

# Risk Management

Sampo Group companies operate in business areas where profit generation based on risk taking and active management of risks is a key component of earnings logic. The most important objective of risk management in Sampo Group is to ensure the adequacy of the available capital in relation to the risks arising from the business activities and operating environment, as well as to ensure that expected returns are in balance with risks taken. Core competencies when managing the balance between risks, capitalization, liquidity and profitability in these business areas can be summarized as follows:

1. Appropriate selection and pricing of insurance risks
2. Effective management of insurance exposures
3. Careful selection and execution of investment transactions
4. Effective management of investment portfolios and balance sheet
5. Effective management of consequential risks

In Sampo Group procedures related to above core competences are continuously developed in all parts of the organization.

As a diverse financial institution, Sampo Group is exposed to a variety of different risks, both financial and non-financial. The most significant risk arising from the operations of the insurance subsidiaries in 2013 was market risk. The main market risks of Sampo Group during 2013 were equity, interest rate, credit spread and currency risks.

During 2013, Sampo Group's insurance risk profile remained relatively stable. In Mandatum Life longevity risk is still the most critical biometric risk and most of it arises from the with-profit group pension portfolio. In If P&C the most material insurance risk is reserve risk, which to a large extent is driven by long-tailed businesses such as workers' compensation and motor third party liability.

On the Group level, the most significant risks were market risk and credit risk. The latter due to Sampo plc's sizeable holding in Nordea Bank.

A more detailed description of Sampo Group's risk management activities, governance, risks and capitalisation is available in the [Risk Management](#) section of the 2013 Annual Report.