been entered as investment expenses and value re-adjustments as investment income. Value re-adjustments have been entered as income up to the original acquisition cost.

Revaluations to fixed assets have been entered in the revaluation reserve incorporated in the restricted shareholders' equity. Value adjustments on non-wearing fixed assets have been entered as investment expenses, and value adjustments on wearing fixed assets as depreciation.

### **Depreciation**

The acquisition cost of depreciable investment and fixed assets has been capitalised, and it will be entered as depreciation under expenses. Depreciations are made according to the depreciation plan. Planned depreciations have been calculated as straight-line depreciations on the original acquisition cost using the following estimated useful lives:

Residential and Business Premises	50–60 years
Industrial Premises and Warehouses	40 years
Technical Equipment in Buildings	15 years
Computer Hardware, Software, Cars	5 years
Furniture and Fixtures	10 years
Other Long-Term Liabilities	10 years

Where essential refurbishing has been carried out, the building's useful life has been reassessed.

Depreciation has also been made on revaluations of depreciable investment assets.

The difference between depreciation entered in the Accounts in accordance with the Taxation of Businesses Act and depreciation according to plan has been presented as a separate item in the Profit and Loss Account before changes in untaxed reserves, and the accumulated depreciation difference is shown in the Balance Sheet under both investments and fixed assets as well as under untaxed reserves.

### **Unrealised Valuation Differences**

The differences between the current values and book values of investments and fixed assets have been presented in the Report by the Board of Directors.

The current values of securities conform to the market quotations on the date of closing the accounts, where such a quotation has been available. Otherwise, the acquisition cost or a lower probable value, e.g. the value based on net asset value, has been used as current value.

The current values of land and buildings and shareholdings in real estate have been determined in accordance with the requirements laid down by the Ministry of Social Affairs and Health, taking into account both income earned from land and buildings and market value.

### **Other Income and Expenses**

Items such as ordinary realised gains and losses from sales of real estate shares, and real estate held as fixed assets, and certain remuneration items have been entered under other income and expenses. Extraordinary items include e.g. realised gains and losses on fixed assets' shareholdings in subsidiaries.

### **Untaxed Reserves**

The regulations concerning Finnish accounting and taxation allow certain untaxed reserves affecting profit and tax to be made. The most impor-

tant of these is the credit loss reserve. The total credit loss reserve may not be more than one per cent of an insurance company's combined receivables excluding premiums receivable, or the verifiable or greater probable amount of credit losses.

### **Direct Taxes**

Taxes for the year have been presented separately from previous years' Taxes in the Profit and Loss Account. Taxes for the year have been presented in a way that corresponds to the accrual basis, i.e. allocated to the accounting period. Furthermore, taxes for the year include any taxes paid at source on income from foreign securities.

Avoir fiscal tax credit from dividend earned has been entered as a dividend-like item under investment income. Dividends, guarantee capital interests and avoir fiscal tax credit are entered in the accounting period during which the decision on the distribution of profit has been made. However, avoir fiscal tax credit sums exceeding the amount of the income tax for the year will not be entered, unless it is probable that the credit left unused can be used when income taxes for the future accounting periods are calculated. Avoir fiscal tax credit based on inter-group profit sharing has been eliminated from the Non-Life Group's Profit and Loss Account by deducting it from the direct taxes for the year.

### **Pension Schemes**

For those employed by the Sampo Non-Life Group's Finnish companies, statutory pension cover has been arranged in accordance with the Employees' Pensions Act, TEL.

Additional pension cover for those who have joined Sampo before 1982 was arranged by the pension fund until the end of 1991. It is now provided for those already retired by an optional pension insurance, and by a supplementary TEL policy for the others. Also for those employed by Industrial Insurance Ltd, Patria Reinsurance Company Ltd, Insurance Company of Finland Ltd, and Olso Loss of Profits Insurance Company Ltd, additional pension cover is provided by a pension insurance company.

Pension insurance premiums have been entered in the Profit and Loss Account on the accrual basis.

Pension liabilities payable from the Non-Life Group companies' assets have been presented in the Appendices.

# METHODS OF CALCULATION FOR THE KEY FIGURES

Methods of calculation applicable to the insurance industry have been compiled in collaboration with the Helsinki Stock Exchange and the Finnish Bank Inspectorate.

## Turnover

Premiums written – credit loss on premiums + gross investment income excl. revaluation

## Net premiums written

Premiums written – reinsurers' share of premiums written

## Earned premiums, net of reinsurance

Premiums written – reinsurers' share of premiums written +/- change in the gross provision for unearned premiums +/- reinsurers' share of change in the gross provision for unearned premiums

## Claims incurred, net of reinsurance

Claims paid – reinsurers' share of claims paid +/- change in the provision for claims, excl. change in equalisation amount +/- reinsurers' share of change in the provision for claims

## Adjusted net investment income

Net investment income excluding revaluations and interest and investment charges on long-term current liabilities

## Total revenue

Earned premiums, net of reinsurance – credit loss on premiums +/- change in motor insurance buffer reserve + adjusted net investment income

## Net underwriting result

Earned premiums, net of reinsurance – credit loss on premiums +/- change in motor insurance buffer reserve – claims incurred, net of reinsurance

## Technical underwriting result, net

Earned premiums, net of reinsurance – credit loss on premiums – claims incurred, net of reinsurance – operating expenses

## Unequalised result

Operating margin before depreciation +/- change in equalisation amount – revaluation of investments

## Operating profit

Operating margin before depreciation on the Profit and Loss Account excluding change in equalisation provision, revaluation of investments and interest and investment charges on long-term current liabilities +/- other ordinary income and expenses – depreciation according to plan

## Result before extraordinary items

Operating profit +/- change in equalisation provision + revaluation of investments – interest and investment charges on long-term current liabilities

## Result before appropriations and taxes

Result before extraordinary items + extraordinary income – extraordinary expenses

## Return on equity (ROE), % at current values

(Result before extraordinary items - taxes + revaluation of fixed assets +/- change in revaluation items)  $\times 100$   
Average of (capital and reserves – pensions liability not covered + minority interest + untaxed reserves, including accumulated depreciation difference + revaluation items – accumulated depreciation difference on land and buildings)

## Solvency capital

Capital and reserves - pensions liability not covered + minority interest + untaxed reserves, including accumulated depreciation difference + equalisation provision + revaluation items – accumulated depreciation difference on land and buildings

## Return on invested capital (ROI), % at current values

(Result before extraordinary items excluding change in equalisation provision + interest and investment expenses on long-term current liabilities + revaluation of fixed assets +/- change in revaluation items)  $\times 100$   
Average of (total on Balance Sheet – interest-free liabilities + revaluation items – accumulated depreciation difference on land and buildings)

## Equity/assets ratio, % at current values

(Capital and reserves – pensions liability not covered + minority interest + untaxed reserves, including accumulated depreciation difference + revaluation items – accumulated depreciation difference on land and buildings)  $\times 100$   
(Total on Balance Sheet + revaluation items – accumulated depreciation difference on land and buildings)

## Claims paid/premiums written ratio, net, %

(Claims paid – reinsurers' share of claims paid)  $\times 100$   
(Premiums written - reinsurers' share of premiums written – credit loss on premiums)

## Claims ratio, net, %

Claims incurred, net of reinsurance  $\times 100$   
(Earned premiums, net of reinsurance – credit loss on premiums +/- change in motor insurance buffer reserve)

## Expense ratio

(Operating expenses – extraordinary sales)  $\times 100$   
(Net premiums written – credit loss on premiums)

## Combined ratio, %

Claims ratio + expense ratio

## Trading ratio, %

(Claims incurred, net of reinsurance + operating expenses – extraordinary sales)  $\times 100$   
Total revenue

## Technical provisions ratio, %

Technical provisions, net, including equalisation amount  $\times 100$   
(Net premiums written – credit loss on premiums)

## Solvency ratio, %

Solvency capital  $\times 100$   
(Net premiums written – credit loss on premiums)

Average = average of figures at the beginning and end of the accounting period

# METHODS OF CALCULATION FOR THE SHARE PERFORMANCE KEY FIGURES

## Earnings per share

(Result before extraordinary items – taxes for the accounting period – minority interest in the profit for the period + share in associated companies' result – dividends from associated companies + depreciation on shares of associated companies)

Adjusted average number of shares during the period

## Operating profit per share

Operating profit

Adjusted average number of shares during the period

## Net asset value per share

(Capital and reserves – pensions liability not covered + untaxed reserves including accumulated depreciation difference + revaluation items – accumulated depreciation difference on capital and reserves)

Adjusted number of shares at end of the period

## Capital and reserves per share

(Capital and reserves + untaxed reserves including accumulated depreciation difference – pensions liability not covered)

Adjusted number of shares at the end of the period

## Adjusted dividend per share

Dividend for the period

Adjusted number of shares at end of the period

## Dividend/earnings, %

Dividend for the period x 100

Earnings as in 'earnings/share'

## Effective dividend yield

Dividend/share x 100

Adjusted closing share price on Dec. 31

## P/E ratio

Adjusted closing share price on Dec. 31

Earnings/share

## Market capitalisation

Number of shares on Dec. 31 x closing share price on Dec. 31

## Relative share trading volume

Number of shares sold through

the Helsinki Stock Exchange x 100

Adjusted average number of shares during the period

# SAMPO NON-LIFE GROUP KEY FIGURES

		1990	1991	1992	1993	1994
<b>Key figures pertaining to the result and profitability of the accounting period</b>						
Gross Premiums Written	FIM mill.	2 577.7	2 657.0	2 313.7	3 694.9	3 986.3
Turnover	FIM mill.	3 321.0	3 472.2	3 115.9	5 507.9	5 570.0
Total Revenue	FIM mill.	2 559.4	2 801.5	2 436.3	4 374.4	4 388.4
Net Underwriting Result	FIM mill.	256.2	- 42.7	- 102.8	- 98.9	587.6
Adjusted Net Investment Income	FIM mill.	226.8	347.1	272.1	1 227.8	791.0
Net Technical Underwriting Result	FIM mill.	- 282.4	- 583.6	- 517.4	- 737.8	- 395.4
Net Technical Underwriting Result/Earned Premiums, Net of Reinsurance	%	- 11.7	- 22.9	- 22.1	- 22.9	- 11.2
Unequalised Result	FIM mill.	- 72.3	- 257.0	- 270.9	426.8	344.4
Operating Profit	FIM mill.	- 207.8	- 371.3	- 480.3	320.7	301.4
Operating Profit/Total Revenue	%	- 8.1	- 13.3	- 19.7	7.3	6.9
Profit before Extraordinary Items	FIM mill.	28.7	- 244.3	- 58.9	370.2	176.5
Profit before Extraordinary Items/Total Revenue	%	1.1	- 8.7	- 2.4	8.5	4.0
Profit before Appropriations and Taxes	FIM mill.	28.7	- 229.4	- 107.7	369.1	182.7
Profit before Appropriations and Taxes/Total Revenue	%	1.1	- 8.2	- 4.4	8.4	4.2
Return on Equity (ROE) at current values	%	- 32.5	- 12.0	- 10.1	34.8	5.5
Return on Invested Capital (ROI) at current values	%	- 12.7	- 5.0	- 4.0	12.5	3.0

## Key figures pertaining to solvency

Equity/Assets Ratio at current values	%	35.2	30.5	27.8	30.8	32.7
Technical Provisions Ratio	%	198.6	210.9	244.6	275.0	285.5
Solvency Ratio	%	157.3	134.7	140.0	205.5	212.3
Solvency capital	FIM mill.	3 797.7	3 344.3	2 970.8	6 410.2	7 367.3

## Key figures pertaining to underwriting efficiency

Average No. of Personnel		2 365	2 351	2 225	2 642	2 966
Claims Paid/Premiums Written, Net	%	74.1	79.5	97.7	98.9	92.2
Claims Ratio, Net	%	89.0	101.7	104.8	103.1	83.7
Expense Ratio	%	25.1	24.0	25.6	21.4	25.5
Combined Ratio	%	114.1	125.7	130.3	124.6	109.1
Trading Ratio	%	104.8	110.4	115.3	89.5	88.7

SAMPO NON-LIFE GROUP KEY FIGURES (CONTINUED)

		1990	1991	1992	1993	1994
<b>Share performance key figures</b>						
<b>A Shares</b>						
Earnings per share	FIM	0.10	- 29.58	- 8.75	25.52	9.24
Operating profit per share	FIM	- 23.08	- 41.26	- 53.37	23.41	19.83
Net asset value per share	FIM	349	313	285	393	410
Capital and reserves per share	FIM	245	214	223	197	220
Adjusted dividend per share	FIM	2.60	-	-	4.00	4.00 <sup>)</sup>
Dividend/share	FIM	2.60	-	-	4.00	4.00 <sup>)</sup>
Dividend/earnings	%	2 710.9	-	-	10.3	43.30 <sup>)</sup>
Effective dividend yield	%	0.7	-	-	1.4	1.9 <sup>)</sup>
P/E ratio		3 857.8	- 5.1	- 12.6	11.5	23.3
Taxable value	FIM	245	114	77	200	150
Par value	FIM	20	20	20	20	20
Market capitalisation, Dec. 31	FIM mill.	3 330	1 368	990	4 028	3 268
No. of shares, Dec. 31	'000	8 940	8 940	8 940	13 640	15 140
Adjusted no. of shares, Dec. 31	'000	8 940	8 940	8 940	13 640	15 140
Adjusted average no. of shares	'000	8 940	8 940	8 940	13 640	15 140
Share trading volume during the period	'000	427	265	135	995	2 717
Relative share trading volume	%	4.7	2.9	1.5	7.3	17.9
Quotation of Sampo Shares:						
Adjusted average exchange value	FIM	402	338	114	238	282
Adjusted maximum exchange value	FIM	430	370	185	305	400
Adjusted minimum exchange value	FIM	310	145	40	105	203
Adjusted closing share price	FIM	370	152	110	294	215
<b>B Shares</b>						
Par value	FIM	20	20	20	20	20
No. of shares, Dec. 31	'000	60	60	60	60	60
Dividend per share	FIM	2.60	-	-	4.00	4.00 <sup>)</sup>
Average no. of shares	'000	60	60	60	60	60

## SAMPO INSURANCE COMPANY LIMITED KEY FIGURES

Claims Paid/Premiums Written Ratio, Net	%	65.8	68.5	80.2	78.5	97.6
Claims Ratio, Net	%	84.5	89.5	90.0	83.7	84.0
Claims Ratio, Net, for Direct Insurance Retained	%	82.7	80.1	79.4	73.7	78.3

<sup>)</sup> The Board's proposal to the Annual General Meeting. There are 15.2 million shares entitling to dividend payable for the financial year 1994.



# ANALYSES

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>1 PREMIUMS WRITTEN</b>				
Direct Insurance				
Statutory Workers Compensation Insurance	739 006	684 474	44 719	406 548
Non-statutory Accident and Sickness Insurance	185 662	147 083	85 492	114 132
Motor Third Party Liability Insurance	462 507	485 936	269 366	430 242
Motor Vehicle Insurance	469 650	428 043	267 644	373 477
Marine Hull Insurance	116 450	130 606	14 741	21 994
Cargo Insurance	136 698	138 466	8 382	66 044
Fire and Other Property Insurance	892 444	773 328	313 381	571 641
Loss of Profits Insurance	147 586	124 697	230	4 696
Liability Insurance	126 482	120 234	7 671	58 788
Credit Insurance	45 101	44 789	8 664	12 022
Other Direct Insurance	45 126	42 753	1 008	33 670
	3 366 712	3 120 409	1 021 298	2 093 254
Reinsurance Assumed				
Domestic Reinsurance				
Premiums Received, Gross	64 863	144 174	23 234	42 283
Commissions Paid	- 9 075	- 24 763	- 8 850	- 9 418
	55 788	119 411	14 384	32 865
Foreign Insurance				
Premiums Received, Gross	718 052	597 988	7 104	22 982
Commissions Paid	- 154 208	- 142 860	1 037	- 1 945
	563 844	455 128	8 141	21 037
Total, Net	619 632	574 539	22 525	53 902
<b>PREMIUMS WRITTEN, NET</b>	<b>3 986 344</b>	<b>3 694 948</b>	<b>1 043 823</b>	<b>2 147 156</b>
<b>REINSURANCE CEDED</b>				
Direct Insurance				
Premiums Paid, Gross	368 309	383 105	13 248	87 976
Commissions Received	- 68 455	- 62 073	- 1 713	- 14 209
	299 854	321 032	11 535	73 767
Reinsurance				
Domestic Reinsurance				
Premiums Paid, Gross	12 166	24 356	- 231	3 503
Commissions Received	- 3 186	- 3 346	59	- 279
	8 980	21 010	- 172	3 224
Foreign Insurance				
Premiums Paid, Gross	212 254	261 203	- 172	11 012
Commissions Received	- 40 298	- 71 602	24	- 2 352
	171 956	189 601	- 148	8 660
Total, Net	180 936	210 611	- 320	11 884
<b>TOTAL REINSURANCE CEDED</b>	<b>480 790</b>	<b>531 643</b>	<b>11 215</b>	<b>85 651</b>

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>PREMIUM TAX AND OTHER TRANSFERRED CHARGES INCLUDED IN PREMIUMS</b>				
Premium Tax	492 022	440 729	206 343	323 136
Fire Brigade Charges	11 774	9 193	3 097	6 088
Traffic Safety Payments	5 033	4 724	2 761	4 325
Industrial Safety Charges	15 244	13 374	780	7 802
Payments under Sec. 58, Occupational Accidents Insurance Act	7 479	2 735	367	1 601
Government Medical Expenses Fee	113 177	89 504	29 500	65 558
	644 729	560 259	242 848	408 510
The following insurance premiums have been collected as accessories of Statutory Workers Compensation Insurance, and rendered to the Central Unemployment Fund and Employees Group Life Assurance Pool.				
Unemployment Insurance	5 629 517	3 995 428	61 749	2 595 049
Employees Group Life Assurance Pool	79 856	59 856	1 561	33 832

## 2 INVESTMENTS

Investment Income				
Interest	353 058	633 440	126 053	318 627
Dividends from Subsidiaries	–	–	68 600	2 250
Other Dividends	58 109	28 905	19 035	11 158
Avoir Fiscal Tax Credit	15 757	8 020	27 880	4 115
Income from Land and Buildings	165 837	161 774	59 855	85 699
Income from Real Estate Shares	61 664	68 227	44 814	60 797
Realised Gains on Investments	853 286	263 874	297 944	117 046
Value re-adjustments	51 981	539 869	49 229	343 479
Exchange Profits	30 559	113 807	11 739	39 629
Other Income	28 117	38 834	4 216	9 069
	1 618 368	1 856 750	709 365	991 869
Investment Charges				
Interest	182 369	111 608	64 398	63 938
Expenses for Land and Buildings	49 713	41 538	23 384	28 589
Property Tax	9 361	6 646	2 864	3 093
Expenses for Real Estate Shares	74 357	65 842	53 085	61 857
Realised Losses on Investments	10 673	7 422	10 596	5 825
Value Adjustments on Investments	367 292	366 699	175 423	343 652
Exchange Losses	139 982	66 871	31 982	18 213
Other Charges	44 809	25 570	2 964	4 504
	878 556	692 196	364 696	529 671
Revaluation				
Revaluation of Investments	–	17 600	–	–
<b>NET INVESTMENT INCOME</b>	<b>739 812</b>	<b>1 182 154</b>	<b>344 669</b>	<b>462 198</b>

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>3 CLAIMS PAID</b>				
Direct Insurance				
Statutory Workers Compensation Insurance	664 555	563 408	82 543	325 159
Non-statutory Accident and Sickness Insurance	125 198	120 268	56 572	92 371
Motor Third Party Liability Insurance	467 323	368 113	277 555	323 382
Motor Vehicle Insurance	337 525	295 586	174 954	245 832
Marine Hull Insurance	158 510	72 295	12 847	35 297
Cargo Insurance	74 843	75 097	4 660	36 811
Fire and Other Property Insurance	562 793	484 254	183 618	339 026
Loss of Profits Insurance	80 170	50 954	106	2 101
Liability Insurance	56 282	53 085	6 078	30 376
Credit Insurance	153 450	61 378	44 427	16 601
Other Direct Insurance	43 153	22 553	16 886	21 439
	2 723 802	2 166 991	860 246	1 468 395
Reinsurance Assumed				
Domestic Business	111 662	103 161	34 628	26 606
Foreign Business	781 890	1 288 617	109 559	129 505
	893 552	1 391 778	144 187	156 111
<b>TOTAL CLAIMS PAID</b>	<b>3 617 354</b>	<b>3 558 769</b>	<b>1 004 433</b>	<b>1 624 506</b>
<b>REINSURANCE CEDED</b>				
Direct Insurance	247 939	144 475	9 890	40 243
Reinsurance	170 718	328 923	754	- 1 749
	418 657	473 398	10 644	38 494

#### 4 SALARIES, COMMISSIONS AND PERSONNEL

Executives	8 464	9 217	2 184	3 709
Other Personnel	448 452	404 306	233 157	302 457
Total	456 916	413 523	235 341	306 166
Shares of Profit have not been paid.				
Average No. of Personnel	2 966	2 642	1 536	2 058

## 5 RESULT OF SAMPO'S INSURANCE BUSINESS RETAINED

	1990	1991	1992	1993	1994
Net Premiums Earned	2 174 489	2 283 179	2 163 194	2 050 750	1 044 036
Net Investment Income, excl. Revaluations	165 915	192 417	- 43 032	462 198	344 669
Claims Incurred (excl. Change in Equalisation Amount)	- 1 781 251	- 1 994 631	- 1 831 346	- 1 697 272	- 945 735
Operating Expenses	- 586 515	- 575 314	- 512 162	- 511 761	- 350 570
<b>UNEQUALISED RESULT</b>	<b>- 27 362</b>	<b>- 94 349</b>	<b>- 223 346</b>	<b>303 915</b>	<b>92 400</b>
Change in Equalisation Provision	- 33 603	128 498	123 018	- 14 786	- 1 327
Change in Motor Insurance Buffer Reserve	- 66 282	- 54 764	- 128 262	- 22 345	81 707
Revaluation of Investments	281 700	-	276 000	-	-
<b>UNDERWRITING RESULT</b> (= Operating Margin before Depreciation as shown in the Profit and Loss Account)	<b>154 453</b>	<b>- 20 615</b>	<b>47 410</b>	<b>266 784</b>	<b>172 780</b>

### OFFICIAL SOLVENCY TREND, SAMPO INSURANCE COMPANY LIMITED

	1990	1991	1992	1993	1994
Equalisation Provision, Dec. 31	654 702	526 204	403 185	270 500	271 827
% of the Full Amount	36.3	26.5	19.2	18.8	18.8

## 6 DEPRECIATION ACCORDING TO PLAN

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>DEPRECIATION DIFFERENCE IN THE PROFIT AND LOSS ACCOUNT</b>				
Investments				
Depreciation According to Plan	65 640	47 665	20 719	25 284
Additional Depreciation	-	- 2 037	-	-
Depreciation Booked	- 72 083	- 72 421	- 20 063	- 45 867
	- 6 443	- 26 793	656	- 20 583
Fixed Assets				
Depreciation According to Plan	107 638	106 432	62 448	84 472
Depreciation Booked	- 112 436	- 147 281	- 65 493	- 122 853
	- 4 798	- 40 849	- 3 045	- 38 381
Goodwill				
Depreciation According to Plan	39 503	3 215	-	-
Depreciation Booked	- 39 503	- 3 215	-	-
	-	-	-	-
<b>TOTAL DEPRECIATION DIFFERENCE</b>	<b>- 11 241</b>	<b>- 67 642</b>	<b>- 2 389</b>	<b>- 58 964</b>

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>ACCUMULATED DEPRECIATION DIFFERENCE ON THE BALANCE SHEET, DEC. 31</b>				
Investments				
Accumulated Depreciation Difference on the Balance Sheet, Jan. 1	111 855	52 361	49 555	58 616
Transfers to/from Fixed Assets	- 6 696	- 6 052	- 406	- 6 052
Group Reorganisation	-	38 748	-	-
Change in Corporate Form	-	-	-	- 23 592
Depreciation Difference in the Profit and Loss Account	6 443	26 793	- 656	20 583
	111 602	111 850	48 493	49 555
Fixed Assets				
Accumulated Depreciation Difference on the Balance Sheet, Jan. 1	14 975	- 31 849	19 564	- 18 464
Transfers to/from Investments	6 696	6 052	406	6 052
Sales	4	3	-	-
Group Reorganisation	-	- 80	-	-
Change in Corporate Structure	-	-	-	- 6 405
Correction on Risk Management	2 583	-	-	-
Depreciation Difference in the Profit and Loss Account	4 798	40 849	3 045	38 381
	29 056	14 975	23 015	19 564
<b>TOTAL ACCUMULATED DEPRECIATION DIFFERENCE</b>	<b>140 658</b>	<b>126 825</b>	<b>71 508</b>	<b>69 119</b>
Land and Buildings	132 529	123 978	67 537	69 115
Equipment and Other Fixed Assets	8 129	2 847	3 971	4
	140 658	126 825	71 508	69 119

## 7 OTHER INCOME

Other Ordinary Income	20 323	18 009	7 783	7 554
Other Extraordinary Income	6 819	35 557	842	11 111
	27 142	53 566	8 625	18 665

## 8 OTHER EXPENSES

Other Ordinary Expenses	1 112	31	1 112	1
Other Extraordinary Expenses	523	36 639	443	13 909
	1 635	36 670	1 555	13 910

## 9 AMOUNTS DUE TO OR FROM SUBSIDIARIES

FIM '000	Parent Company	
	1994	1993
Due from Subsidiaries		
Current Assets		
Due from Reinsurers	1 384	3 185
Prepayments and Accrued Income	–	2 032
Other Current Assets	132 924	60 521
Investments		
Loans	78 891	78 376
	213 199	144 114
Due to Subsidiaries		
Due to Reinsurers	1 969	791
Accruals and Deferred Income	19 049	723
Other Liabilities	8 780	34 215
Provision for Unearned Premiums	2 900	767
Claims Outstanding	403 820	438 251
	436 518	474 747

The Sampo Non-Life Group Companies, Kaleva Mutual Life Insurance Company and Insurance Company Sampo Pension Limited have been treated as affiliated companies on the Balance Sheet.

## 10 LOANS

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
Loans to Executives	2 594	2 416	2 357	2 232
Interest (%)	6.25–9.70	6.50–12.00	6.25–9.70	6.50–12.00
Average Loan Period (years)	10	10	9	10
It has been agreed that the Managing Directors' retirement age should be 60–65, and that of the parent company's Managing Director should be 60.				

## 11 VALUATION OF BONDS

Investments				
Market Value	2 539 746	1 760 378	506 689	536 096
Book Value	2 600 998	1 649 049	500 853	493 041
Capitalised Interest Arising from the Difference between Book and Par Values	– 8 107	– 2 254	166	618
The difference between book value adjusted by capitalised interest and market value is accounted for by revaluation items not booked.				

## 12 SHAREHOLDINGS IN OTHER COMPANIES

Name of Company	Non-Life Group					Parent Company		
	No. of shares	Holding (%)	Votes (%)	Par value FIM '000	Book value FIM '000	Holding (%)	Votes (%)	Book value FIM '000
<b>PUBLIC COMPANIES</b>								
<b>BANKING AND FINANCE</b>								
Kansallis-Osake-Pankki	18 944 186	1.82	1.82	94 721	104 761	1.32	1.32	75 792
Unitas Ltd	11 215 837	2.32	2.45	112 158	136 135	1.59	1.64	93 035
<b>INSURANCE AND INVESTMENTS</b>								
Pohjola Insurance Company Ltd	276 222	0.68	0.14	1 381	12 782	—	—	—
SYP-Invest Oy	218 880	4.15	2.74	4 378	8 829	0.91	0.60	1 485
<b>OTHER SERVICES</b>								
Effjohn Oy Ab	674 111	4.97	6.29	13 482	33 699	—	—	—
Espoon Sähkö Oy	265 000	1.68	1.68	530	13 250	—	—	—
Finnair Oy	2 376 697	3.43	3.43	11 883	47 368	0.75	0.75	12 035
Finnlines Oy	1 188 568	6.20	6.20	11 886	23 618	—	—	—
Kesko Oy	890 300	0.99	0.02	8 903	37 828	0.67	0.02	27 021
Lounais-Suomen Sähkö Oy	43 790	1.63	1.63	438	9 563	—	—	—
Oy Stockmann Ab	682 670	4.74	6.29	13 653	69 283	1.87	3.03	26 260
Tamro-Yhtymä Oy	5 872 830	12.22	12.22	58 728	118 017	8.58	8.58	90 735
<b>METAL INDUSTRY</b>								
Fiskars Oy Ab	226 258	3.83	3.80	4 525	28 998	1.70	1.80	13 037
Metra Oy Ab	1 318 876	4.90	6.22	26 378	136 958	1.14	1.93	36 005
Outokumpu Oy	535 000	0.43	4.30	5 350	44 134	0.14	1.39	14 231
Rautaruukki Oy	1 223 501	1.02	1.02	12 235	46 407	0.53	0.53	24 261
Valmet Oy	222 300	0.52	0.52	4 446	19 167	—	—	—
<b>FORESTRY</b>								
Enso-Gutzeit Oy	3 877 070	1.81	1.76	38 771	119 734	0.55	0.51	47 858
Kymmene Oy	6 154 512	7.51	7.51	123 090	270 972	0.81	0.81	29 369
Metsä-Serla Oy	508 984	1.86	4.93	25 449	66 317	0.12	0.19	5 674
<b>CONGLOMERATES</b>								
Amer-Yhtymä Oy	415 000	1.75	0.19	8 300	34 030	0.59	0.06	11 480
Asko Oy	608 311	8.63	8.63	30 416	121 563	7.62	7.62	115 448
Instrumentarium Oy	235 047	1.17	1.49	2 350	21 913	0.99	1.27	18 626
Oy Nokia Ab	1 903 378	2.54	4.76	38 068	302 634	0.21	0.40	21 958
Oy Partek Ab	2 985 407	7.75	7.75	29 854	142 314	0.70	0.70	16 206
Repola Oy	2 541 570	1.67	1.67	25 416	127 883	0.39	0.39	50 359
Oy Tampella Ab	2 220 000	2.43	2.43	11 100	31 080	—	—	—
<b>OTHER INDUSTRIES</b>								
Aamulehti-yhtymä Oy	181 809	2.64	2.12	1 818	9 161	0.01	0.01	38
Cultor Oy	1 219 803	5.29	6.38	14 638	123 304	0.53	0.54	15 642
Huhtamäki Oy	396 850	1.34	2.50	7 937	35 810	0.34	0.75	7 991
Kemira Oy	550 000	0.46	0.46	5 500	18 700	0.08	0.08	3 400
Raision Tehtaat Oy	101 000	0.83	0.10	1 010	8 082	—	—	—
Tamfelt Oy	423 021	6.41	7.17	4 230	8 175	—	—	—
<b>TOTAL</b>					2 332 469			757 945

Name of Company	Non-Life Group					Parent Company		
	No. of shares	Holding (%)	Votes (%)	Par value FIM '000	Book value FIM '000	Holding (%)	Votes (%)	Book value FIM '000
<b>OTHER COMPANIES</b>								
Alm Brand	71 445	—	—	DKK 7 145	8 575	—	—	—
Avardo Oy	1 015	10.00	10.00	102	4 370	—	—	—
Devoco Oy Ab	7 020	27.00	27.00	7 020	6 554	27.00	27.00	6 554
Innopoli Oy	70 667	7.56	7.56	7 067	4 268	2.85	2.85	1 628
Oy Investa Ab	1 288 050	17.12	17.12	25 761	39 069	—	—	—
Kansalliset Liikekiinteistöt Oy	291	34.73	34.73	291 000	293 568	—	—	—
Lanor Oy	9 026	2.91	2.91	9 026	6 808	2.91	2.91	6 808
Orion-Yhtymä Oy	244 900	0.49	0.04	2 449	20 080	0.21	0.02	4 411
Otava kustannusosakeyhtiö	22 200	1.89	1.89	444	5 994	—	—	—
Polytypos Oy	2 000	20.00	20.00	200	8 064	20.00	20.00	8 064
Oy Radiolinja Ab	987	4.83	0.32	4 935	3 510	1.73	0.12	978
Suomen Riskirahasto Ky I	30	10.00	10.00	3 000	2 775	—	—	—
Suomen Sähköverkko Oy	3 287	5.24	5.24	3 287	7 001	—	—	—
<b>TOTAL</b>					<b>410 636</b>			<b>28 443</b>
<b>TOTAL, OTHER SHAREHOLDINGS</b>					<b>278 586</b>			<b>229 596</b>
<b>TOTAL SHAREHOLDINGS</b>					<b>3 021 691</b>			<b>1 015 983</b>



### 13 NON-LIFE GROUP'S FIXED ASSETS SHAREHOLDINGS IN SUBSIDIARIES AND RELATED HOLDINGS

Name of Company	No. of shares	Holdings (%)	Par value FIM '000	Book value FIM '000
<b>INSURANCE COMPANIES</b>				
Insurance Company Sampo Pension Ltd	1 409	46.97	14 090	14 090
Pension Varma Mutual Insurance Company	5	50.00 *)	5 000	5 060
Hansa Kindlustus	1	20.00	SEK –	6 939
Kaleva Mutual Insurance Company	25 000	50.00 *)	25 000	25 639
Nova Life Insurance Company Ltd	12 500	25.00	12 500	28 750
Teva Re Mutual Insurance Company	100 000	100.00 *)	10 000	75 811
Vastuu Reinsurance Company Ltd	7 700	61.60	770	4 274
TOTAL				160 562

\*) Share of Guarantee Capital

Name of Company	No. of shares	Holdings (%)	Par value FIM '000	Book value FIM '000
<b>OTHER COMPANIES</b>				
Autovahinkokeskus Oy	2 558	35.54	6 395	6 371
Sampo Finance Ltd	800 000	50.00	40 000	75 000
Rahoitusosakeyhtiö Finnovator	24 000	21.05	240	600
Fundamental Invest Oy	125 000	10.00	2 500	5 000
Hansa Industrial Holding B.V.	24 000	40.00	NLG 24 000	50 577
Home Holdings Inc.	1 319 567	5.64	USD 22 433	62 590
Huoneistokeskus Oy	120	30.00	960	420
Industrial-Hansa Reinsurance Management A.B.	50	50.00	SEK 25	17
Kiinteistövarma Oy	685	22.73	69	100
Suomen Oikeuspalvelu	3 400	20.00	340	340
Finnish Loss Survey Ltd	5 000	50.00	5 000	5 012
Trygg-Hansa SPP Holding Ab	288 000	0.34	SEK 2 880	30 150
Unsa Oy	2 267 831	39.91	226 783	226 783
Vahinkopalvelu Oy	360	20.00	108	108
TOTAL				463 067
TOTAL, OTHER SHAREHOLDINGS				16 321
TOTAL SUBSIDIARIES AND RELATED SHAREHOLDINGS				639 950

Name of Company	No. of shares	Holdings (%)	Par value FIM '000	Book value FIM '000
<b>SUBSIDIARIES INCLUDED IN THE NON-LIFE GROUP FINAL ACCOUNTS</b>				
Oy Finnish Captive & Risk Services Ltd	800	80.00	80	80
Oy Haveri Ab	20	100.00	2	9
Oy Imico Insurance Systems	200	100.00	200	1 002
Vahinkovakuutusosakeyhtiö Kansa	4 000 000	100.00	400 000	604 800
Otso Loss of Profits Insurance Company Ltd	900 000	100.00	90 000	120 503
Patria Reinsurance Company Ltd	50 000	100.00	50 000	118 760
Risk Management Ltd	400	100.00	4 000	4 000
Sampo (UK) Holdings Ltd	10 000	100.00	GBP 10	199 576
ST International Insurance Company Ltd	9 000 000	100.00	45 000	86 704
Insurance Company of Finland Ltd	120 000	80.00	12 000	38 750
Industrial Insurance Ltd	500 000	100.00	50 000	249 850
Teva Holding B.V.	24 000	100.00	NLG 24 000	60 020
Sampo Enterprise Insurance Company Ltd	500 000	100.00	50 000	299 900
<b>TOTAL SUBSIDIARIES</b>				<b>1 783 954</b>

#### 14 PARENT COMPANY'S FIXED ASSETS SHAREHOLDINGS IN SUBSIDIARIES AND RELATED HOLDINGS

Name of Company	No. of shares	Holdings (%)	Par value FIM '000	Book value FIM '000
<b>SUBSIDIARIES</b>				
Vahinkovakuutusosakeyhtiö Kansa	4 000 000	100.00	400 000	604 800
Otso Loss of Profits Insurance Company Ltd	810 000	90.00	81 000	70 577
Risk Management Ltd	400	100.00	4 000	4 000
Sampo (UK) Holdings Ltd	6 317	63.17	GBP 63	126 025
ST International Insurance Company Ltd	9 000 000	100.00	45 000	86 704
Insurance Company of Finland Ltd	120 000	80.00	12 000	38 750
Industrial Insurance Ltd	500 000	100.00	50 000	249 850
Sampo Enterprise Insurance Company Ltd	500 000	100.00	50 000	299 900
<b>TOTAL SUBSIDIARIES</b>				<b>1 480 606</b>

Name of Company	No. of shares	Holdings (%)	Par value FIM '000	Book value FIM '000
<b>INSURANCE COMPANIES</b>				
Insurance Company Sampo Pension Ltd	1 409	46.97	14 090	14 090
Kaleva Mutual Insurance Company	15 000	30.00 *)	15 000	15 479
Vastuu Reinsurance Company Ltd	7 700	61.60	770	4 274
<b>TOTAL</b>				<b>33 842</b>
<b>OTHER COMPANIES</b>				
Autovahinkokeskus Oy	1 856	25.78	4 640	4 630
Sampo Finance Ltd	800 000	50.00	40 000	75 000
Fundamental Invest Oy	125 000	10.00	2 500	5 000
Industrial-Hansa Reinsurance Management A.B.	50	50.00	SEK 25	17
Kiinteistövarma Oy	685	22.73	69	100
Suomen Oikeuspalvelu Oy	3 400	20.00	340	340
Finnish Loss Survey Ltd	2 480	24.80	2 480	2 480
Trygg-Hansa SPP Holding Ab	288 000	0.34	SEK 2 880	30 150
Unsa Oy	1 134 103	19.96	113 410	113 410
Vahinkopalvelu Oy	360	20.00	108	108
<b>TOTAL</b>				<b>231 235</b>
<b>TOTAL, OTHER SHAREHOLDINGS</b>				<b>6 957</b>
<b>TOTAL SUBSIDIARIES AND RELATED HOLDINGS</b>				<b>1 752 641</b>

\*) Share of Guarantee Capital

## 15 ASSOCIATED COMPANIES

The following companies have been treated as associated companies in 1994:

Vastuu Reinsurance Company Ltd (61.6 %), Nova Life Insurance Company (25 %), Hansa Kindlustus (42 %), Devoco Oy (27 %), Polytypos Oy (20 %), Rakennus Oy Leo Heinänen (20 %), Autovahinkokeskus Oy (35,54 %), Unsa Oy (39.91 %), Sampo Finance Ltd (50 %), Suomen Oikeuspalvelu Oy (20 %), Finnish Loss Survey Ltd (50 %), Huoneistokeskus Oy (30 %), Rahoitusosakeyhtiö Finnovator (21.05 %), Vahinkopalvelu Oy (20 %) and Kansalliset Liikekiinteistöt Oy (34.73 %)

and in 1993, the following companies:

Vastuu Reinsurance Company Ltd (49.6 %), Nova Life Insurance Company (25 %), Finnish Holdings Ltd (50 %), Hansa Kindlustus (20 %), Devoco Oy Ab (27 %), Polytypos Oy (20 %), Rakennus Oy Leo Heinänen (20 %), Autovahinkokeskus Oy (26.06 %), Unsa Oy (39.91 %), Sampo Finance Ltd (50 %), PSP – Sampo Rahasto – Oy (20 %), Suomen Oikeuspalvelu Oy (20 %), Finnish Loss Survey Ltd (25 %), Huoneistokeskus Oy (30 %) and Rahoitusosakeyhtiö Finnovator (21.05 %)

FIM '000	Non-Life Group	
	1994	1993
Dividends Received from Associated Companies	8 730	1 125
Share of Associated Companies' Profit for the Year	14 564	29 363
Share of Associated Companies' Non-Restricted Equity	37 609	- 5 647
Value Adjustments on Shares in Associated Companies	-	13 365

## 16 TAXABLE VALUE OF LAND AND BUILDINGS, STOCKS AND SHARES

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
<b>Investments</b>				
Stocks and Shares	3 758 202	2 849 974	933 775	742 015
Real Estate Shares	893 046	531 360	533 879	711 091
Land and Buildings	1 011 851	1 316 863	339 063	340 730
	5 663 099	4 698 197	1 806 717	1 793 836
<b>Fixed Assets</b>				
Stocks and Shares	475 938	332 429	1 277 870	753 246
Real Estate Shares	186 877	71 976	76 650	82 662
Land and Buildings	273 863	348 995	128 507	122 306
	936 678	753 400	1 483 027	958 214
<b>TOTAL TAXABLE VALUE</b>	<b>6 599 777</b>	<b>5 451 597</b>	<b>3 289 744</b>	<b>2 752 050</b>

## 17 CONTINGENT LIABILITIES AND PLEDGED ASSETS

FIM '000	Non-Life Group		Parent Company	
	1994	1993	1994	1993
Mortgages for Own Loans	43 930	46 007	1 604	1 684
Pledges against Own Liabilities	485 664	635 210	477 483	380 893
Own Pension Liability	2 796	4 503	2 222	3 423
Collateral against Own Foreign Liabilities	104 850	109 501	—	—
Unamortized Acquisition Cost of Reassurance Deducted from the Provision for Unearned Premiums	58 870	36 958	—	—
Other Own Liabilities	562	—	—	—
Index Option Agreements	9 631	—	—	—
The Sampo Non-Life Group has no other liabilities as specified in the Finnish Insurance Companies Act, Chapter 10, Section 8, Sub-Section 4.				

## 18 REVALUATION AND REVALUATION RESERVE

FIM '000	Non-Life Group		Parent Company	
	Revaluation of Investments	Revaluation Reserve	Revaluation of Investments	Revaluation Reserve
Revaluation, Dec. 31, 1993	400 752	209 388	350 832	172 633
Depreciation on Revaluation of Real Estate held as Investments	— 5 287	—	— 5 284	—
Annulment of Revaluation of Real Estate held as Investment	— 2 000	—	—	—
Decrease in the Revaluation of Bonds Sold	— 7 206	—	—	—
Revaluation, Dec. 31, 1994	386 259	209 388	345 548	172 633

## 19 DISTRIBUTION OF SHARES

	Non-Life Group		Parent Company	
	1994	1993	1994	1993
A Shares	15 140 000	13 640 000	15 140 000	13 640 000
B Shares	60 000	60 000	60 000	60 000
<b>Total No of Shares</b>	<b>15 200 000</b>	<b>13 700 000</b>	<b>15 200 000</b>	<b>13 700 000</b>
Par value/Share (FIM)	20	20	20	20
A Shares held by the Parent Company	—	—	108 727	—
No. of Parent Company A Shares held by the Non-Life Companies	142 711	33 735	—	—

## 20 STATEMENT OF CHANGES IN CAPITAL AND RESERVES, 1994

FIM '000	Non-Life Group 1994	Parent Company 1994
<b>RESTRICTED</b>		
Share Capital, Jan. 1	280 000	280 000
Share Capital Rise	30 000	30 000
Reserve Fund, Jan. 1	1 642 934	1 637 892
Increase Arising from Merger and Change in Group Structure	540 000	540 000
Elimination of Sampo Shares Held by Otso	- 2	-
Other Decrease	- 61	-
Revaluation Reserve, Jan. 1	209 388	172 633
Other Restricted Reserves, Jan. 1	26	-
Increase Arising from Change in Group Structure	2	-
Currency Conversion Differences, Jan. 1 <sup>1)</sup>	55 530	-
Increase	- 44 960	-
	2 712 857	2 660 525
<b>NON-RESTRICTED</b>		
Security Reserve, Jan. 1 = Dec. 31	69 693	69 693
Other Non-Restricted Reserves, Jan. 1	247 757	285 968
Increase	148 675	141 958
Decrease	- 145 383	- 81 671
Profit for the Financial Year	99 945	73 391
	420 687	489 339
	3 133 544	3 149 864

<sup>1)</sup> Currency Conversion Differences arising from eliminating cross-shareholdings have been transferred from revaluation items to restricted shareholders' equity. Data for the comparison year have been changed to correspond to the new practice.

Helsinki, March 24, 1995

### SAMPO INSURANCE COMPANY LIMITED

Board of Directors

*Jukka Härmälä*  
*Chairman*

*Kari O. Soblberg*

*Georg Ehrnrooth*

*Ari Heiniö*

*Thor Björn Lundqvist*

*Vesa Vainio*

*Jouko K. Leskinen*  
*Managing Director*

# AUDITORS' REPORT

## **To the Shareholders of Sampo Insurance Company Limited**

We have audited the books, accounts and administration of Sampo Insurance Company Limited for the financial year 1994. The accounts prepared by the Board of Directors and the Chief Executive Officer comprise the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets and appendices. Based on our audit we express our opinion on these final accounts and on the company's administration.

The undersigned Jaakko Nyman has scrutinised the accounts for the financial year and submitted a separate report thereon.

We have conducted the audit in accordance with accepted auditing standards. These standards require that we plan and perform the audit in order to obtain reasonable assurance as to whether the final accounts are free from material misstatement. The purpose of our audit of the administration has been to see that the Supervisory Board, the Board of Directors and the Chief Executive Officer have complied with the rules of the Insurance Companies Act and the Finnish Companies Act.

In our opinion, the final accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of final accounts in Finland. The final accounts may be adopted and the parent company's Supervisory Board, the Board of Directors and the Chief Executive Officer may be discharged from liability for the year audited by us. The proposal made by the Board of Directors for the treatment of the results is in compliance with Finnish legislation.

We have studied the interim report published during the financial year. In our opinion, the interim report has been prepared in accordance with the relevant regulations.

Turku, April 4, 1995

Thor Nyroos  
Authorised Public Accountant

Jaakko Nyman  
Authorised Public Accountant

# STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has received the Accounts for Sampo Insurance Company Limited for the financial year 1994 together with the consolidated accounts of the Sampo Non-Life Group and the Auditors' Report concerning these. The Supervisory Board has found no cause for criticism on account of the above, and therefore submits the Accounts and the Auditors' Report to the Annual General Meeting and recommends that the Profit and Loss Account and Balance Sheet for Sampo Insurance Company Limited together with the Consolidated Profit and Loss Account and Balance Sheet for the Sampo Non-Life Group be approved and that the proposals for the disposal of the profit for the financial year moved by the Board of Directors be accepted.

Helsinki, April 5, 1995

For the Supervisory Board

Kalevi Numminen



# NON-LIFE GROUP: DIRECT UNDERWRITING RESULT BY CLASS 1990 – 1994

Retained business. No investment income or operating expenses have been allocated to the classes in this calculation.

FIM mill.		Premiums written, gross	Premiums written, net	Change in the provision for un- earned premiums	Claims paid	Change in the provision for claims	Underwriting result, net	Claims ratio, %
STATUTORY WORKERS COMPENSATION INSURANCE	1994	739.0	722.7	39.0	- 661.3	- 78.9	21.6	97.2
	1993	684.5	668.0	1.6	- 559.6	- 10.0	100.1	85.1
	1992	391.6	375.5	0.5	- 306.6	- 53.0	16.3	95.7
	1991	460.2	446.0	2.0	- 299.0	- 124.1	24.9	94.4
	1990	459.4	453.7	0.5	- 291.2	- 125.6	37.4	91.8
VOLUNTARY ACCIDENT INSURANCE	1994	185.7	182.5	13.4	- 125.2	13.0	83.7	57.3
	1993	147.1	145.2	6.0	- 120.0	- 0.3	30.8	79.6
	1992	131.5	130.0	- 0.4	- 99.8	- 0.7	29.1	77.5
	1991	129.5	128.2	3.0	- 92.1	- 3.4	35.7	72.8
	1990	125.5	124.4	- 0.4	- 92.0	- 1.7	30.3	75.5
MOTOR VEHICLE INSURANCE	1994	469.7	466.0	12.0	- 337.5	5.4	145.8	69.5
	1993	428.0	422.2	2.2	- 295.6	1.3	130.1	69.4
	1992	378.6	372.5	9.8	- 275.9	5.3	111.6	70.8
	1991	406.5	401.1	- 10.6	- 276.2	- 5.7	108.6	72.2
	1990	376.3	373.7	3.9	- 283.7	- 7.1	86.8	77.0
MOTOR TPL	1994	462.5	449.6	115.3	- 467.3	- 71.8	25.8	95.4
	1993	485.9	469.4	- 6.7	- 368.1	- 36.1	58.4	87.4
	1992	503.6	484.2	- 107.1	- 365.2	- 5.7	6.2	98.4
	1991	561.8	546.3	- 28.8	- 381.8	- 88.2	47.5	90.8
	1990	593.3	581.4	- 84.2	- 357.3	- 118.1	21.8	95.6
LIABILITY	1994	126.5	108.3	1.8	- 55.8	- 26.2	28.1	74.5
	1993	120.2	99.9	2.1	- 51.5	- 5.3	45.2	55.6
	1992	63.3	56.6	3.7	- 40.7	- 11.8	7.9	87.0
	1991	69.5	66.5	- 1.0	- 35.9	- 11.2	18.5	71.8
	1990	69.2	64.7	0.3	- 36.2	3.3	32.2	50.6
LOSS OF PROFITS	1994	147.6	65.0	- 2.5	- 32.0	7.2	37.6	39.7
	1993	124.7	69.2	- 0.7	- 30.2	- 1.6	36.7	46.4
	1992	3.8	3.7	- 0.2	- 3.0	- 0.2	0.3	91.9
	1991	3.3	3.2	- 0.2	- 1.1	- 0.3	1.6	46.6
	1990	2.8	2.8	- 0.3	- 1.0	- 0.0	1.4	41.7
FIRE AND OTHER PROPERTY INSURANCE	1994	892.4	779.0	4.8	- 501.2	8.2	290.8	62.9
	1993	773.3	639.3	- 0.2	- 421.7	7.7	225.1	64.8
	1992	571.8	503.4	47.3	- 395.8	55.2	210.1	61.8
	1991	573.9	537.4	- 12.4	- 308.2	- 42.0	174.8	66.7
	1990	516.1	469.7	- 14.0	- 296.6	- 26.8	132.2	71.0
GOODS IN TRANSIT (CARGO & HULL)	1994	253.2	190.5	- 1.2	- 120.2	- 21.9	47.2	75.1
	1993	269.0	179.6	- 4.7	- 122.4	- 5.5	47.1	73.1
	1992	89.4	75.6	0.4	- 65.4	10.5	21.1	72.2
	1991	92.9	78.5	0.5	- 62.0	1.0	17.9	77.3
	1990	101.8	89.6	0.8	- 65.1	- 11.6	13.8	84.8
OTHER DIRECT INSURANCE	1994	90.2	63.4	11.7	- 178.3	71.6	- 31.6	142.1
	1993	87.6	62.7	- 0.7	- 53.5	- 0.0	8.4	86.4
	1992	41.1	31.6	- 0.3	- 27.2	- 5.0	- 0.9	103.0
	1991	44.8	37.9	2.0	- 20.9	- 5.2	13.8	65.5
	1990	36.9	28.1	- 2.1	- 19.9	- 1.4	4.7	81.9
DIRECT INSURANCE TOTAL	1994	3 366.7	3 027.0	194.2	- 2 478.7	- 93.4	649.0	79.9
	1993	3 120.4	2 755.6	- 1.1	- 2 022.5	- 49.9	681.9	75.2
	1992	2 174.6	2 033.1	- 46.3	- 1 579.6	- 5.4	401.7	79.8
	1991	2 342.5	2 245.2	- 45.4	- 1 477.2	- 279.1	443.4	79.8
	1990	2 281.2	2 188.1	- 95.5	- 1 443.0	- 289.0	360.6	82.8

Premiums written, net:

Change in the provision for unearned premiums: Premiums written – reinsurer's share of premiums written – credit loss on premiums  
Change in the provision for unearned premiums – reinsurers' share of change in the provision for unearned premiums +/- change in motor insurance buffer reserve

Claims paid: Claims paid – reinsurers' share of claims paid

Change in the provision for claims: Change in the provision for claims excl. change in equalisation amount – reinsurers' share of change in the provision for claims

Net underwriting result: Premiums written, net + change in the provision for unearned premiums – claims paid – change in the provision for claims

Claims ratio, %: (Claims paid + change in the provision for claims)/(premiums written, net + change in the provision for unearned premiums)

# IAS ACCOUNTS STATEMENT

## Result and Capital and Reserves under Finnish and IAS Accounting Practices

FIM '000	1994	1993
<b>Sampo Non-Life Group, Profit/Loss for the Year under Finnish Accounting Practice</b>	<b>99 945</b>	<b>236 566</b>
– Revaluation of Investments	–	– 17 600
+ Decrease in Investment Revaluations	9 206	29 268
+ Decrease in Revaluations caused by Change in Group Structure	–	148 969
+ Depreciation on Revaluation of Real Estate held as Investments	5 287	14 634
+ Revaluation of Investments not Realised	238 119	218 436
– Value Re-adjustments on Investments	– 50 374	– 373 289
+ Taxes Transferred to Capital and Reserves	10 000	–
± Change in the Equalisation Amount	– 25 639	– 65 139
± Change in Depreciation of Bonds	–	– 24 025
± Change in Transition Reserve	– 6 500	29 696
± Depreciation Adjustments to Investments and Fixed Assets	17 924	68 294
± Change in the Voluntary Pension Insurance Liability	1 708	13 269
+ Value Re-adjustments on Shares in Associated Companies	–	13 365
+ Interest on Associated Companies' Profits	21 880	25 439
± Other Adjustments	– 17 602	– 2 968
<b>Result under IAS Accounting Practice</b>	<b>303 954</b>	<b>314 915</b>
<b>Sampo Non-Life Group, Capital and Reserves under Finnish Accounting Practice</b>	<b>3 133 544</b>	<b>2 505 328</b>
– Revaluation of Investments (in 1988 – 1994)	– 386 259	– 400 752
+ Accumulated Revaluation of Investments not Realised	1 622 929	1 384 915
– Accumulated Value Re-adjustments on Investments	– 423 596	– 373 289
+ Equalisation Amount	1 492 930	1 355 661
+ Housing Reserve	20 866	21 562
+ Transition Reserve	29 863	36 363
+ Accumulated Depreciation Adjustments to Investments and Fixed Assets	195 978	166 800
– Voluntary Pension Insurance Liability	– 2 796	– 4 503
+ Value Re-adjustments on Shares in Associated Companies	466	13 365
+ Interest in the Capital and Reserves of Associated Companies	324 905	– 11 825
± Other Adjustments	– 26 392	– 10 173
<b>Capital and Reserves under IAS Accounting Practice</b>	<b>5 982 438</b>	<b>4 683 452</b>

### IAS ACCOUNTING PRINCIPLES

- Equalisation Amount and Untaxed Reserves have been regarded as items under Capital and Reserves.
- Deferred Taxes have been disregarded, on the grounds that it is improbable that such liabilities would be realised within the next three years. Taxes transferred to Capital and Reserves have been added to the Result.
- Revaluations of investments have been entered as deductions against Result and Capital and Reserves.
- Value adjustments on investments not realised and entered in accordance with Finnish accounting practice have been re-entered under Result for the Period and Capital and Reserves. Value re-adjustments have been deducted against Result for the Period and Capital and Reserves.

- In calculating Depreciation According to Plan, interest payable during construction and general rises in construction costs have been included under acquisition costs for land and buildings. Depreciation on buildings located on real estate held as fixed assets and used by Sampo has been re-entered under Result for the Period and Capital and Reserves.
- Undepreciated balance of capitalised cost of non-product-related computer systems has been entered under annual expenditure.
- Voluntary Pension Insurance Liability has been treated as a deduction against Capital and Reserves.
- Companies treated as Associated Companies are presented on page 44.
- Figures relating to non-Finnish Associated Companies have been converted into Finnish markka at the Bank of Finland's average rate on the date of closure of accounts.
- Interest in Associated Companies' Profits and shares in their Capital and Reserves have been calculated by the equity method.

# SPECIAL FEATURES CONCERNING THE ACCOUNTS OF INSURANCE COMPANIES

## Premiums Earned

Premiums Earned are allocated to the appropriate accounting periods by changes in the gross Provision for Unearned Premiums. When the insurance period is not a calendar year, premium is synchronised with time, and that part which does not correspond to the accounting year at hand is transferred to the Provision for Unearned Premiums. The transferred part becomes premiums earned in the following year. Therefore, Premiums Earned for each accounting period are arrived at by deducting the change in the Gross Provision for Unearned Premiums from Premiums Written.

## Claims Incurred

Claims are divided so that compensation paid or payable is reconciled with that accounting year during which the insured event occurred. Division is effected by the change in the Provision for Claims. Compensation payable in the future on the basis of reported and unreported claims occurring during the accounting year is transferred to the Provision for Claims, and compensation paid out during the accounting year on the basis of previous periods' insured events is deducted from the Provision for Claims. The change in the Equalisation Amount included in the Provision for Claims enables the distribution of Claims Incurred during the accounting year to correspond to the average long-term claims ratio (cf. the sections on Technical Provisions, Equalisation Amount and Unequalised Result). Thus Claims Incurred during the accounting year are arrived at by adding to Claims Paid the change in the Provision for Claims.

## Reinsurance Ceded

Insurance companies retain most risks. However, major single events are provided for by reinsurance, i.e. by transferring a part of the risk to other insurers. When Sampo cedes reinsurance, reinsurance ceded is deducted first from the Premiums Earned, and secondly, from Claims Incurred on the Profit and Loss Account when calculating Sampo's result. Thus, Earned Premiums Net of Reinsurance, Claims Incurred Net of Reinsurance and Underwriting Result are obtained. The amounts due to and from reinsurers are shown in the Balance Sheet.

## Investments

The investments of an insurance company must be profitable, secure and liquid. Investments are

valued primarily at acquisition cost or at a lower probable value in the Balance Sheet. Finnish insurance companies have the possibility to make investment revaluations that affect profit. In the Balance Sheet, revaluations of fixed assets are entered in the Revaluation Reserve. Revaluations that affect profit are re-adjusted up to the acquisition price if the current value of investments increases.

## Technical Underwriting Result and Unequalised Result

Technical Underwriting Result is derived by deducting credit loss on premiums, claims incurred (net of reinsurance) and operating expenses from earned premiums (net of reinsurance). The result where incidental fluctuation has not been balanced is termed the Unequalised Result. It is derived by adding the net investment income, excluding revaluations, to the technical underwriting result. When the incidental fluctuation of claims incurred is eliminated from the Unequalised Result by changing the Equalisation Amount, the outcome is the Operating Margin Before Depreciation.

## Technical Provisions and Equalisation Amount

Both the Provision for Unearned Premiums and the Provision for Claims constitute an insurance company's liabilities to the insured and beneficiaries. Together, they are referred to as Technical Provisions.

The Technical Provisions are calculated in accordance with the calculation formulae confirmed by the Ministry of Social Affairs and Health. To balance the incidental fluctuation of claims incurred, an Equalisation Amount is calculated as a part of the Provision for Claims. The Equalisation Amount enables the balancing of the technical underwriting result to correspond to the long-term average claims ratio (= claims incurred to premiums earned). The Equalisation Amount comprises the Equalisation Provision and the Motor Insurance Buffer Reserve.

An upper and lower limit and target zone are calculated for the Equalisation Provision. The lower limit is the calculated minimum requirement for securing the interests of the insured. The upper limit is an amount determined by means of mathematical calculations, up to which the accumulation of the Equalisation Provision is justified in order to improve the company's solvency ratio. Ac-

ording to the instructions of the Ministry of Social Affairs and Health, an actuarially calculated target zone is determined between the upper and lower limits, and the amount of the Equalisation Provision should fall within this zone. The Equalisation Provision Ratio used to measure the solvency of insurance companies is the ratio between the real amount of the Equalisation Provision and the upper limit of the target zone as a percentage. The higher the figure, the better the company's risk-carrying capacity.

As Motor Third Party Liability insurance is a statutory insurance, the insurance company should make no profit or loss on the risk premium in the long term. The accumulated profit and/or loss is balanced by means of the Motor Insurance Buffer Reserve. The change in the Motor Insurance Buffer Reserve enables the premiums earned and claims incurred for the accounting year to be set against each other. In the calculation of key figures, the change in the Buffer Reserve is deducted from premiums earned.

## Special Features Concerning the Finnish Insurance Business

Finnish insurance needs are covered by separate, primarily domestic non-life, life and pension insurance companies. In 1994, there were 52 insurance companies in Finland. More than a half of them are limited liability companies, the rest are mutual. The largest companies have formed groups which can offer all classes of insurance under a mutual marketing name. The total market share of the four biggest insurance groups is over 90 per cent.

Even the statutory lines of business such as private sector employment pension insurance, workers compensation insurance and motor third party liability insurance, as well as the insurance against treatment injury, are managed by private insurance companies. A statutory pension insurance company with its subsidiaries may not be consolidated in the accounts of another insurance company, or other company. Finnish insurance business is supervised primarily by the Insurance Department under the Ministry of Social Affairs and Health, but also by the consumer protection and free competition authorities.

# SUPERVISORY BOARD

**Kalevi Numminen (-95)**

President, CEO  
Imatran Voima Oy  
Chairman

**Krister Ahlström (-97)**

President, CEO  
Ahlström Group  
Vice Chairman

**Pekka Luhtanen (-95)**

Managing Director  
L Fashion Group  
Vice Chairman

**Esa Swanljung (-97)**

President  
Finnish Confederation of Salaried  
Employees (STTK)  
Vice Chairman

**Kalevi Aro (-95)**

President  
Aro-Yhtymä Oy

**Fredrik Björnberg (-96)**

Chairman of the Board  
Myllykoski Oy

**Göran J. Ehrnrooth (-96)**

Chairman  
Fiskars Corporation

**Robert G. Ehrnrooth (-95)**

President, CEO  
Oy Effjohn Ab

**Matti Elovaara (-96)**

President  
Tamro Corporation

**Juhani Forss (-96)**

Managing Director  
Steveco Oy

**Kai Hietarinta (-95)**

Vice Chairman  
Neste Corporation

**Ahti Hirvonen (-95)**

Chairman of the Board  
Unitas Ltd

**Henrik Höglund (-97)**

Group President  
KWH Group Ltd

**Matti Ilmari (-96)**

President  
ABB Oy Group

**Jyrki Juusela (-97)**

Chairman, CEO  
Outokumpu Oy

**Heimo Karinen (-97)**

CEO  
Kemira Group

**Keijo Ketonen (-97)**

Managing Director  
Oy Turun Sanomat

**Antti Lagerroos (-96)**

President, CEO  
Finnlines Ltd

**Erkki Lahtinen (-97)**

Managing Director  
Visuvesi Oy

**Yrjö M. Lehtonen (-95)**

Chairman, CEO  
Santasalo-Jot Ltd

**Juhani Leppä (-95)**

Mayor  
City of Turku

**Seppo Lindblom (-97)**

Chairman, CEO  
Postipankki Ltd

**Curt Lindbom (-96)**

CEO  
Oy Hackman Ab

**Esko Muhonen (-95)**

Managing Director  
Vapo Group

**Pentti Mäki-Hakola (-95)**

Surveyor Councillor

**Berndt Nielsen (-95)**

President, CEO  
Nielsen Group

**Carl G. Nordman (-97)**

Managing Director  
Oy Aga Ab

**Jorma Ollila (-97)**

CEO  
Nokia Group

**Risto Parjanne (-96)**

Mayor  
City of Oulu

**Niilo Pellonmaa (-96)**

CEO  
Veitsiluoto Oy

**Heikki J. Perälä (-96)**

Managing Director  
Tax Payers Association  
of Finland

**Harri Piehl (-96)**

CEO  
Kymmene Corporation

**Kauko Pihlava (-96)**

Licentiate in Law

**Voitto Ranne (-95)**

President  
The Confederation of Unions for  
Academic Professionals in Finland  
(AKAVA)

**Jarmo Rytilahti (-95)**

President  
Asko Oy

**Martin Saarikangas (-96)**

President  
Kvaerner Masa-Yards Inc.

**Seppo Sipola (-97)**

President, CEO  
Asset Management Company  
Arsenal Ltd

**Björn Sprängare (-95)**

Doctor of Forestry

**Timo Summa (-97)**

CEO  
Tampella Corporation

**Matti Sundberg (-95)**

President  
Valmet Corporation

**Seppo Säynäjäkangas (-96)**

Professor  
Polar Electro Oy

**Teppo Taberman (-96)**

Master of Science in Economics

**Christoffer Taxell (-95)**

President, CEO  
Partek Group

**Pirkko Työläjärvi (-96)**

Governor  
Province of Turku and Pori

**Pekka Vennamo (-97)**

President, CEO  
PT Finland Ltd

Year of expiry of office given in  
brackets.

# BOARD OF DIRECTORS AND AUDITORS

## BOARD OF DIRECTORS

Chairman	<b>Jukka Härmälä, 48</b>	B.Sc. (Econ.), Managing Director, Enso-Gutzeit Oy
Vice Chairman	<b>Kari O. Sohlberg, 54</b>	M.B.A., Managing Director, Oy G.W.Sohlberg Ab
	<b>Georg Ehrnrooth, 54</b>	M.Sc. (Engnr), President, Metra Corporation
	<b>Ari Heiniö, 49</b>	M.A. (Law), Managing Director, Oy Stockmann Ab
	<b>Jouko K. Leskinen, 51</b>	M.A. (Law), CEO, Sampo Non-Life Group
	<b>Thor Björn Lundqvist, 53</b>	B.Sc. (Econ.), Managing Director, Rettig Heating Group B.V.
	<b>Vesa Vainio, 52</b>	M.A. (Law), CEO, Unitas Ltd

## AUDITORS

Auditors	<b>Jaakko Nyman</b>	Authorised Public Accountant, M.B.A.
	<b>Thor Nyroos</b>	Authorised Public Accountant, B.Sc. (Econ.)
Deputy Auditors	<b>Pertti Keskinen</b>	Authorised Public Accountant, M.B.A.
	<b>Authorised Public Accountants KPMG Wideri Oy Ab</b>	

# PRIVATE SAMPO AND KANSA GENERAL

*Working as a single entity, Private Sampo and Kansa General have used their combined strength in the year under review to command nearly 30 per cent of the private households insurance market. They now clearly lead the field. Private Sampo pushed up its share of both home and motor vehicle insurances written – in the case of home insurances by more than nine per cent. In spite of the changes experienced by Kansa General, the company's Flexi insurance portfolio remained at almost the same level as that of 1993. Clients are served through the joint regional organisation. This now consists of 85 offices. Kansa General's Flexi service is available in 66 offices.*

Private Sampo serves households, farms and the self-employed. Of the company's 800 000 clients, households account for the vast majority – 730 000; the self-employed for 26 000; and farms for the remaining 28 000. Private Sampo can claim almost 10 per cent of the total market, and about 19 per cent of the private household field.

The client service concept is built on the multichannel service which guarantees availability and on a network of contact people. Clients may at any given time choose the service channel that meets their needs. Their personal contact is responsible for the overall client relationships and for its development.

## 430 000 Sampo Agreements

The outstandingly popular Sampo Agreement enables clients to concentrate all the insurance pro-

### Private Sampo

FIM mill.	1994	1993	Change, %
Premiums Received	1 025.9	1 091.4	- 6.0
Claims Paid	593.7	600.8	- 1.2
Operating Margin	266.5	327.5	- 18.6
No. of Personnel incl. the Regional Organisation	936	947	- 1.2

tection they need in a single agreement, thereby gaining generous premium discounts. Practically a third of all valid service agreements in Finland – 430 000 of them – are Sampo Agreements, fully supported by Private Sampo's comprehensive client service. Clients' staff contacts make certain that the insurance protection of Sampo Agreement holders is updated through the company's annual revision service.

### Independent Security Action

In the year under review, premiums received by Private Sampo fell by six per cent. However, in the principal insurance classes covering home and motor vehicles, the total of premiums received went up in comparison with the previous year, although motor TPL insurance premiums were down by over 19 per cent due to a fall in the rates. But calculated on the basis of the number of policies, the volume of all these classes of insurance saw an increase over the 1993 figures – home insurances by more than nine per cent.

There was a reduction in claims paid, and credit losses fell to less than half of the level set in

1993. The operating margin (measuring the results of Private Sampo's operations) deteriorated year on year. Nevertheless, the company reached its operating margin target.

A drop in the motor TPL rate for the third successive year, together with the 2.5 per cent increase in the number of road accidents during 1994, weakened the profitability of this insurance class. Of particular concern was the increase in claims paid for personal injuries. Regional pricing was applied more extensively in motor vehicle insurance to try to achieve price levels in line with the regional incidence of losses. Claims paid for motor vehicle insurance also went up – as did the number of vehicle-related thefts. In a determined bid to prevent such crimes, Private Sampo award premium discounts to clients who take their own independent security action by using anti-theft systems.

Claims paid on home insurances also increased slightly compared with the previous year. Losses due to crimes continued to rise, but the claims paid out for them took a downward turn. There was, though, a positive trend: losses caused by breakages were down on the 1993 figure; on the other hand, damage resulting from leakages increased markedly. The company will pay increasing attention to loss prevention by attempting to influence the behaviour of its clients – for example, by encouraging them to protect themselves against crime, and to detect leaks without delay.

Sampo Service Unit started operating at the beginning of 1995. It comprises the Organisational Services, Direct Services and the Sampo Call Centre, a national telephone service line. The Unit functions on three fronts. It handles relations with the extensive client organisation network of Private Sampo and Kansa General; it sends out direct marketing offers to organisation members; and it assists offices with their telephone services during busy periods and after office hours.

During 1994, an extensive development project was carried out, which involves describing

the targeted state of the products, operational processes and information systems. At the beginning of 1995, decisions will be taken concerning the phasing of this project and the information system solution that will be used. Implementation of this extensive reform was initiated by a two-year training programme covering all managerial levels.

### 150 000 Households choose Flexi

Kansa General has more than 300 000 household clients, commanding a six per cent share of the total market, and about nine per cent of private households.

The company's operations focus on improving the services it provides for clients belonging to trade unions. Kansa General has a very firm footing in the organisational sector covered by the Central Organisation of Finnish Trade Unions. Co-operation agreements made by the company cover some 600 000 union members.

Kansa General services are provided at the Flexi service points in Sampo's offices. The company also controls a network of 220 part-time insurance negotiators working with portable computers, who form an important distribution channel.

Kansa General's best known product is the Flexi, which is already preferred by no fewer than 150 000 households. The Flexi service can be modified to meet the changing insurance needs of private individuals as well as families. Flexi combines property and personal insurance, and is supplemented by motor vehicle and motor TPL insurances.

### Technical Underwriting on Target

The review year was exceptional for Kansa General. Uncertainty among its clients undoubtedly resulted from the difficulties experienced by Kansa Life Insurance Company Ltd. and Kansa Pension Insurance Company Ltd., and from the lively public discussion they sparked off. But the incorporation of Kansa General into the Sampo Group regained and reinforced client confidence, and the Flexi portfolio remained almost at the level of the previous year.

Kansa General's premiums received fell by 9.8 per cent, mainly because of the drop in the motor TPL rate. Excluding credit insurance, claims paid were at the level of the previous year. The technical underwriting result was satisfactory, operational efficiency improved, and operating expenses went down.

Joint product knowledge training will make it possible to extend the services intended for Kansa General clients to all Sampo offices. During 1994, synergetic benefits were also sought in head office functions.

### Prospects

With the improvement in economic trends and a corresponding fall in unemployment, the purchasing power of households is now recovering. This also acts as a boost to car sales.

Furthermore, client potential is expanding because of the growing numbers of self-employed. On the other hand, the number of farm households is set to decrease through demographic structural changes.

The non-life insurances of private households have not yet been affected by foreign competition,

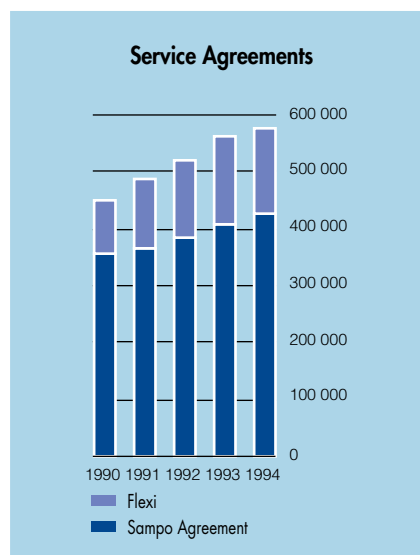
although numerous overseas companies are now registered in Finland. There is bound to be competition in the future concerning insurance prices, new products and the quality of service. Private Sampo has placed particular emphasis recently on increased client satisfaction and cost-effective operations. These will also be the principal goals of the new company unit.

The new Insurance Contracts Act comes into force in July, 1995, with the objectives of improving the position of policyholders and increasing the obligation of insurance companies to provide clients with information. The combined forces of Private Sampo and Kansa General have prepared fully for this change by redesigning the client communication system to give more consideration to the viewpoint of Sampo clients.

### Kansa General

FIM mill.	1990	1991	1992	1993	1994*
Premiums Written	754.0	732.8	698.0	665.5	600.6
Net Investment Income	87.1	55.4	64.5	88.3	- 35.2
Claims Incurred, Net of Reinsurance	175.7	196.3	185.0	163.9	161.8
Change in Equalisation Amount	- 49.0	- 45.1	65.9	154.0	6.6
Operating Expenses	- 243.9	- 248.3	- 241.5	- 267.9	- 202.1
Operating Margin before Depreciation	18.9	3.4	8.0	- 15.7	- 75.4
Technical Provisions	1 464.0	1 547.7	1 810.7	1 830.3	1 378.2
Investment Portfolio at Current Values	1 047.4	1 357.8	1 094.2	1 085.5	1 185.8
Total on Balance Sheet	1 749.6	1 836.6	2 081.3	2 117.2	1 572.6
Capital and Reserves + Untaxed Reserves	213.2	213.7	214.7	192.1	39.4
Average No. of Personnel	116	86	85	86	391

\* Part of to the Non-Life Group as of April 15, 1994



### Board of Directors

Jouko K. Leskinen, CEO, *Chairman*  
 Hannu Kokkonen, Managing Director,  
*Vice Chairman*  
 Martti Jalonen  
 Mikko Mäenpää  
 Guy Wires

# INDUSTRIAL INSURANCE

*Industrial Insurance's first year in the Sampo Group was one of positive development, with improvements over 1993 in the company's operating result, solvency and profitability. Direct insurance and reinsurance underwriting (through portfolio reorganisation) also performed extremely well.*

Industrial Insurance Limited provides services for large and internationalised companies and their key personnel. For over a century it has been the leading innovator in risk management services tailored to clients' needs. In its own client segment, Industrial Insurance is the indisputable market leader.

## **Operating Concept Unchanged**

Industrial Insurance may be new to the Sampo Group, but it has a long and honourable history stretching back 104 years from 1994, its first year as a limited liability company. Its reputation and business concept are, and always have been, based on tried and trusted principles: intimate knowledge of its clients and their operations; expertise in the insurance and risk management sectors; and the maintenance of close and confidential client relationships. These things have not changed despite the change in legal form.

The essential factors in Industrial Insurance's success are the highly developed products and insurance systems the company offers, plus the acknowledged expertise it has gained in loss prevention and flexible claims settlement. It also provides services internationally and in the two official languages of Finland, Finnish and Swedish.

Industrial Insurance is better equipped inside the Sampo Group to furnish an even higher standard of service, and more strongly placed to resist the challenge of international competition. Other benefits have come with Sampo membership: in risk management and investments in particular, the resources of the Non-Life Group have been combined to develop new instruments for client use.

## **Better Results and a Larger Market Share**

During the review year, Industrial Insurance's total of direct insurance premiums written increased, and the company's market share rose correspondingly. This was due primarily to Non-Life Group restructuring: the new division of activities channeled large companies from Sampo to Industrial Insurance and small ones from Industrial Insurance to Sampo Enterprise.

The improvement in both market share and premiums written is also gratifying evidence of the recovery in the Finnish economy. This was further borne out by the significantly better performance of Finland's leading export industries - particularly reflected in the results of cargo and business insur-

ance - and in industrial investments where most of the largest items were insured by Industrial Insurance.

In addition to these conspicuous achievements, Industrial Insurance attracted important new clients from the privatised state-owned companies falling for the first time within the sphere of private insurance. One of these was the former Post and Telecommunications of Finland - privatised as PT Finland Limited - who demonstrated sufficient confidence in Industrial Insurance to select the company as its main insurer.

Industrial Insurance's exclusive Global Programme, the result of intensive product development, was introduced last year. The programme offers companies operating internationally the opportunity to cover their non-life insurance and risk management needs on a global basis.

Although the activities of insurance brokers in the Finnish market increased to some extent, the business they mediated still represented only two per cent or so of the premiums written by Industrial Insurance. On the other hand, the company is actively seeking co-operation with skilled brokers, reflecting its previous international experience in this field.

## **Operating Successes**

In 1994 the premiums written by Industrial Insurance amounted to FIM 1 487 million, no less than 13 per cent up on the previous year. Claims paid (excluding the change in equalisation amount) were FIM 1 213 million, more than 14 per cent down on 1993.

Direct insurance premiums written also went up by 13 per cent, to FIM 982 million. However, this improvement could be laid primarily at the door of the structural reorganisation and the resulting transfer of large company clients from Sampo to Industrial Insurance - although premiums written by Finnish non-life insurance companies in general actually showed a two per cent decrease last year.

By that yardstick, Industrial Insurance still performed at a better than average level in premiums written in the fields of liability and personal insurance in particular, even when those companies ceded to it by Sampo are excluded. In cargo insurance, the portfolio transfer increased both premiums written and claims paid, but the profitability of the class remained good.



An unparalleled catalogue of marine losses led to a decrease in hull insurance premiums written, an increase in claims paid and, overall, a negative result in this class.

The year's most devastating marine loss for Industrial Insurance was without doubt the grounding of the Sally Albatross. The company's share of compensations for that disaster was FIM 92 million, of which FIM 5 million was to be carried by Industrial Insurance itself after deduction of the reinsurers' share.

All in all, though, direct insurance as a whole remained profitable, and despite the small number of extensive exceptions, the trend in non-life insurance losses yielded a positive result.

Reinsurance premiums written – amounting to FIM 505 million – represented an increase of 12 per cent on the 1993 figures. In the case of life reinsurance, a change in the entering method was responsible for growth. If this is excluded, premiums written fell by 20 per cent to FIM 363 million, as a result of portfolio reorganisation. Otherwise, the sector registered a satisfactory outcome.

Finnish clients' foreign insurances and reinsurance from captives are included in the reinsurance figures. Their total premiums written went up by 34 per cent, to FIM 103 million. Claims paid amounted to FIM 22 million, but the overall result of foreign direct insurance business was more than satisfactory.

Industrial Insurance's operating expenses increased, but its expense ratio remained at the very low level of 12.2 per cent. The company's solvency, too, continued to improve, with solvency capital rising from the 1993 level of FIM 1 912 to FIM 2 202. The equalisation provision ratio representing solvency was 191.

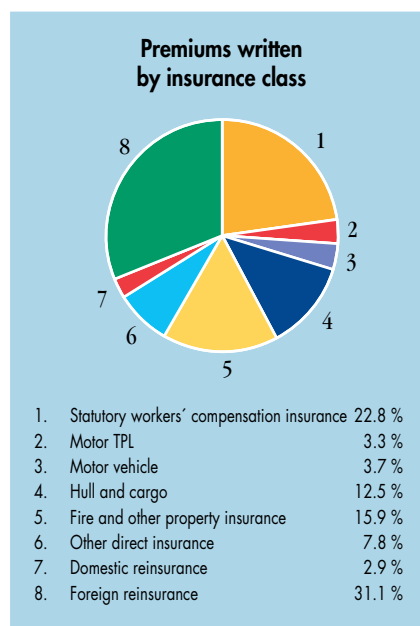
### Prospects

These are undoubtedly bright times for Industrial Insurance, which has been given a solid base for the future by the favourable development of direct insurance and the successful reorganisation of foreign reinsurance. And since loss prevention has always played a special role in the company's client service, Industrial Insurance will continue to invest in its expertise to handle both traditional and new risks.

### Industrial Insurance

FIM mill.	1990	1991	1992	1993	1994
Premiums Written	1 203.2	1 333.5	1 196.0	1 321.4	1 486.8
Turnover	1 614.0	1 714.3	1 552.9	1 872.4	2 031.2
Net Investment Income	225.8	165.4	32.9	263.7	264.4
Claims Incurred	- 1 228.2	- 1 257.1	- 1 283.5	- 1 286.6	- 1 239.7
Technical Underwriting Result	9.0	- 55.1	- 206.2	- 156.1	47.0
Unequalised Result	82.6	- 4.9	- 348.6	- 6.8	171.3
Change in Equalisation Amount	115.3	10.6	- 205.9	- 125.7	26.9
Operating Expenses	118.6	115.1	102.3	114.4	140.2
Operating Margin before Depreciation	0.9	- 15.5	- 70.0	118.9	144.3
Result before Appropriations and Taxes	33.6	- 26.9	- 38.6	104.6	141.6
Technical Provisions	2 749.9	3 106.1	3 382.4	2 086.0	2 695.6
Capital and Reserves + Untaxed Reserves	2 565.7	2 226.1	2 256.8	2 686.7	3 197.7
Investment Portfolio at Current Value	304.0	275.0	252.0	250.2	357.8
Total on Balance Sheet	3 526.8	3 697.8	4 628.0	3 169.3	3 561.9
Average No. of Personnel					
(Industrial Insurance + Finnish Marine)	428	404	390	381	371

In 1990–93, Industrial Mutual. In 1994, Industrial Insurance Company Limited.



### Board of Directors

Jouko K. Leskinen, CEO, *Chairman*  
 Mikko Kivimäki, *Vice Chairman*  
 Jan-Henrik Kulp  
 Björn Mattsson  
 Kurt Nordman  
 Timo Poranen

# SAMPO ENTERPRISE

*The year under review was the first year of Sampo Enterprise as a separate company in the Sampo Non-Life Group. It was a good year from both the technical point of view as an insurance company and in terms of the operating result.*

*Sampo Enterprise achieved a degree of solvency notable by any international standard.*

*Direct insurance premiums written developed as anticipated, but the value represented by claims paid out was larger than it appeared in prospect. However, the operating margin before depreciation and the overall result did correspond to expectation, and profitability was sufficient as judged by the claims ratio.*

Sampo Enterprise's role in the Sampo Non-Life Group is as service provider to Finnish industry and commerce, and their key personnel; to the public sector; and to housing and real estate companies. Sampo Enterprise lists some 56 000 clients. The company is strongest in the public sector, where it commands a 40 per cent market share. In the company insurance field, it serves roughly a quarter of the market. At the beginning of 1994, the company created a Broker Relations Unit to run the business mediated by insurance brokers.

Sampo Enterprise's operating concept is to maintain the closest possible relationship between clients and the company's highly experienced and motivated staff.

The company's service network is divided into nine geographical regions. Each region offers clients a complete package of non-life and life insurance, employment pension insurance and financial services. Every client has a personal Sampo Enterprise contact, and a support group to assist the contact person.

Sampo Enterprise support services assist the regions by developing services, products and tools, providing expert services, and through its control of centralised production tasks. In line with the Group policy of internal activity division, Sampo Enterprise furnishes its own non-life insurance underwriting and claims settlement operations, and buys the other services it needs from the rest of the Group.

## **Clients Trust Sampo Enterprise**

Sampo Enterprise clients supplied a striking demonstration of their trust in the company during the first quarter of last year. During that period, in line with the merger portfolio transfer agreement, existing insurance contracts passing to the newly-created company could be terminated by the client without notice. In fact, Sampo Enterprise's resultant client losses were gratifyingly small.

In April, 1994, the Group acquired Kansa General leading to around 10 000 new clients and 19 insurance professionals joining the nine regions under the service pattern defined by Sampo Enterprise's operating concept.

Company policy is to manage clients' insurance solutions using Sampo Enterprise's own products and information systems. Last year this involved the continuing development of Sampa - the most substantial information systems investment of the past few years - and the introduction of the

new insurance products Transport Sampo, Business Sampo/Entrepreneurs, Real Estate Sampo and the motor vehicle groups of Business Sampo/Companies. The new customer management system for the whole Sampo Group was also taken under the Sampa umbrella.

In the statutory workers compensation insurance transfer business, Sampo Enterprise achieved a commendable net transfer result. Transfer business was exceptionally good in the Helsinki area, but the company also performed well in its traditional strongholds of South Western Finland and Ostrobothnia. Indeed, all client segments showed a similarly successful transfer result.

There were major investments in risk management services. The quantity of expert services rendered by the company now amounts to almost 3 000 man days. Priority areas were the support offered to clients in occupational accident, fire, crime and liability risk management. Special attention has been paid to training employees of client companies whose operations include work subject to fire hazard. Sampo Enterprise also designed new risk management services for companies operating in networks and for those involved in environmental risk management.

Sampo Enterprise and its predecessor, the Business Market Unit, have developed their operations over several years through the in-house personnel training programme, Operating Concept.

## **Living up to Expectation**

Sampo Enterprise's direct non-life insurance premiums written amounted to FIM 845.2 million, and gross premiums written to FIM 873.1 million. This trend in premiums written conformed fully with expectation. At FIM 10 million, credit loss on premiums stayed at a much lower level than was forecast.

Claims incurred in 1994 totalled FIM 721.3 million, including a larger than expected tranche of direct insurance claims. Those claims paid in statutory workers compensation insurance and insurance against treatment injury were also higher than predicted. This, however, was offset by the total paid out on motor vehicle insurance claims, which was lower than expected.

Net investment income amounted to FIM 141 million, with new investment consisting mainly of bonds, debentures and shares.

The emphasis in client financing was on venture or capital investment Unit Trusts. Sampo En-

terprise is a founding shareholder of Finnventure Rahasto II Ky, and has commenced negotiations with Teknoventure Oy on a shareholder and co-operation contract. Sampo Enterprise is also a silent partner in Suomen Riskirahasto I Ky, and, together with the Non-Life Group Investments Unit, has developed a Corporate Finance business which will target the small and medium-sized enterprise sector.

Sampo Enterprise's operating expenses amounted to FIM 189.9 million. At 22.5 per cent, the direct insurance expense ratio was lower than expected.

The company's operating margin before depreciation was FIM 64.5 million, and the result for the financial year was FIM 34.2 million – again in line with expectation. Sampo Enterprise's unequalised result aggregated to FIM 95.3 million – an excellent outcome considering the size of the company.

### Keen Competition

Sampo Enterprise's domestic competitors are known to have new development projects in progress. When these are introduced, competition will undoubtedly become keener, particularly in the small business market. Furthermore, foreign insurance companies are almost certain to step up their activities in Finland. They will probably focus on large and multinational enterprises together with individual insurance classes or client segments. It is anticipated that these companies will approach potential clients using a pattern of direct and cost-effective service. Competition in customer relationship control is also expected to escalate because of the increasing brokerage.

Sampo Enterprise's international operations aim to ensure the provision of competitive risk management, underwriting, and claims settlement services for clients who have themselves set their sights on overseas expansion and internationalisation. In the Nordic and Baltic countries, Sampo Enterprise will either provide these services itself, or actively guide its affiliated companies. Elsewhere in the world, the services will be the responsibility of affiliated companies.

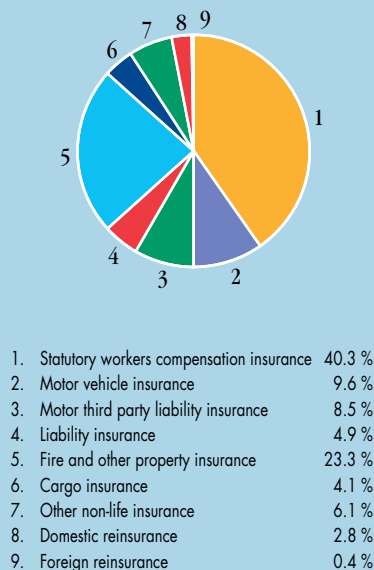
### Sampo Enterprise

FIM mill.	1994
Premiums Written	873.1
Turnover	1 047.5
Net Investment Income	141.0
Claims Incurred	- 721.3
Technical Underwriting Result	- 45.7
Unequalised Result	95.3
Change in Equalisation Amount	- 30.7
Operating Expenses	- 189.9
Operating Margin before Depreciation	64.5
Result before Appropriations and Taxes	48.7
Technical Provisions	1 259.2
Investment Portfolio at Current Values	1 765.0
Capital and Reserves + Untaxed Reserves	361.2
Total on Balance Sheet	1 763.3
Average No. of Personnel	518

### Board of Directors

Jouko K. Leskinen, CEO, *Chairman*  
 Kari Airaksinen, *Vice Chairman*  
 Seppo Hauta-aho  
 Heikki Kyöstilä  
 Vesa Lammela  
 Antti Piippo

Premiums written 1994, FIM mill.



*Otso Loss of Profits Insurance Company Ltd maintained its position as the leading insurance company specialising in interruption insurance. Results all round exceeded expectations, contributing to a most satisfactory accounting year which left Otso's profitability and solvency in excellent health. Despite ceding part of its insurance portfolio at the end of 1993 in the merger reorganisation, the company's gross premiums written in 1994 were at the same level as 1993. On top of these favourable domestic figures, international direct insurance underwriting increased rapidly.*

Otso's domestic clientele reflects the structure of the Finnish economy. For example, an increasing share of premiums written for the forestry industry can be seen as a firm indicator of industrial export recovery. On the other hand, the share of Otso's premiums written fell for commerce, services and domestic manufacturing, an equally sure sign that these sectors are still in recession.

The foreign direct insurance portfolio continues to develop favourably. In addition to Finnish companies' overseas operations, Otso welcomed new clients including foreign companies in the timber, metal and energy industries. The recovery of investments has increased – not only the demand for advance loss of profits insurance, but also that for ordinary fire consequential loss and machinery breakdown insurances.

### Loss of Profits Insurance for Client Safety

Property loss can disrupt a company's daily operations – or in some cases, bring them to a complete halt. If that happens, loss of profits insurance covers the company's income.

Knowing the full extent of a client's risk enables Otso to design appropriate loss of profits cover. Particular attention is paid to the risks involved in modern control systems and logistics. For instance, a lack of intermediate storage and greater use of sub-contractors increases a company's dependence on its operating environment. Furthermore, results can be affected by losses incurred by its principal clients.

Expertise in claims handling and minimising losses is, therefore, an important part of Otso's client service.

Otso also provides a range of technical loss prevention services, such as its Non-destructive Testing service. These services are especially valuable in optimising maintenance, and in minimising those losses that still occur despite every precaution.

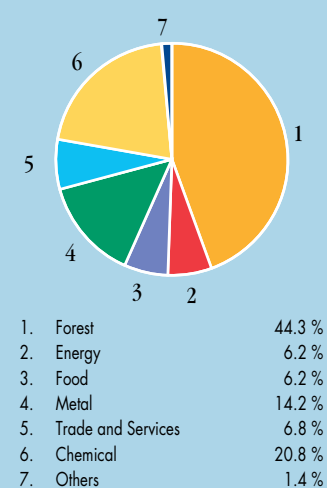
The successful provision of loss of profits insurance demands not only a general acquaintance with various fields, but also specific knowledge of the particular features of individual clients. Consequently, Otso's modus operandi is based on co-operation both with clients and property insurers, enabling Otso's experts to manage a variety of risk situations and ensure fast recovery from losses.

### Successful Adaptation to a New Operating Environment

The year under review was the first spent by Otso as part of the Sampo Non-Life Group. Despite Otso ceding part of its insurance portfolio to Pohjola when its ownership structure changed at the end of 1993, the total of the company's direct insurance premiums written decreased by just 11.2 per cent. However, this decrease was more than matched by a 17.3 per cent increase in direct insurance written. At FIM 283.5 million, gross premiums written stayed at the 1993 level.

This unchanged volume of operations resulted from Otso's successful domestic canvassing and from the continuing recovery of Finnish ex-

Loss of profits insurance premiums written by client industry 1994



### Otso

FIM mill.	1990	1991	1992	1993	1994
Premiums Written	270.5	251.7	246.0	287.2	283.5
Turnover	370.1	373.8	337.0	500.9	384.9
Net Investment Income	77.3	100.8	68.2	193.7	69.9
Claims Incurred	-199.5	-183.3	-235.8	-213.8	-163.0
Technical Underwriting Result	-1.1	-38.9	-44.2	-24.8	26.7
Unequalised Result	76.2	61.9	24.1	168.9	96.6
Change in Equalisation Amount	-32.1	-10.1	-17.1	-24.0	-36.9
Operating Expenses	-43.2	-40.8	-39.9	-39.5	-34.3
Operating Margin before Depreciation	44.1	51.8	7.0	144.9	59.7
Result before Appropriations and Taxes	41.9	49.8	5.6	143.4	58.4
Technical Provisions	625.7	614.3	649.0	594.5	612.2
Investment Portfolio at Current Values	1 017.8	940.0	953.7	1 149.6	1 177.8
Total on Balance Sheet	867.2	896.1	885.2	977.4	927.2
Capital and Reserves + Untaxed Reserves	190.3	194.5	177.6	274.8	217.8
Average No. of Personnel	66	67	67	65	58

# INSURANCE COMPANY OF FINLAND LTD

port industries. In international business, the volume of foreign direct insurance grew rapidly during 1994 compared with the previous year; the lower volume of reciprocal reinsurance business was compensated by the increase in its rate level.

Otso's claims ratios remained at an exceptionally low level, falling below long-term average figures. The claims ratio in gross underwriting at own account amounted to 58.3 per cent. The total equalisation provision increased by 36.9 per cent to FIM 340.9 million at the year-end.

Otso's net investment income for 1994 totalled FIM 69.9 million, and its foreign exchange position was securely in balance.

Magnus Nordling, Otso's Managing Director since 1978, retired on July 31, 1994. The company wishes to thank him for his meritorious efforts over many years for the profit loss insurance business, and for Otso. Veli Kalle Tavakka took over as the new Managing Director on August 1, 1994.

## Operative Result 1994

Otso's gross premiums written brought in FIM 283.5 million in 1994. The company's unequalised result was FIM 96.6 million, and its operating margin before depreciation FIM 59.7 million. Otso's profit for the accounting period after taxes totalled FIM 43.7 million.

Technical provisions amounted to FIM 612.2 million, and the balance sheet total to FIM 927.2 million. At the end of 1994, the current value of Otso's net investment portfolio stood at FIM 1 178 million.

Otso's gross premiums written and operative result thus exceeded the objectives set for 1994.

## Prospects

Otso expects to increase the volume of its operations and its premiums written in 1995, thanks to the improved domestic economic situation (compared to the previous years) and to the development of the company's own international operations. Statistically, the amount of claims paid will increase, too. Otso's solvency and long experience and expertise in the loss of profits insurance business combine to create a solid base for the further development of its customer-oriented operating concept, targeting both present and potential clients.

*The Insurance Company of Finland was another solid performer for the Sampo Group. The Finnish credit insurance market demonstrated positive development on a general operational basis during the review year. At the end of 1994, its working capital showed an increase over the previous year, and stood at a level that was no less than eighteen times the minimum capitalisation required of credit insurance companies operating in the European Economic Area. In addition, an equalisation provision of FIM 27.8 million further consolidates company solvency.*

There was, admittedly, a marked decline in premiums written, but this was mainly caused by the termination of the Central Pension Security Institute's credit insurance treaty. The treaty – which had been highly unprofitable over the past few years – was discontinued at an earlier stage.

On the other hand, claims incurred by the company in 1994 totalled FIM 34.8 million, less than half of the FIM 79.3 million registered in the previous year. And claims paid amounted to FIM 18.8 million, against FIM 60.9 million in 1993.

For the first time in three years, direct insurance claims ratios stayed considerably below the

long-term average. Reinsurance underwriting, however, remained in the red, and even the Insurance Company of Finland's own reinsurers had an unprofitable year.

At the beginning of 1994, responsibility for managing the credit direct insurance business of the whole Sampo Non-Life Group was concentrated in the Insurance Company of Finland. At the same time, 16 experts whose services were previously bought from other Non-Life Group companies became employees of the Insurance Company of Finland itself.

## Insurance Company of Finland

FIM mill.	1990	1991	1992	1993	1994
Premiums Written	36.7	49.9	53.3	38.9	21.4
Turnover	64.5	58.3	63.7	55.9	29.7
Net Investment Income	23.2	7.0	8.5	15.5	5.2
Claims Incurred	- 34.8	- 79.3	- 71.6	- 24.6	- 2.2
Technical Underwriting Result	13.4	- 4.8	7.3	8.1	5.7
Unequalised Result	28.7	- 2.9	11.2	19.4	7.5
Change in Equalisation Amount	10.0	- 7.4	2.3	4.7	3.1
Operating Expenses	- 7.9	- 5.1	- 4.5	- 4.1	- 3.5
Operating Margin before Depreciation	18.7	4.5	8.9	14.7	4.3
Result before Appropriations and Taxes	20.1	4.2	8.7	14.6	4.2
Technical Provisions	83.3	67.5	59.4	46.8	34.1
Investment Portfolio at Current Values	102.5	109.1	62.7	55.4	58.9
Capital and Reserves + Untaxed Reserves	94.1	83.6	85.0	87.1	79.7
Total on Balance Sheet	265.1	177.2	159.4	147.0	126.1

# ST INTERNATIONAL AND PATRIA

*The Sampo run-off companies succeeded in reducing technical provisions and decreasing the number of active reinsurance treaties – their major strategy objective for the year under review. Beyond that, the emphatic strengthening of the Finnish markka during 1994 makes comparison with the 1993 figures problematic.*

ST International has been in charge of the run-off operations of Sampo's reinsurance portfolio since 1991, when Sampo decided to cease writing new business. The merger between Sampo and Industrial Mutual brought ST International's operations closer to those of Patria, the reinsurance company that handles Industrial Mutual's existing reinsurance portfolio. Sampo's London subsidiary, Lakewood, which is also involved in run-off operations, is closely involved with both Finnish run-off companies.

## Successful Operations

Both ST International and Patria are working strenuously to terminate the remaining treaties, either through commutation (i.e., by paying the cedent the outstanding treaty claims in advance) or by justifiably stating that the treaty can be terminated. One essential requirement is a sure knowledge of the treaty portfolio. The initial stance of the run-off companies is that compensation can only be paid if the claim presented by the adversary is justified. This can be a somewhat grey area, and with some treaties liability has been denied, leading to a deadlock in negotiations and subsequent legal proceedings.

However, both companies succeeded in discontinuing a large number of treaties, and so reduced their technical provisions. At ST International, the number of active treaties was cut by about 850 over the twelve-month period, and the total stood at just over 2 800 on December 31, 1994. Patria was still dealing with around 4 000 active treaties at the turn of the year, but that represented a fall of around 950 compared with the previous year.

In the course of the review year, ST International paid out FIM 64 million, and Patria FIM 113 million as compensation for commuted treaties. The effect of exchange rate fluctuations on the change in technical provisions can be seen in the figures contained in the final accounts. But if these fluctuation effects are taken out, then ST International's technical provisions fell by FIM 55 million, and those of Patria by 159 million.

There was also a favourable trend in claims paid. The graphs on the next page illustrate this trend for the foreign business of both companies over the past five years. For the sake of clarity, the relevant exchange rate is the one prevailing on December 31, 1994, with the treaties divided into those which had been terminated, and those still current, on that date. Pre-1994 information con-

cerning Patria has been calculated on the basis of the portfolio handled by the company at present.

A substantial part of the run-off companies' investments are held in the form of foreign currency bonds and debentures. The reduction of Patria's domestic stock portfolio enabled the company to enter more than FIM 80 million of realised gains on investments under investment income. Both companies aim at keeping their currency position in balance by making sure that investments are in the same currencies as the technical provisions. In this way, exchange rate fluctuations do not affect the company's result. Exchange rate differences in investments are entered under investment income, whereas those in technical provisions appear under underwriting. The outcome was that the two run-off companies showed a health currency position, and both managed to avoid any meaningful exchange rate losses. Furthermore, it was only those exchange rate losses that made the net investment incomes for both companies negative.

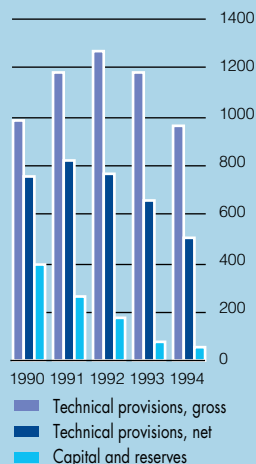
## Risks remain in the Operating Environment

Although existing liabilities have been successfully run off, the operations even now contain significant risks that cannot be ignored. For instance, legislation on compensating environmental liability claims has not yet been reformed in the United States. This compensation still constitutes the greatest threat to the world's insurance companies.

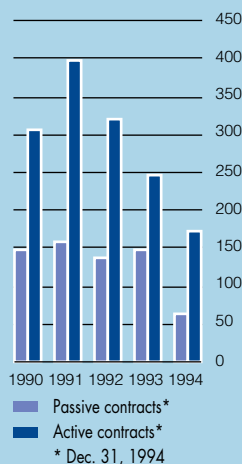
Despite the fact that both Sampo run-off companies have withdrawn from the major risk areas stemming directly from the USA, this risk is still inherent in the treaty portfolio coming through London.

The increase in global catastrophes at the end of the 1980s and beginning of the present decade has clearly slowed down. However, a new coverable event has emerged: compensation paid to the families of the victims of the Pan Am airliner explosion over Lockerbie, in Scotland, in 1988. A court ruled that the Warsaw Convention does not apply in this case, so legal proceedings will be instituted in the USA regarding the amount of compensation to be paid. This is bound to be reflected to some extent in the future compensation bill for ST International. It is some consolation that more recent major disasters, such as the earthquake in Kobe, Japan, will no longer involve these two companies in compensation liability.

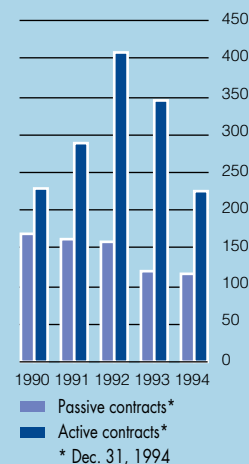
### ST International: Technical provisions and capital and reserves, FIM mill.



### ST International: Foreign reinsurance claims paid, FIM mill.



### Patria: Foreign reinsurance claims paid, FIM mill.



### ST International

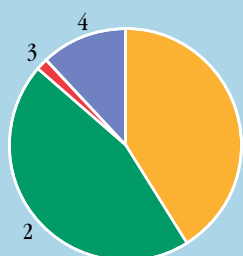
FIM mill.	1990	1991	1992	1993	1994
Premiums Written	243.3	223.1	22.3	3.2	- 1.3
Turnover	353.5	390.3	230.0	187.9	38.2
Net Investment Income	44.8	142.3	199.0	161.4	- 63.5
Claims Incurred	491.1	864.4	671.0	414.2	3.2
Technical Underwriting Result	- 79.8	- 273.9	- 272.5	- 255.8	40.5
Unequalised Result	- 40.0	- 150.6	- 121.5	- 112.0	- 23.0
Change in Equalisation Amount	0.0	0.0	0.0	0.0	0.0
Operating Expenses	14.5	15.5	14.0	14.2	10.7
Operating Margin before Depreciation	- 35.0	- 131.6	- 73.5	- 94.4	- 23.0
Result before Appropriations and Taxes	- 35.7	- 131.8	- 94.6	- 88.6	- 23.6
Technical Provisions	986.3	1 177.6	1 273.9	1 185.7	961.9
Investment Portfolio at Current Values	826.3	892.9	919.7	853.1	748.0
Capital and Reserves + Untaxed Reserves	400.7	268.0	172.9	84.2	60.7
Total on Balance Sheet	1 495.2	1 664.6	1 707.7	1 551.5	1 300.7
Average No of Personnel	45	37	38	39	31

### Patria

FIM mill.	1993 <sup>*)</sup>	1994
Premiums Written	- 4.1	- 27.4
Turnover	18.6	75.3
Net Investment Income	22.7	- 2.4
Claims Incurred	64.0	26.9
Technical Underwriting Result	- 23.7	7.5
Unequalised Result	- 2.5	- 22.4
Change in Equalisation Amount	12.8	- 27.5
Operating Expenses	2.0	10.6
Operating Margin before Depreciation	- 15.4	5.1
Result before Appropriations and Taxes	- 14.1	5.7
Technical Provisions	1 316.9	961.4
Investment Portfolio at Current Values	1 053.0	755.0
Capital and Reserves + Untaxed Reserves	92.1	92.1
Total on Balance Sheet	1 818.9	1 321.5
Average No of Personnel	0	20

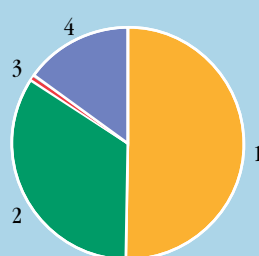
<sup>\*)</sup> The 1993 figures are not comparable. The insurance portfolio was transferred to the company on August 31, 1993.

### ST International: Investments at balance sheet values on Dec. 31, 1994, FIM mill.



1. Bonds and debentures	309.1
2. Current assets	342.0
3. Land and Buildings, Real Estate Shares	11.0
4. Shares	90.4

### Patria: Investments at balance sheet values on Dec. 31, 1994, FIM mill.



1. Bonds and debentures	381.3
2. Current Assets	257.0
3. Land and Buildings, Real Estate Shares	5.8
4. Shares	114.4





# SAMPO GROUP



# COMPOSITION OF THE SAMPO GROUP

## Sampo Group

The Sampo Non-Life Group companies base their specialisation on client segments. Together with the Kaleva Mutual Insurance Company and Insurance Company Sampo Pension Ltd, they form the Sampo Group.

The range of Kaleva Mutual Insurance Company's services comprises voluntary life and pension insurances for both private households and companies. In a mutual company, the policyholders are shareholders of the company. Kaleva's guarantee capital is owned by the Sampo Group companies.

Insurance Company Sampo Pension Ltd provides services related to statutory pension insurance and pension funds.

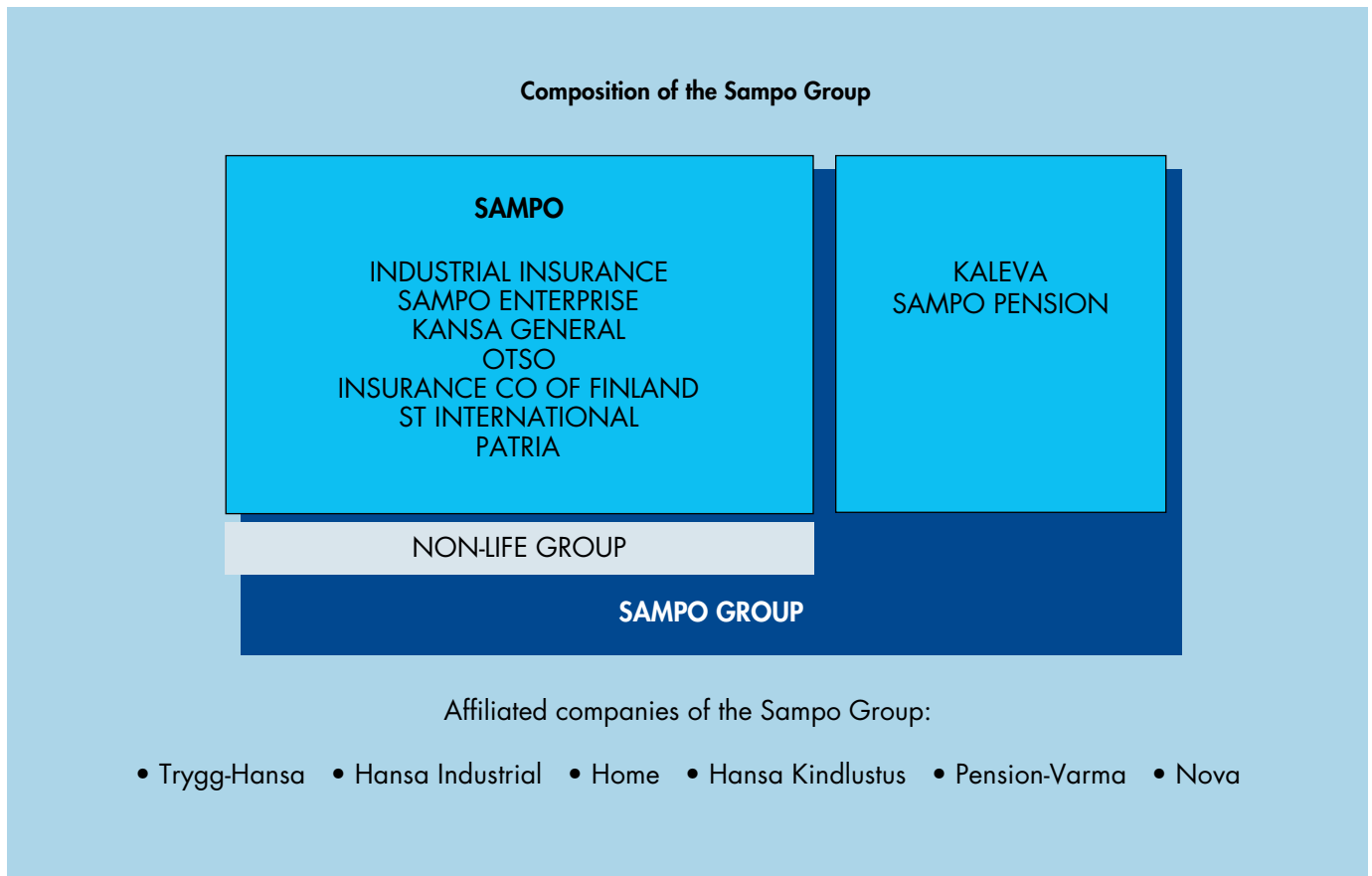
## Affiliated Companies

The Sampo Non-Life Group's affiliated companies are Pension Varma Mutual Insurance Company and Nova Life Insurance Company Ltd, which cater mainly for statutory pension and voluntary life insurance services for the clients of Industrial Insurance.

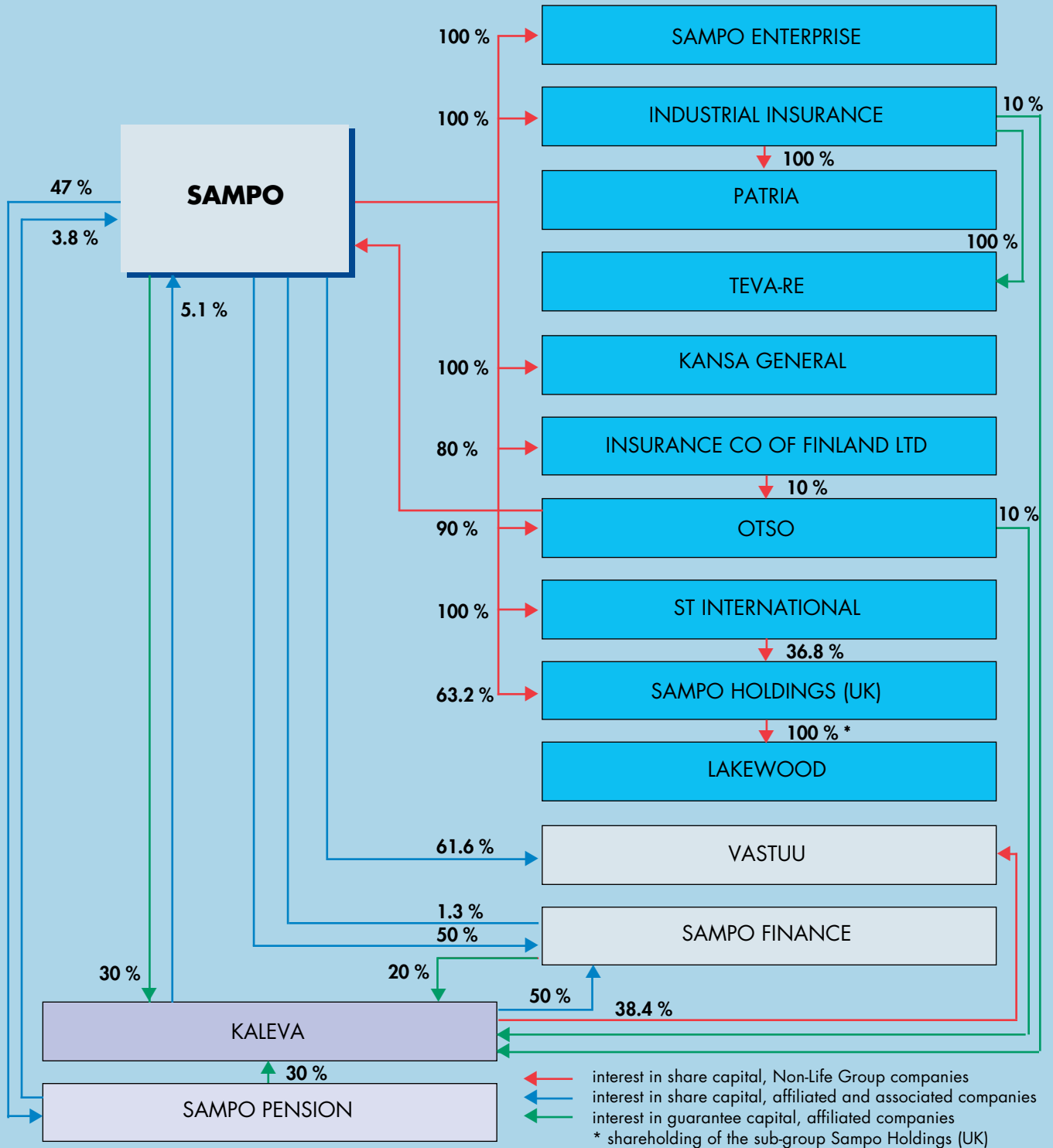
In the Non-Life Group's international operations, the most important affiliates are Trygg-Hansa and the companies owned jointly with it: Hansa Industrial N.V. of Holland and the Home Insurance Company, which operates in the business insurance market in the United States. Hansa Kindlustus of Estonia started operations in Latvia in 1994.

## Associated Companies

Of the aforementioned affiliated companies, Nova, Hansa Industrial and Hansa Kindlustus are also associated with the Non-Life Group. Vastuu Reinsurance Company is an associated company engaged in underwriting. Associated companies whose operations are related to insurance and investments include Autovahinkokeskus Oy, Sampo Finance Oy, Finnish Loss Survey Ltd, Vahinkopalvelu Oy, and Kansalliset Liikekiinteistöt Oy. The shareholdings in these, as well as in the associated companies operating in other fields, are presented in the Appendices, on page 44.



The Sampo Group: Principal Cross-Shareholdings on Jan. 1, 1995



*Kaleva Mutual Insurance Company ended its 120th year of operations on a note of success. The total of the company's premiums written rose by more than 80 per cent – an achievement reaching far beyond the average in the field. At the close of the year, Kaleva commanded a quarter of the private household life and pension insurance market. The problems of some insurance companies have given rise to public debate – yet client interest and confidence in Kaleva have never wavered. Company results were excellent, with a competitive interest obtainable on insurance savings, and Kaleva's solvency and the structure of its investment portfolio are fully in accord with the new European Union requirements.*

Most of the company's 266 000 clients are private persons, but the private households segment also contains members of official and employee organisations who receive group life and accident insurances at special rates.

Kaleva continues to lead the group insurance field serving organisations with a clear majority market share of more than 50 per cent, and the company radically improved its position from 20 per cent to 25 per cent in the private household life and pension insurance field. In addition, Kaleva continues to be responsible for a steady 25 per cent of the market in companies' individual insurances.

Life insurance requirements of the Sampo Group's largest company clients are met primarily by Nova Life Insurance Company, a Sampo Group affiliate specialising in collective additional insurance schemes.

Kaleva's main distribution is handled by the regional organisations of Private Sampo and Sampo Enterprise. Their services are complemented by Kaleva's own specialist regional organisation.

Official and employee organisations constitute an important sales channel for group life insurances. There is also a special sales team at Kaleva's head office catering for particularly demanding investment insurance clients. The company expects in the near future to expand the practice it began last year of co-operating with insurance brokers. Other complementary sales channels are also being actively developed.

### **Steady Rise in Life Insurance**

The Finnish voluntary life and pension insurance business showed a remarkable upsurge during the year under review. Premiums written amounted to FIM 3.7 billion, an increase of fully 35 per cent over the previous year. The competitiveness of investment-like savings insurances also underwent a welcome improvement, with premiums written in 1994 exceeding FIM 1 billion.

The media gave wide coverage to the bankruptcy of two small Finnish life insurance companies. These events had no significant bearing on the general level of business. Instead they served to emphasise that demand for insurance was indeed concentrated on those companies considered by everyone to be financially sound.

One of the obvious effects of the interest rate increase was to deter investment in interest-bear-

ing instruments. Stock Exchange quotations experienced a downward trend towards the end of the year, and price development was irregular.

### **Rapid Growth**

Premiums written by Kaleva during 1994 totalled more than FIM 760 million – an increase over the previous year of 80 per cent – plus in the private individual and company segments. Thanks to this accelerated growth, Kaleva's market share shot up by five per cent to 25 per cent.

The review year registered a keen demand for Kaleva's single premium investment insurances, with premiums written amounting to FIM 300 million. There was a heavy call, too, for the company's voluntary pension insurances.

The value of surrenders went down by no less than 40 per cent to FIM 94 million. The total of actual claims paid remained at the level of the two previous years, and the risk business claims ratio was satisfactory.

Kaleva's net investment income – mostly in the form of interest – amounted to over FIM 280 million. Realised gains on investments stood at FIM 89 million. In investment charges, value adjustments on investments totalled FIM 62 million. Client or index credits granted on insurance savings averaged three per cent, and stood at FIM 92 million. All Optimi insurances received a total interest of eight per cent, including the calculated interest of 4.5 per cent.

Kaleva's operating expenses rose by 30 per cent to FIM 130 million, entirely owing to the company's intensified marketing efforts and greatly increased sales. However, its expense ratio – equating operating expenses with premiums written – decreased from 23.8 per cent in 1993 to 17.1 per cent last year. In the review year, there was no rise in the number of personnel employed by Kaleva in actual insurance business.

Proof of Kaleva's first-rate solvency is the fact that its working capital of FIM 389 million, calculated according to the new EU criteria, is almost twice the minimum amount required by those criteria. The cornerstone of the company's future solvency is its investment portfolio without cumulation of risks, where strong emphasis is placed on long-term interest-bearing instruments.

## Continuing Demand for More Life Insurance

Future prospects for the voluntary life and pension insurance businesses are undoubtedly bright – even though, matched against European standards generally, there is still a low level of demand in Finland for life insurances, and, particularly, for saving through insurance.

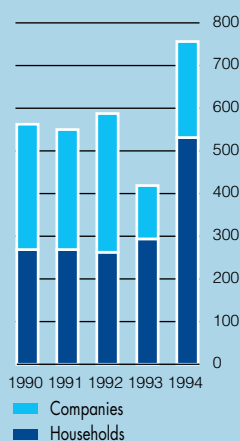
The Finns prefer to an exceptional degree to put their money in the bank. However, in the near future part of these bank deposits are expected to be transferred to other forms of investment. At that point, insurance saving in its different guises will surely be viewed as a notable and promising alternative.

Life insurances will be the coming priority area for the Sampo Group. Sampo seeks to offer its clients, who now number well over a million, a meaningful and profitable way to complement their social security benefits with the products of the Group's life insurance company, Kaleva. The Group also intends to meet the challenge of domestic and international competition with the introduction of unit-linked life insurance in the Spring of 1995.

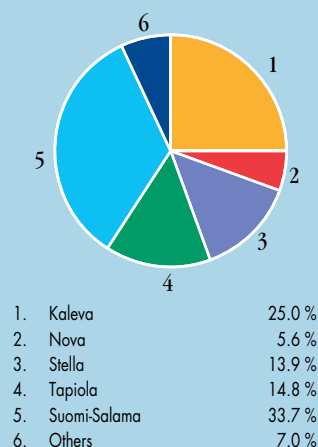
## Kaleva Life Group

FIM mill.	1994	1993	Change. %
Turnover	1 185.1	826.0	43.5
Premiums Written	763.6	421.9	81.0
Net Investment Income	293.8	277.0	6.1
Operating Expenses	130.7	100.5	30.0
Expense Ratio (%)	17.1	23.8	–
Technical Provisions	4 013.9	3 470.7	15.7
Total on Balance Sheet	4 455.0	3 871.9	15.1
No. of Personnel	192	201	–4.5

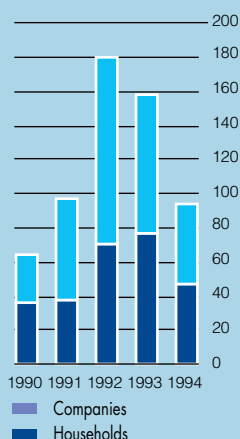
Premiums written, FIM mill.



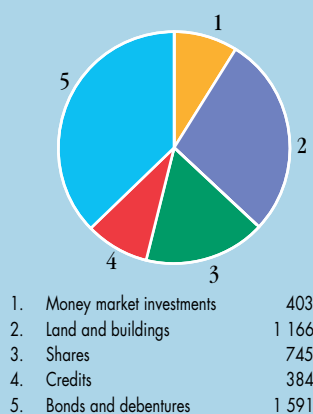
Life insurance market shares 1994, %



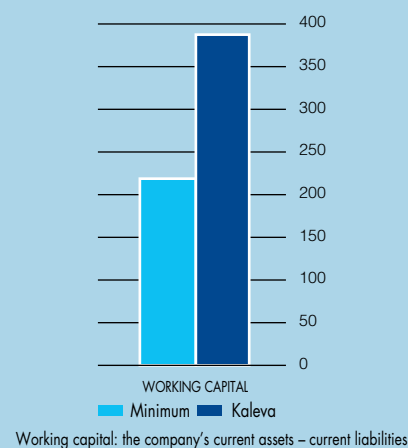
Surrenders, FIM mill.



Investments portfolio on Dec. 31, 1994, FIM mill. at current values FIM 4 289 mill.



Solvency by EU criteria, FIM mill.



# SAMPO PENSION

*The review year was, in all respects, a successful one for Sampo Pension.*

*A first-class result on investments enabled the company to transfer FIM 90 million to the supplementary insurance fund. From there it is distributed to clients as bonuses. Sampo Pension's market share is growing strongly, thanks to successful insurance transfers.*

*Within the Sampo Group, Sampo Pension represents particular expertise. This relates specifically to statutory employment and self-employed persons' employment pension insurance for small and medium-sized companies.*

The company brought its operations into line with the requirements of European integration during the year under review. EU and EEA agreements stipulate that operations involving employment pension insurance are separated from other insurance functions. Employment pension insurance can be provided only by legally separate companies which, in addition, must limit their activities solely to coverage of statutory employment pension insurance.

Bearing this in mind, Sampo Pension discontinued writing optional supplementary pension insurance on July 1, 1994, and transferred its portfolio to Nova Life Insurance Company Limited at the end of the year. Undoubtedly, the separation requirement, laid down by EU law, will in time enhance the real independence of pension companies.

## **Statutory Joint Liability**

For the first time in its history, joint liability must now be applied to the employment pension system. If a pensions institution goes bankrupt, and its funds are insufficient to cover its pension liabilities, other pensions institutions are required to assume joint liability for the pensions affected. A striking example of this kind of situation occurred after the bankruptcy of Kansa Pension Insurance Company Limited. It soon became clear that the present decentralised system managed by private pension institutions would not be able to handle this vital sector of Finnish social security without obligatory joint liability.

Current discussions on the pensions system also reflect the difficult economic situation in Finland. Fears of a "pensions time bomb" continue to be raised, in spite of the many changes that have reduced pension expenditure and postponed retirement.

On the basis of a report by the committee on social expenditure, labour market parties are already preparing changes that would result in savings on pension expenditure. There is, for example, a plan to determine pensionable earnings on the basis of the last ten years of employment rather than (as at present) the final four years. Another discussion point is the possibility of restricting the so-called "future period" which allows a pension entitlement in cases of disability. Also under consideration are the grounds on which the pension index (concerning the long-term development of pension expenditure) is determined.

## **Good Operating Results**

Sampo Pension's operations in the year under review yielded success on all fronts. Its investment result was satisfactory and improved in relative terms on the previous year's, even though net income fell from FIM 1 671 million to FIM 1 330 million. That decrease was due to a drastic fall in the general level of interest, which in turn led to a reduction by 6.5 per cent in calculated interest credited to the pension fund, representing a drop of two percentage points over the average level of 1993.

Sampo Pension's solid performance owed much to its excellent result on investments. After maximum depreciations, it was able to increase its credit loss reserve by FIM 66 million, and to transfer FIM 90 million to the supplementary insurance fund, for distribution as client bonuses. The company's overall investment strategy included well-timed investments in bonds and debentures, contributing a great deal to the result.

The changed composition of the investment portfolio is due, above all, to the almost complete cessation of demand for premium bond and investment loans. The company's loan portfolio was reduced by about FIM 1 800 million during 1994. Its technical underwriting result was also positive, and its equalisation provision increased by FIM 67 million.

## **Total Premiums Written almost Unchanged**

Sampo Pension's total premiums written grew by three per cent, amounting to FIM 3 755 million, and ending the year at practically the same level as 1993. With fewer lay-offs and redundancies, the total paid to the insured in wages and salaries went up, along with the amount of the premiums written. Employees paid three per cent of earnings in employment pension contribution, while the average for employers was 15.6 per cent, including a 0.4 per cent fee to cover the expenses of the credit insurance operations of the Central Pension Security Institute. Client company bankruptcies caused credit losses on premiums to rise to FIM 94 million, compared with FIM 72 million in 1993.

The level of self-employed persons' YEL premiums rose from 18.2 per cent of earnings to 19.4 per cent. However, the increase in premiums written was actually very slight, as both YEL earnings and the number of insured fell.

In 1994 the company paid employment pensions to 104 885 people. The amount involved

was FIM 3 464 million, 5.3 per cent higher than the previous year.

### Market Share Up in 1995

Sampo Pension clients are served both directly and through companies specialising in various insurance sectors. Within the Group network, Sampo Pension's special area is statutory employment and self-employed persons' employment pension insurance for small and medium-sized companies. Certain client contacts are also handled directly through its own marketing operations and by its expert staff.

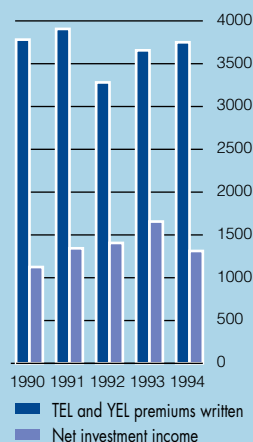
A natural consequence of Finland's exceptionally high unemployment rate was a drop of more than 4 per cent during 1994 in the number of insured persons. On the other hand, considerably more employees and self-employed people transferred to Sampo Pension than those who broke with the company. These transfers were responsible for the 18 per cent rise in the number of insured at the beginning of the year – and thus for the pronounced growth in Sampo Pension's market share. Excellent underwriting results arose from successful co-operation between the companies of the Sampo Group. The growth of the insurance portfolio demonstrates the confidence that both new and former clients have in the way the company is handling employment pensions.

Sampo Pension's operating expenses went down by 3.0 per cent to FIM 129.2 million. The company currently employs 250 staff.

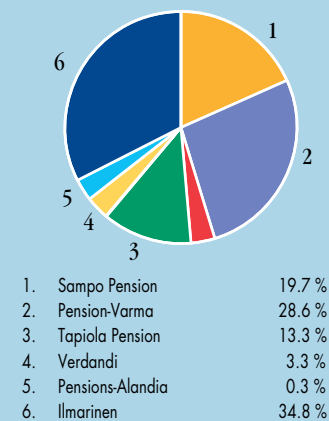
### Sampo Pension Group

FIM mill.	1994	1993	Change, %
Turnover	5 217	5 514	-5.4
Premiums Written	3 755	3 647	2.9
Net Investment Income	1 364	1 715	-20.5
Pensions Paid to Beneficiaries	3 464	3 289	5.3
Operating Expenses	129	133	-3.0
Technical Provisions	21 511	19 997	7.5
Total on Balance Sheet	22 166	20 363	8.8
No. of Personnel	254	310	-18.1

#### Premiums written and net investment income, FIM mill.

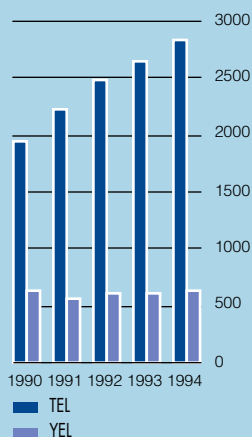


#### Pension insurance companies' market shares \* 1994

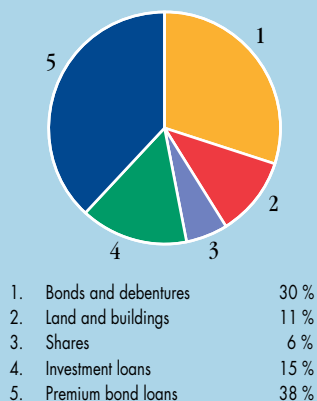


\* Comprises statutory TEL and YEL pension schemes. Projection.

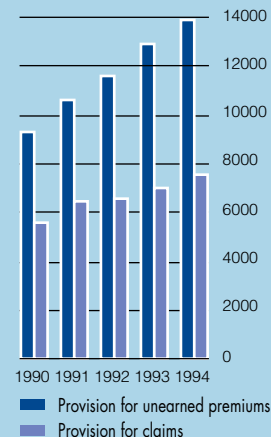
#### Pensions paid to beneficiaries, FIM mill.



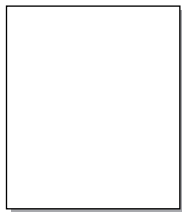
#### Investments portfolio 1994 at current values



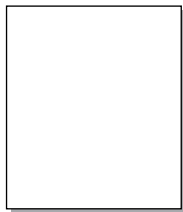
#### Technical Provisions, FIM mill.



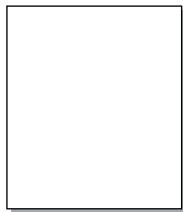
# MANAGEMENT OF THE SAMPO GROUP



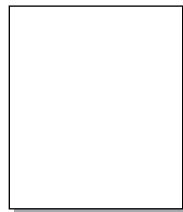
Jouko K. Leskinen, CEO  
Managing Director  
Sampo Insurance Co Ltd



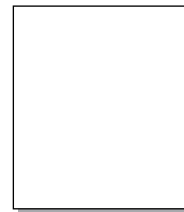
Hannu Kokkonen  
Managing Director  
Private Sampo



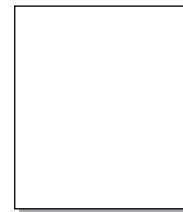
Carl-Olaf Homén  
Managing Director  
Industrial Insurance



Juhani Vesterinen  
Managing Director  
Sampo Enterprise



Martti Porkka  
General Manager  
Investments



Kari Ola  
General Manager  
Group Finance

## Private Sampo

Hannu Kokkonen, Managing Director \*

Pertti Näyskä, Chief Actuary  
Pekka Hyytiäinen, Development  
Esa Ketola, Marketing  
Juhani Kontkanen, Service Production  
Seppo Siltanen, Sampo Service

### Regional Managers

Juha Anttila, Eastern Finland  
Lars Gammelgård, Northern Finland  
Pekka Heikkilä, Southern Finland  
Martti Huhtala, South Western Finland  
Kari Kantalainen, Central Finland

The region was incorporated into the regions of South Western Finland and Eastern Finland on April 4, 1995.

The South Western Region was renamed Western Finland.

## Kansa General

Markku Paakkanen, Managing Director  
Antti Törrönen, Actuary

## Sampo Enterprise

Juhani Vesterinen, Managing Director \*

Simo Sarvamaa, Actuary  
Timo Laitinen, Development  
Risto Lindström, Risk Management  
Kaarlo Paatero, Broker Relations  
Tero Toponen, Underwriting and Claims  
Markku Tursas, Marketing

### Regional Managers

Matti Heikkinen, Central Finland  
Leo Kelho, Northern Finland  
Timo Lehtinen, Southern Finland  
Hannu Reivonen, South Western Finland  
Tero Rintala, Ostrobothnia  
Seppo Rätty, Greater Helsinki  
Tapio Santala, Western Finland  
Hannu Tarnanen, Eastern Finland  
Hannu Tarvonen, South Eastern Finland

## Industrial Insurance

Carl-Olaf Homén, Managing Director \*

Martti Pesonen, Actuary  
Kristian Ignatius, Finance and Administration  
Reijo Kämäräinen, Client Service  
Jorma Erikäinen, Planning  
Juhani Laaksonen, Companies  
Yngve Nygårdas, International Companies  
Yrjö Somersalmi, Marketing

Seppo Juutilainen, Underwriting and Claims

Klaus Berg, Private and Motor Hull  
Göran Cedercreutz, Shipowners  
Harri Ek, Cargo  
Esbjörn af Hällström, Liability  
Nils Rönnholm, Accident  
Seppo Viljakainen, Property

## Otso

Veli Kalle Tavakka, Managing Director  
Pirkko Welin, Actuary  
Peter Granqvist, International Operations and Reinsurance  
Pentti Järvikare, Administration  
Risto Kajastila, Planning

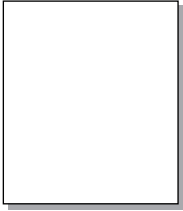
## Run-off Companies

Matti Ruohonen, Managing Director \*

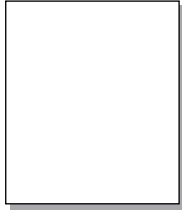
## Insurance Company of Finland

Antti Savolainen, Managing Director

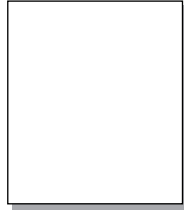




Eero Holma  
General Manager  
International Operations



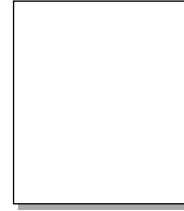
Matti Ruohonen  
Managing Director  
Run-Off Companies



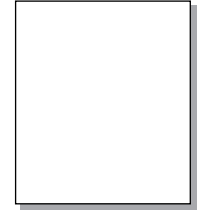
Veli-Kalle Tavakka  
Managing Director  
Otso



Antti Savolainen  
Managing Director  
Insurance Co of Finland



Matti Rantanen  
Managing Director  
Kaleva



Risto Kausto  
Managing Director  
Sampo Pension

### Sampo Non-Life Group

Jouko K. Leskinen, Chief Executive Officer, Managing Director \*  
Juhani Kangas, Group Planning  
Ilmo Korpelainen, Legal Affairs  
Pertti Nurvala, Information  
Kari Ola, Group Finance \*  
Riitta-Liisa Arni, Investor Relations

### International Operations

Eero Holma \*  
Hans von Herten, Reinsurance Assumed  
Lars von Herten, Oy Finnish Captive & Risk Services Ltd  
Anders Nordman, Reinsurance Ceded  
Antti Perttu, International Direct Insurance  
and Associated Companies

### Risk Management

Juha Ettala

### Investments

Martti Porkka \*  
Ilkka Henriksson, Real Estate  
Sirpa Mannila, Securities  
Kari Vihurila, Credits

### Financial Administration

Jukka Mäkinen  
Mauri Asumaa, Shareholders' Secretariat

### Personnel Administration

Jorma Norkela

### Office Services

Raimo Uusikartano

### Information Technology

Eija Holmström, Systems  
Pekka Meras, SamNet  
Harri Paani, Information Management

### Kaleva

Matti Rantanen, Managing Director  
Terttu Virmavirta, Life Insurance  
Tapani Tuominen, Chief Actuary  
Paula Salonen, Production

### Sampo Pension

Risto Kausto, Managing Director  
Rauno Tienhaara  
Lasse Heiniö, Chief Actuary  
Seppo Alhonsuo, Accounts Management  
Ilkka Kohonen, Planning  
Jorma Kuokkanen, Investments  
Pertti Laesvuori, International Group Benefits  
Veikko Loukola, Production  
Sakari Pekkarinen, Marketing  
Jukka Vainio, Claims

\* belong to the Sampo Non-Life Group Board of Management

# KEY INFORMATION ON THE SAMPO GROUP

FIM mill.	1990	1991	1992	1993	1994
<b>Turnover</b>					
Sampo Non-Life Group	3 321	3 472	3 116	5 508	5 570
Kaleva Life Group	872	850	1 190	826	1 185
Sampo Pension Group	5 080	5 370	4 826	5 514	5 217
<b>Premiums Written</b>					
Sampo Non-Life Group	2 578	2 657	2 314	3 695	3 986
Kaleva Life Group	565	553	812	422	764
Sampo Pension Group	3 775	3 913	3 271	3 647	3 755
<b>Net Investment Income</b>					
Sampo Non-Life Group	497	346	571	1 182	740
Kaleva Life Group	259	267	240	277	294
Sampo Pension Group	1 142	1 379	1 416	1 715	1 364
<b>Claims Incurred</b>					
Sampo Non-Life Group	2 461	2 709	2 575	3 611	3 223
Kaleva Life Group	254	308	635	465	340
Sampo Pension Group	3 944	3 826	3 400	3 604	3 985
<b>Operating Expenses</b>					
Sampo Non-Life Group	605	596	543	669	884
Kaleva Life Group	124	131	116	100	131
Sampo Pension Group	123	129	138	133	129
<b>Operating Margin Before Depreciation</b>					
Sampo Non-Life Group	114	- 164	48	510	370
Kaleva Life Group	36	- 12	- 1	20	37
Sampo Pension Group	1	48	6	180	132
<b>Capital and Reserves and Untaxed Reserves</b>					
Sampo Non-Life Group	2 270	1 938	1 984	2 699	3 346
Kaleva Life Group	128	122	170	173	186
Sampo Pension Group	223	212	155	278	370
<b>Total on Balance Sheet</b>					
Sampo Non-Life Group	7 996	8 349	8 690	14 858	16 234
Kaleva Life Group	2 625	3 286	3 703	3 872	4 455
Sampo Pension Group	15 274	17 713	18 577	20 388	22 166
<b>Average No. of Personnel</b>					
Sampo Non-Life Group	2 365	2 351	2 225	2 642	2 966
Kaleva Life Group	200	221	217	201	192
Sampo Pension Group	294	304	302	310	254

# OFFICES OF THE SAMPO GROUP

## Head Office functions

### Sampo Enterprise Private Sampo

Yliopistonkatu 27, Turku  
Postal address: P.O. Box 216,  
FIN-20101 Turku  
Telephone: + 358 21 266 3311  
Telex: 62242 sampo fi  
Telefax: + 358 21 266 5811

Aleksanterinkatu 11, Helsinki  
Postal address: P.O. Box 347,  
FIN-00101 Helsinki  
Telephone: + 358 0 13 221  
Telex: 62242 sampo fi  
Telefax: + 358 0 132 2940

### Vahinkovakuutusosakeyhtiö

#### Kansa

Itälahdenkatu 21, Helsinki  
Postal address: P.O. Box 1110,  
FIN-00101 Helsinki  
Telephone: + 358 0 13 292  
Telefax: + 358 0 132 9300

### Industrial Insurance Insurance Company of Finland

Vattuniemenkuja 8 A, Helsinki  
Postal address: P.O. Box 12,  
FIN-00211 Helsinki  
Telephone: + 358 0 69 611  
Telex: 124832 assur fi  
Telefax: + 358 0 6961 2232

#### Otso

Bulevardi 10, Helsinki  
Postal address: P.O. Box 126,  
FIN-00121 Helsinki  
Telephone: + 358 0 68 071  
Telex: 121 061 otso fi  
Telefax: + 358 0 607 656

#### Kaleva

Kluuvikatu 3, Helsinki  
Postal address: P.O. Box 347,  
FIN-00101 Helsinki  
Telephone: + 358 0 13 221  
Telex: 62242 sampo fi  
Telefax: + 358 0 132 2785

### Sampo Pension

Lapinlahdenkatu 1 b, Helsinki  
Postal address: P.O. Box 290,  
FIN-00181 Helsinki  
Telephone: + 358 0 13 221  
Telex: 62242 sampo fi  
Telefax: + 358 0 132 2942

## Other Offices in Finland

Alajärvi  
Espoo  
- Tapiola  
Forssa  
Hamina  
Harjavalta  
Heinola  
Helsinki  
- Alekski  
- Hakaniemi  
- Itäkeskus  
- Kannelmäki  
- Malmi  
- Mannerheimintie  
- Sörnäinen

Huittinen  
Hyvinkää  
Hämeenlinna  
Iisalmi  
Ikaalinen  
Imatra  
Joensuu  
Jurva  
Jyväskylä  
Jämsä

Järvenpää  
Kajaani  
Kangasala  
Kankaanpää  
Kauhajoki  
Kemi  
Kemijärvi  
Kerava  
Keuruu  
Kokemäki  
Kokkola  
Kotka  
Kouvola  
Kuopio

Kuusamo  
Lahti  
Laitila  
Lappeenranta  
Lapua  
Lieksa  
Lohja  
Loimaa  
Loviisa  
Mikkeli  
Mänttä  
Nokia

Nummela  
Närpiö  
Oulu  
Paimio  
Parainen  
Pieksämäki  
Pietarsaari  
Pori  
Porvoo  
Raahe  
Raisio  
Rauma  
Riihimäki  
Rovaniemi  
Saarijärvi  
Salo  
Savonlinna  
Seinäjoki  
Somero  
Suonenjoki  
Tammisaari  
Tampere  
Toijala  
Tornio  
Turku  
- Yliopistonkatu  
- Hämeenkatu  
Uusikaupunki  
Vaasa  
Vaikeakoski  
Vammala  
Vantaa  
- Tikkurila  
- Myyrmäki  
Varkaus  
Virrat  
Ylivieska  
Ähtäri  
Äänekoski

### Service points:

- Hanko  
- Mäntsälä  
- Orivesi  
- Viitasaari

## Subsidiaries, Associated Companies and Offices Outside Finland

### Subsidiaries

#### Sampo Kindlustuse AS

Narva mnt. 24  
EE-0010 Tallinn  
Estonia  
Telephone: + 372 2 612 440  
Telefax: + 372 6 410 070  
Kari Aitolehti, Managing Director

### Associated Companies

#### Hansa Kindlustus

Narva mnt. 24  
EE-0010 Tallinn  
Estonia  
Telephone: + 372 2 612 444  
+ 372 2 425 977  
Telefax: + 372 3 312 161

#### Hansa Kindlustus

15 Kalku Str.  
IV-1050 Riga  
Latvia  
Telephone: + 371 2 224 149  
Telefax: + 371 8 821 006

#### Hansa Industrial

#### Insurance N.V.

Head Office  
K.P. van der Mandelelaan 90  
3062 MB Rotterdam  
The Netherlands  
Telephone: + 31 10 452 7299  
Telefax: + 31 10 452 4403

Branch Office in Holland  
K.P. van der Mandelelaan 90  
3062 MB Rotterdam  
The Netherlands  
Telephone: + 31 10 212 1000  
Telefax: + 31 10 212 0850

Branch Office in Germany  
Rennbahnstrasse 72  
60528 Frankfurt a.M.  
Deutschland  
Telephone: + 49 69 967 8050  
Telefax: + 49 69 670 1441

Branch Office in England  
Gota House  
70-74 Cannon Street  
London EC4N 6AE  
United Kingdom  
Telephone: + 44 71 248 3705  
Telefax: + 44 71 236 7417

### The Home Insurance

#### Company

Head Office  
59 Maiden Lane, N.Y.  
NY 10038  
USA  
Telephone: + 1 212 530 7000  
Telefax: + 1 212 530 3004

## Offices

### Sampo

Insurance Company Ltd  
London Representative Office  
Gota House  
70-74 Cannon Street  
London EC4N 6AE  
United Kingdom  
Telephone: + 44 71 248 3705  
Telefax: + 44 71 236 7417  
Tapani Mäkelä, Representative

### Sampo Group

Nevskij Prospekt 57  
(Nevskij Palace Hotel)  
191025 St. Petersburg  
Russia  
Telephone: + 7 812 311 3109  
Risto Siltanen, Representative