

# Interim report Q4 2009

## Highlights 2009

### Strong premium growth, acceptable combined ratio and a strong investment income.

2009 shows following development compared to 2008:

- Gross premiums written NOK 871.4m, up 20% from NOK 729m
- Operating profit of NOK 258.8m, up from NOK 9.4m
- Net combined ratio 96.5%, up from 94.9%
- Return on investments 16.1%, up from -2.1%

Due to the company's strong result, strong financial position and solid position in the market, the board will propose to the general meeting that a dividend of NOK 1.25 per share be paid for the fiscal year 2009.

### Financial highlights and key ratios

[1.000 NOK]	FY 2009	FY 2008	Q4 2009	Q4 2008
Gross premiums written	871 374	728 997	126 470	92 950
Gross premiums earned	843 091	720 491	223 242	166 747
Gross claims incurred	(649 177)	(549 069)	(161 261)	(157 481)
Earned premiums, net of reinsurance	842 646	592 370	352 330	113 612
Claims incurred, net of reinsurance	(694 738)	(477 063)	(311 495)	(95 577)
Net commission income	21 022	32 727	(189)	3 236
Operating expenses	(139 665)	(117 921)	(38 764)	(34 567)
Other income/costs	5 126	7 537	1 452	1 296
Net financial income	224 426	(28 217)	62 759	(36 810)
<b>Operating profit before security provision etc</b>	<b>258 817</b>	<b>9 433</b>	<b>66 094</b>	<b>(48 810)</b>
Claims ratio, net of ceded business	(1)	82,4 %	80,5 %	88,4 %
Cost ratio, net of ceded business	(2)	14,1 %	14,4 %	11,1 %
<b>Combined ratio, net of ceded business</b>	<b>(3)</b>	<b>96,5 %</b>	<b>94,9 %</b>	<b>99,5 %</b>
Retention rate	(4)	99,9 %	82,2 %	157,8 %
Solvency capital	(5)	777 303	569 122	
Capital adequacy ratio (risk weighted)	(6)	36 %	39 %	
Operating profit before security provision etc per share	(7)	3,08	0,10	0,80
				(0,53)

(1) Claims incurred, net of reinsurance in % of earned premiums, net of reinsurance

(2) Operating expenses in % of earned premiums, net of reinsurance

(3) Net claims ratio + net expense ratio

(4) Earned premiums, net of reinsurance in % of gross earned premiums

(5) Equity + security provision etc

(6) Net primary capital (including net profit/loss for the period) in % of risk weighted assets.

(7) Operating profit before security provision etc. divided by weighted number of shares

### Protector's operations

Protector Forsikring ASA is a general insurance company (P&C) operating in Norway only. The company has two business areas: commercial and public lines of business, and affinity arrangements for private and commercial clients. Protector is listed on the Oslo Stock Exchange.

### Premiums

In 2009 gross premiums written increased by 20% to a total of NOK 871.4m. The gross premiums written within the commercial and public sector totalled NOK 474.7m, a 31% growth relatively to 2008. The growth is mainly due to a high level of new sales in the middle market. Within the public sector, the premium

growth was 16%. Protector has experienced an increased competition in the municipality sector. The property rates are still low and pricing of products within the personal lines are more aggressive.

In the affinity segment, gross premiums written amounted to NOK 396,8m, 8.6% growth compared to the year-earlier period. The growth is driven by a high level of new sales in the SMB sector. Premium income within change of ownership insurance totalled NOK 264.5m, compared to NOK 263.4m in 2008. The estate market has improved significantly in the second half of 2009 and a "normalized" real estate market is expected in 2010.

Gross premiums earned increased by NOK 122.6m to a total of NOK 843.1m. Premiums earned for own account totalled NOK 842.6, corresponding to a growth of 42% compared to 2008.

In Q4 2009, gross premiums written totalled NOK 126.5m, corresponding to a 36% growth relatively to Q4 2008. Gross premiums written within the commercial/public sector totalled NOK 21.4m. Within the affinity segment, gross premiums written totalled NOK 105.6m, a 47% growth relatively to Q4 2008 due to a significant higher turnover rate in the estate market. Premiums earned for own account totalled NOK 352.3m against NOK 113.6m in Q4 2008. NOK 170.4m of the growth is due to changes in the reinsurance structure.

#### Change in reinsurance structure

With effect from 1 January 2009, Protector has reduced the level of risk transfer (at Dec 31 2008) by NOK 170.4m with minor effect on the operating result and solvency capital. In the income statement, both the reinsurers' share of provisions for unearned premiums and the reinsurers' share of gross claims provisions are reduced by NOK 170.4m. In the balance sheet, the liabilities in connection with reinsurance are reduced by NOK 170.4m with a corresponding reduction of NOK 170.4m in the reinsurers' share of gross claims provisions.

#### Results

In 2009, the operating profit was NOK 258.8m, compared to NOK 9.4m in 2008. The return on the company's average solvency capital amounted to 38% compared to 2% in 2008. In Q4 2009, the operating result was NOK 66.1m, compared to a loss of NOK 48.8m in Q4 2008. The strong operating result year-to-date and in Q4 is driven by a strong investment return.

In 2009, the combined ratio net was 96,5%, compared with 94,9% in 2008. Net run-off losses amounted to NOK 11m. Net claims ratio was 82.4%, up from 80.5 % in 2008. Gross cost ratio was 17.6%, against 18% in 2008. The gross cost ratio is decreasing despite one off costs of NOK 7m (related to the potential takeover of NEMI and CEO's pension plan) and the implementation of a new bonus program (NOK 6,4m). In 2009, a cost cut program of NOK 15m was implemented and NOK 12m was realised. The NOK 3m deviation is due to higher commissions due to portfolio changes within the commercial lines of business.

The combined ratio net was in Q4 99.5%, 12.2 percentage points lower than the 111.7% reported in the year-earlier period. The result is mainly driven by a lower claims level. Net claims ratio was 77.6% (adjusted for the one-off change in reinsurance structure) down from 84.1% in Q4 2008.

Within the commercial and public sector, the technical result in Q4 and in the full year is satisfactory. Within the affinity segment, the technical result is weak both in Q4 and in the full year.

#### Investment return

Year-to-date, investment activities yielded a net profit of NOK 224.4m against a net loss of NOK 28.2m in 2008. Equities accounted for a NOK 156.2m gain in aggregate, against a NOK 77.5m loss in 2008.

In the fourth quarter of 2009, the investment result amounted to a net profit of NOK 62.8m against a net loss of NOK 36.8m in the same period of 2008. Equities accounted for a NOK 45.5m gain, against a NOK 49.8m loss in Q4 2008.

The investment portfolio amounted to a total of NOK 1.635m at 31 December. 25.1% of Protector's financial assets were invested in equities.

### Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2009 increased by NOK NOK 208.2m to NOK 777.3m. Purchase of own shares and dividend for the fiscal year 2008 have a NOK 50.3m negative effect on the solvency capital.

End of Q4 2009 the capital adequacy ratio was 36%, against a minimum requirement of 8%.

Excess coverage above the required solvency margin capital amounted to NOK 376.5m by end of 2009, corresponding to 244% of the requirement.

The Board of Directors holds a mandate granted by Protector's AGM 15 April 2009 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2010. End of Q4 2009, the company has a holding of 3.348.920 own shares.

Based on the company's strong result, strong financial position and solid position in the market the Board of Director's will propose to the general meeting a cash dividend of NOK 1.25 per share for the fiscal year 2009. Proposed dividend is included in other equity in the preliminary balance sheet per 31.12.2009.

### Prospects

The Board is satisfied with the strong growth and strong operating result and expects continued growth and an improved technical result in 2010.

Oslo, February 24th 2010

*The Board of Directors of Protector Forsikring ASA*

## Income statement

[1.000 NOK]	Q4 2009	Q4 2008	FY 2009	FY 2008
<b>Premium income</b>				
Gross written premiums	126 470	92 950	871 374	728 997
Ceded insurance premiums	155 392	(12 285)	12 923	(101 070)
Change in provisions for unearned premiums	96 772	73 797	(28 283)	(8 506)
Change in reinsurers' share of provisions for unearned premiums	(26 304)	(40 851)	(13 367)	(27 051)
<b>Earned premiums, net of reinsurance</b>	<b>352 330</b>	<b>113 612</b>	<b>842 646</b>	<b>592 370</b>
Allocated return on investment transferred from non-technical account	8 438	7 038	27 089	30 554
<b>Claims incurred</b>				
Claims paid	(106 798)	(124 937)	(405 955)	(419 335)
Reinsurers' share of paid claims	(8 767)	44 863	84 634	156 910
Change in provisions for claims	(54 463)	(32 544)	(243 222)	(129 734)
Change in reinsurers' share of claims provisions	(141 467)	17 042	(130 195)	(84 903)
<b>Claims incurred, net of reinsurance</b>	<b>(311 495)</b>	<b>(95 577)</b>	<b>(694 738)</b>	<b>(477 063)</b>
<b>Operating expenses</b>				
Sales costs	(3 746)	(871)	(8 379)	(11 952)
Administration costs	(38 764)	(34 567)	(139 665)	(117 921)
Commission from reinsurers	3 557	4 106	29 402	44 678
<b>Total operating expenses, net of reinsurance</b>	<b>(38 952)</b>	<b>(31 331)</b>	<b>(118 642)</b>	<b>(85 194)</b>
<b>Technical result before changes in security provision etc.</b>	<b>10 321</b>	<b>(6 259)</b>	<b>56 354</b>	<b>60 667</b>
Changes in security provision etc.	(918)	(21 647)	(61 663)	(54 828)
<b>Technical result</b>	<b>9 403</b>	<b>(27 905)</b>	<b>(5 308)</b>	<b>5 839</b>
Net income from financial assets	62 759	(36 810)	224 426	(28 217)
Allocated return on investment transferred to technical	(8 438)	(7 038)	(27 089)	(30 554)
Other income	1 452	1 296	5 126	7 537
<b>Non-technical result</b>	<b>55 773</b>	<b>(42 552)</b>	<b>202 463</b>	<b>(51 234)</b>
<b>Profit before tax</b>	<b>65 176</b>	<b>(70 457)</b>	<b>197 155</b>	<b>(45 395)</b>
Tax	(5 751)	12 002	(3 791)	(2 552)
<b>Profit before components of comprehensive income</b>	<b>59 425</b>	<b>(58 456)</b>	<b>193 363</b>	<b>(47 946)</b>
<b>Profit for the period</b>	<b>59 425</b>	<b>(58 456)</b>	<b>193 363</b>	<b>(47 946)</b>
Earnings per share	0,72	(0,64)	2,30	(0,51)
Earnings per share, diluted	0,69	(0,62)	2,22	(0,49)

## Balance Sheet

[1.000 NOK]	31.12.2009	31.12.2008
<b>Assets</b>		
<b>Intangible fixed assets</b>		
Goodwill	358	716
Other intangible fixed assets	7 849	4 960
<b>Total intangible fixed assets</b>	<b>8 207</b>	<b>7 619</b>
<b>Financial assets</b>		
Financial assets at amortised cost	237 616	265 547
Financial assets at fair value through profit or loss	1 397 168	955 719
<b>Total financial assets</b>	<b>1 634 785</b>	<b>1 221 266</b>
<b>Reinsurers share of gross technical provisions</b>		
Reinsurers share of gross premium provisions	33 353	34 336
Reinsurers share of gross claims provisions	139 575	269 770
<b>Total reinsurers share of gross technical provisions</b>	<b>172 928</b>	<b>304 106</b>
<b>Receivables</b>		
Direct insurance receivables	46 913	42 128
<b>Total receivables</b>	<b>46 913</b>	<b>42 128</b>
<b>Other assets</b>		
Tangible fixed assets	2 932	3 709
Cash and bank deposits	85 597	37 216
<b>Total other assets</b>	<b>88 529</b>	<b>40 925</b>
<b>Total prepaid expenses</b>	<b>21 491</b>	<b>6 785</b>
<b>Total assets</b>	<b>1 972 853</b>	<b>1 622 829</b>
<b>Equity and liabilities</b>		
<b>Shareholders' equity</b>		
Share capital [86.155.605 shares]	86 156	86 156
Own shares	(3 349)	-
Other paid-in equity	13 607	10 171
<b>Total paid-in equity</b>	<b>96 413</b>	<b>96 327</b>
<b>Earned equity</b>		
Technical provisions	134 416	92 237
Other equity	331 835	227 584
<b>Total earned equity</b>	<b>466 250</b>	<b>319 821</b>
<b>Total equity</b>	<b>562 664</b>	<b>416 148</b>
<b>Technical provisions</b>		
Provisions for unearned premiums	125 842	97 559
Provisions for claims	1 018 205	774 983
Security provision etc.	214 639	152 976
<b>Total technical provisions</b>	<b>1 358 686</b>	<b>1 025 517</b>
<b>Provisions for other risks and liabilities</b>		
Pension liabilities	9 289	3 974
Deferred tax liability	1 849	-
<b>Total provisions for other risks and liabilities</b>	<b>11 138</b>	<b>3 974</b>
<b>Liabilities</b>		
Liabilities in connection with insurance	4 308	5 927
Liabilities in connection with reinsurance	541	152 221
Other liabilities	16 084	11 837
<b>Total liabilities</b>	<b>20 933</b>	<b>169 985</b>
<b>Incurred expenses and prepaid income</b>		
Other incurred expenses and prepaid income	19 433	7 205
<b>Total incurred expenses and prepaid income</b>	<b>19 433</b>	<b>7 205</b>
<b>Total equity and liabilities</b>	<b>1 972 853</b>	<b>1 622 829</b>

## Cash flow statement

[1.000 NOK]	Q4 2009	Q4 2008	YTD 2009	FY 2008
Net cashflow from operational activities	(10 508)	(71 793)	338 100	250 188
Net invested in financial assets	(26 869)	96 456	(325 046)	(81 661)
Net cashflow from investment activities	(2 341)	(4 873)	(56 035)	(112 782)
Net change in cash and cash equivalents	(39 718)	19 790	(42 981)	55 745
Cash and cash equivalents at the beginning of the period	148 333	131 806	151 596	95 851
Cash and cash equivalents at the end of the period	108 615	151 596	108 615	151 596

## Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Share Premium Account	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12 2007	103 364	(2 452)	242 204	6 645	60 610	156 978	567 349
Option cost, effect on equity				1 215		-	1 215
Own shares		(5 222)				(36 637)	(41 859)
Profit for the period					17 183	(16 529)	655
Equity at 31.03 2008	103 364	(7 674)	242 204	7 860	77 794	103 812	527 360
Option cost, effect on equity				1 279			1 279
Own shares		(1 843)				(12 781)	(14 625)
Capital write-down			(242 204)			242 204	-
Profit for the period				4 353		37 407	41 760
Equity at 30.06 2008	103 364	(9 517)	-	9 139	82 146	370 642	555 773
Own shares		(7 674)	(17)			(42 606)	(50 297)
Profit for the period					8 001	(39 906)	(31 905)
Equity at 30.09 2008	95 690	(9 534)	-	9 139	90 147	288 129	473 571
Option cost, effect on equity				1 032			1 032
Own shares		(9 534)	9 534				-
Dividend						(30 154)	(30 154)
Profit for the period					2 090	(60 546)	(58 456)
Equity at 31.12 2008	86 156	-	-	10 171	92 237	197 429	385 993
Change in accounting principles, dividend						30 154	30 154
Equity at 31.12 2008	86 156	-	-	10 171	92 237	227 585	416 148
Option cost, effect on equity				1 252			1 252
Profit for the period					6 443	14 277	20 720
Equity at 31.03 2009	86 156	-	-	11 423	98 680	241 862	438 121
Option cost, effect on equity				1 299			1 299
Own shares		(3 349)				(16 779)	(20 128)
Dividend						(30 154)	(30 154)
Profit for the period					14 812	54 658	69 471
Equity at 30.06.2009	86 156	(3 349)	-	12 722	113 492	249 586	458 607
Option cost, effect on equity				847			847
Profit for the period					14 635	29 112	43 747
Equity at 30.09.2009	86 156	(3 349)	-	13 569	128 127	278 699	503 202
Option cost, effect on equity				38			38
Profit for the period					6 288	53 137	59 425
Equity at 31.12.2009	86 156	(3 349)	-	13 607	134 416	331 835	562 664

## Quarterly outline

[1.000 NOK]	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
<b>Gross premiums written</b>	<b>126 470</b>	<b>141 834</b>	<b>215 048</b>	<b>388 022</b>	<b>92 950</b>	<b>119 168</b>	<b>198 372</b>	<b>318 506</b>
Gross premiums earned	223 242	221 072	217 945	180 831	166 747	184 674	204 799	164 271
Gross claims incurred	(161 261)	(162 718)	(183 532)	(141 667)	(157 481)	(110 040)	(153 813)	(127 735)
Earned premiums, net of reinsurance	352 330	180 131	170 599	139 585	113 612	126 805	146 201	205 752
Claims incurred, net of reinsurance	(311 495)	(133 072)	(134 033)	(116 138)	(95 577)	(81 588)	(121 400)	(178 498)
Total operating expenses, net of reinsurance	(38 952)	(31 786)	(27 761)	(20 143)	(31 331)	(23 520)	(17 006)	(13 337)
Other income	1 452	608	1 433	1 633	1 296	2 434	1 966	1 841
Net income from financial assets	62 759	49 311	86 408	25 948	(36 810)	(33 270)	46 438	(4 575)
<b>Operating profit before changes in security provision</b>	<b>66 094</b>	<b>65 191</b>	<b>96 648</b>	<b>30 885</b>	<b>(48 810)</b>	<b>(9 138)</b>	<b>56 199</b>	<b>11 183</b>
Changes in security provision etc.	(918)	(20 241)	(32 608)	(7 896)	(21 647)	(10 313)	(8 239)	(14 628)
Profit before tax	65 176	44 950	64 040	22 988	(70 457)	(19 451)	47 959	(3 446)
Tax	(5 751)	(1 203)	5 431	(2 268)	12 002	(12 454)	(6 200)	4 100
<b>Net profit/loss</b>	<b>59 425</b>	<b>43 747</b>	<b>69 471</b>	<b>20 720</b>	<b>(58 456)</b>	<b>(31 905)</b>	<b>41 760</b>	<b>655</b>
<b>Key ratios</b>								
Claims ratio, net of ceded business	88,4 %	73,9 %	78,6 %	83,2 %	84,1 %	64,3 %	83,0 %	86,8 %
Cost ratio, net of ceded business	11,1 %	17,6 %	16,3 %	14,4 %	27,6 %	18,5 %	11,6 %	6,5 %
<b>Combined ratio, net of ceded business</b>	<b>99,5 %</b>	<b>91,5 %</b>	<b>94,8 %</b>	<b>97,6 %</b>	<b>111,7 %</b>	<b>82,9 %</b>	<b>94,7 %</b>	<b>93,2 %</b>
Gross cost ratio	19,0 %	15,8 %	15,5 %	20,3 %	21,3 %	15,5 %	14,1 %	22,5 %

## Accounting principles

These interim accounts have been prepared in accordance with IAS 34 and in line with the accounting principles described in the annual report for 2008, with the following amendments: With effect from 1 January 2009, accounting regulations for Norwegian insurance companies was changed. The Norwegian ministry of finance in December 2009 changed the rules regarding accounting for deferred tax for insurance technical provisions presented under equity. According to the new regulations, it is not allowed to present insurance technical provisions under equity net of deferred tax. In 2008, the insurance technical provisions were presented net of deferred tax under equity. However, insurance technical provisions presented under equity still are included in the calculation of temporary differences for taxation purposes. The change of accounting principle from net to gross presentation under equity has an effect of NOK 30.1m on the presentation of insurance technical provisions presented under equity in the 4Q financial statements.

Protector Forsikring has in previous years presented dividends in the financial statements for the year dividend payments are based on. From 2009, the company has adopted the principle that dividends will be recognised in the accounts in the year that the general assembly has approved the dividends. This solution is similar to the accounting principle for dividends under IFRS and an option the company is allowed to adopt under Norwegian accounting regulations.

Because of the two changes in accounting principles the comparative figures for earlier years have been restated in the 4Q accounts