

Investor presentation

Preliminary year-end results 2009

February 25th 2010



# Protector

- A focused non-life Norwegian insurance company
- Established Jan.1, 2004. (Listed on Oslo Stock Exchange May 2007)
- Vision: "Protector will be the challenger to the established insurance companies"
- Main targets:
  - Being top three in Protector's defined business segments
  - Cost leadership
  - Being preferred by the brokers
- Ownership; ODIN, Franklin Mutual Funds, Alfred Berg Norge/Gambak, employees, etc.
- Strong results, average combined ratio 2004 - 2009, 92%
- GWP in 2009: MNOK 871, further growth in 2010
- Solid balance sheet, solvency capital of MNOK 777, investment portfolio > 1,6 bn.

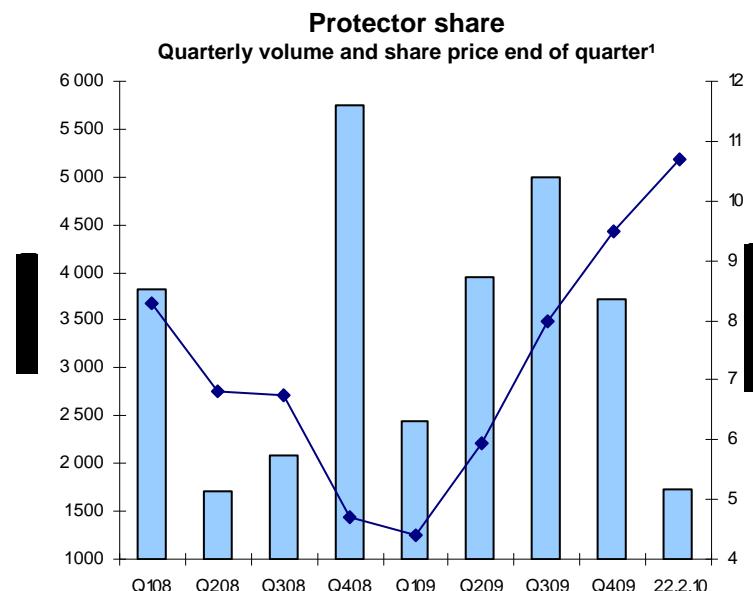
## Outlook 2010:

GWP + 15%  
CR ~ 92

## Dividend policy:

5-15% of the solvency capital  
Share buy backs for additional surplus capital

Suggested dividend for 2009, NOK 1,25 per share



<sup>1</sup> Share buy back not included in the volume figures

## Highlights 2009

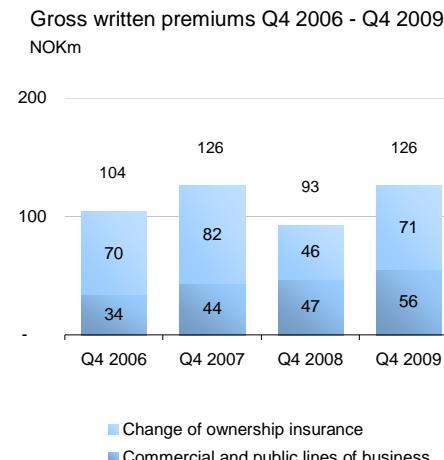
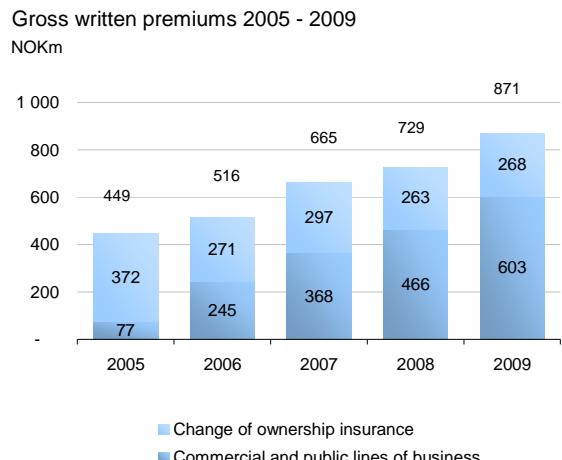
Strong growth, acceptable combined ratio and strong investment income

- 20% growth in GWP
  - Commercial and public lines of business, up 29%
  - Change of ownership insurance, unchanged
- Net combined ratio 96,5%, up 1,6 percentage points
  - Average combined ratio HTD, 92%
- Return on investments, 16,1%, up from -2,1%
- Operating profit, NOK 258.8m, up from NOK 9,4m in 2008
- Dividend of NOK 1,25 per share suggested

## Gross written premium 2009

GWP up 20%, from NOK 729m to NOK 871,4m

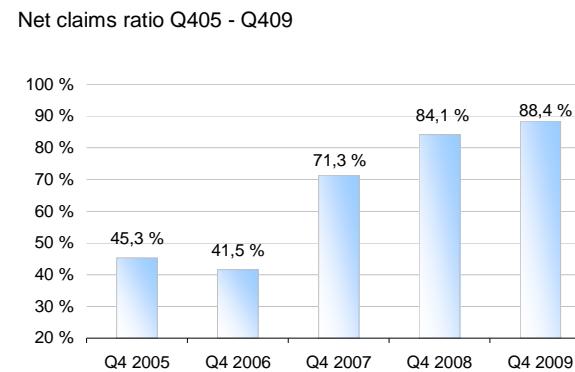
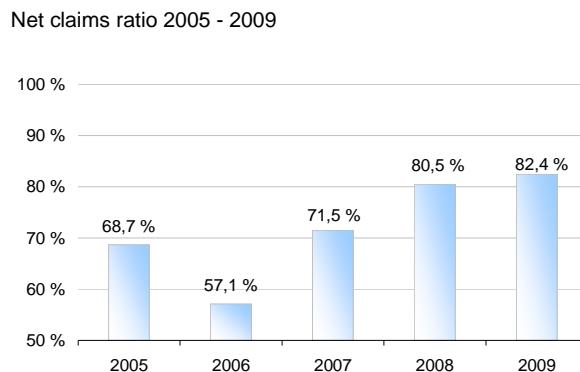
- 29% growth within the commercial and public lines of business
  - Acceptable renewal rate, 89% down from 93% in 2008
  - Strong new sales and good access to quotations
  - High hit-ratio in the commercial sector, low hit-ratio in the municipality sector
  - Still low property rates
  - Increased competition within personal lines of business in the municipality sector
- Change of ownership, unchanged
  - Increased hit-ratio, all time high 73% up from 70%



## Claims development 2009

Net claims ratio 82,4%<sup>1</sup>, up from 80,5% in 2008

- 4 large claims (> NOK 5 mill) within the commercial sector with good reinsurance cover (3 large claims in 2008)
  - Net effect higher than normal
  - 1 large claim in Q4, 2 in Q408)
- Run-off losses of NOK 11 mill
  - Change of ownership insurance; Run off-losses of NOK 29,8 mill (NOK5m in Q4)
  - Commercial and public lines of business; Run-off-gains of NOK 18,8 mill
- Claims ratio in the UW year 2009 72,4%, up from 71,7% in 2008

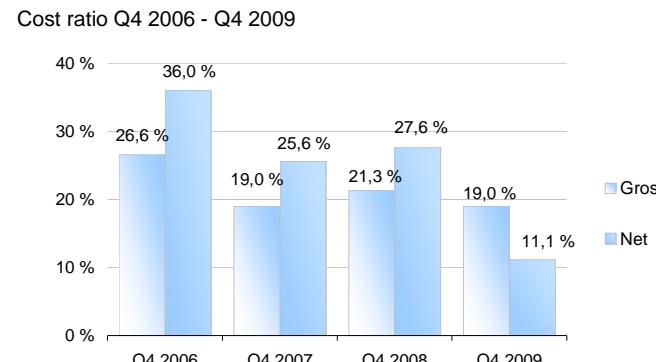
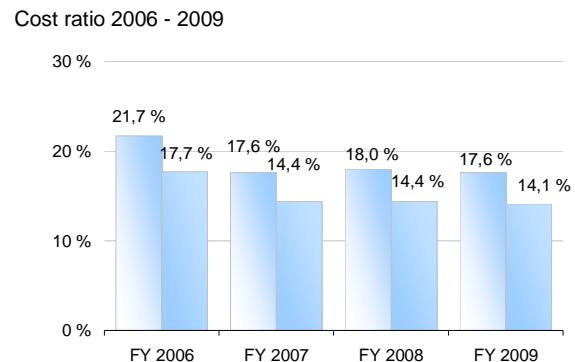


<sup>1</sup> ART reinsurance contract and reserve changes leads to high volatility. Page 30 gives a more relevant picture of the claims development.

## Cost ratio 2009

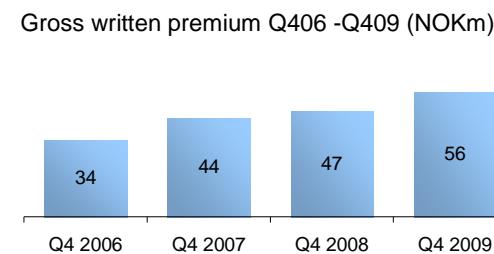
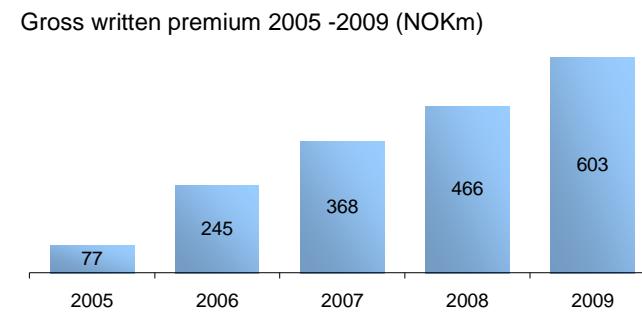
Gross cost ratio 17,6%, down from 18% in 2008

- Increased manning costs
  - Average no. of employees in 2009 96, up from 84 in 2008
  - 3-year bonus programme, MNOK 6,4 in 2009
- One-off costs in 2009
  - NEMI process, MNOK 4
  - Pension agreement CEO, MNOK 3
- Cost cut program, 12 out of 15 mill. delivered
  - Sales costs commercial sector, down MNOK 4 (MNOK 3 lower than expected, due to portfolio changes)
  - Marketing costs Change of ownership insurance, down MNOK 5
  - Other cost cut initiatives, MNOK 3



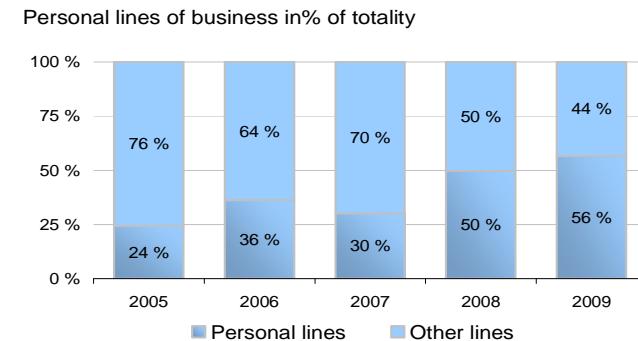
## Highlights 2009 - Commercial and public lines of business

- 29% volume growth
  - Difficult in the municipality sector
  - Fast growing in the middle market, 51% growth
  - NEMI effect on volume growth, 5-6%
  - First Swedish municipality contract signed Jan 1st 2010
- Personal lines of business, 56% of the totality
- Renewal rate 89%, slightly behind target
- Relationship with all leading brokers
  - Rated no. 1 third year in a row
- Combined ratio approx 90%
- 2010 reinsurance renewed with improved terms

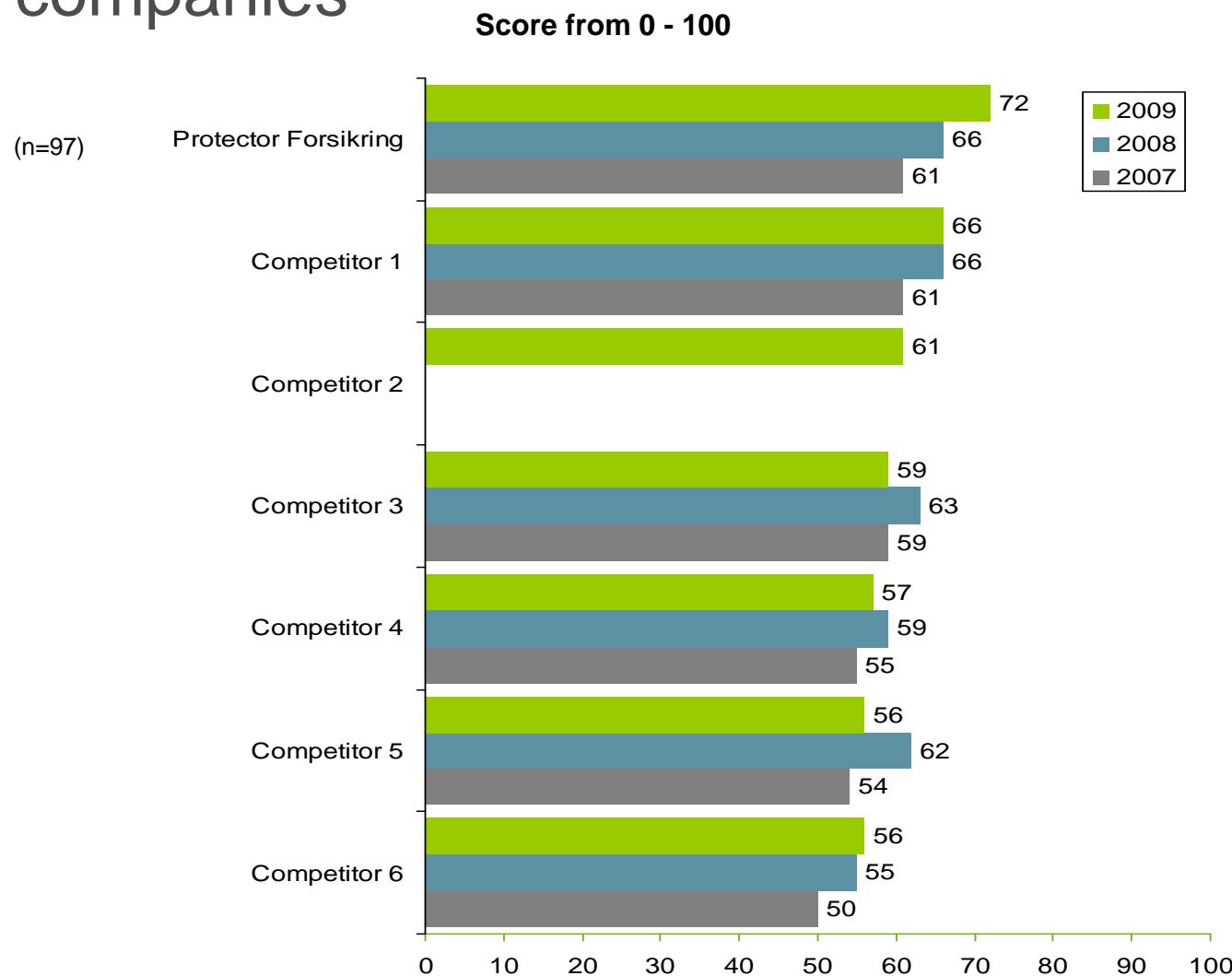


## Highlights 2009 - Commercial and public lines of business

- Growth within the personal lines of business leads to
  - slightly increased risk (other illness) but...
  - ...risk off set by quota share reinsurance contract
  - increased balance sheet and increased investment income (money stays longer)
- Profitability actions commercial sector
  - Property, UW focus started last autumn
  - Motor, UW focus started last autumn
  - Other illness, new claims handling initiatives Q2 2010
- Gross cost ratio, below 13%

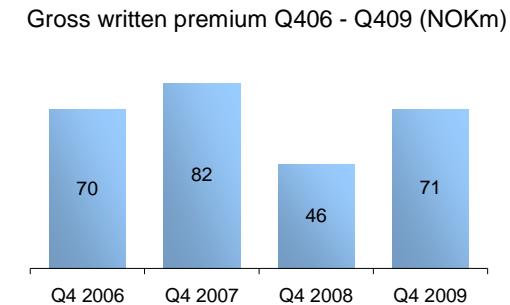
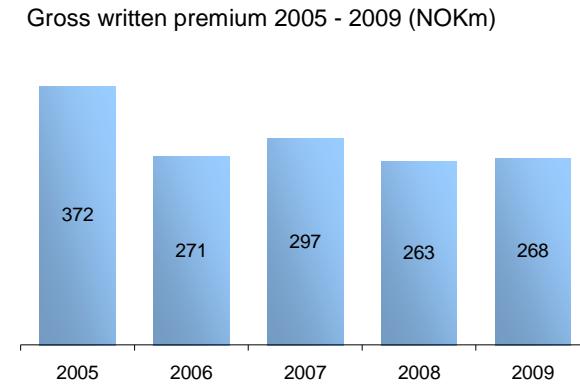


# Overall satisfaction with the insurance companies



## Highlights 2009 - Change of ownership insurance

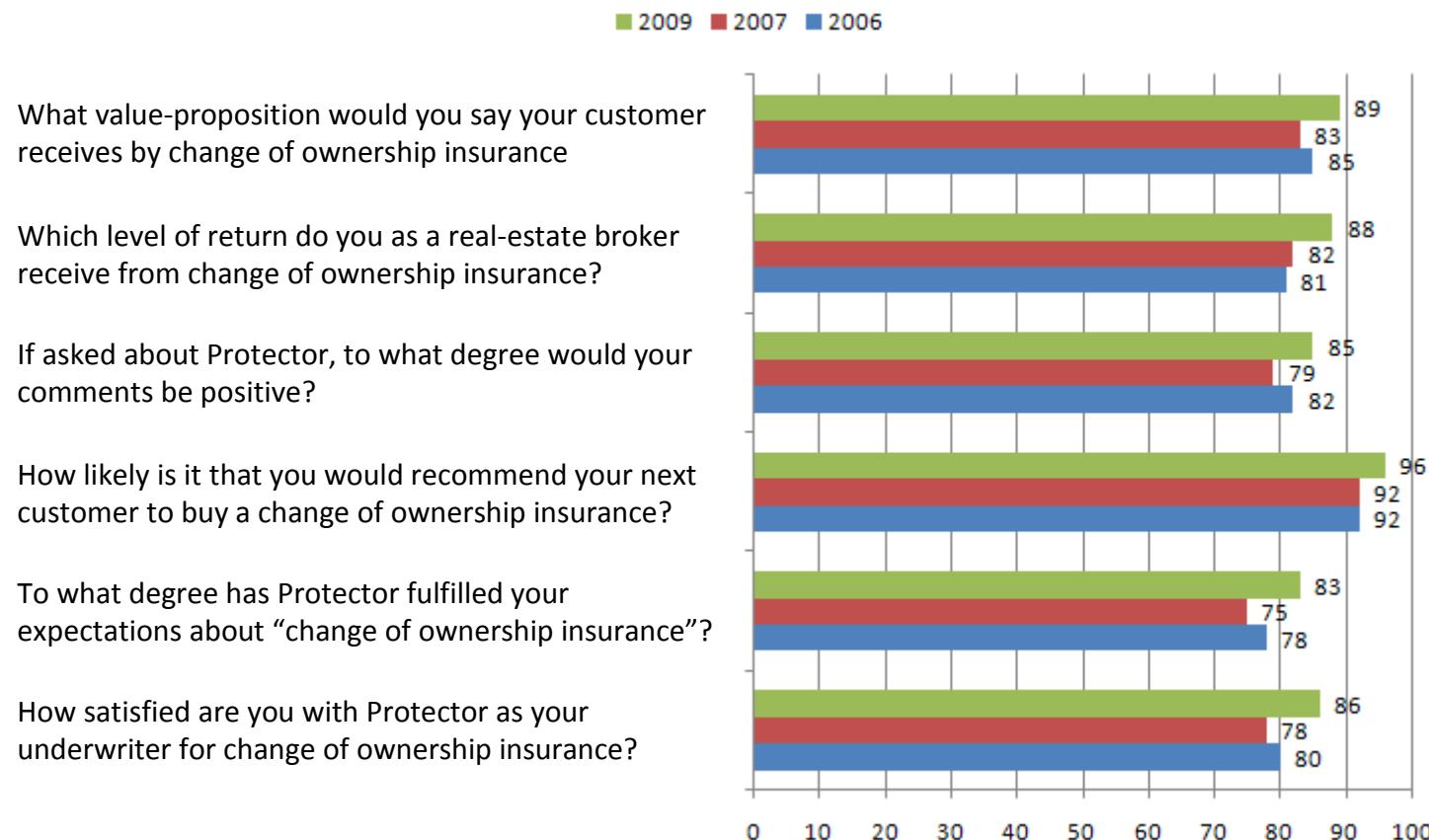
- Volume unchanged
  - Market share improving, above 50%
  - Weak market in H1, normalized in H2
  - Hit-ratio close to 73%, all time high
- Real estate market continues to improve
  - No. of sold properties "normalised"
  - Real estate prices Dec 09 14,4% higher than in Dec 08
  - Significant stronger H1 expected
- Unprofitable in 2009
  - Weak claims development due to run-off losses of MNOK 29,8
  - High cost ratio due to low premium volume
  - Cost cut initiatives of approx MNOK 6 in 2009
- No. of lawsuits at the same level as in 2008 (230)
- Good results in the court room
  - 44% - 26% -29% (win – draw – lost)



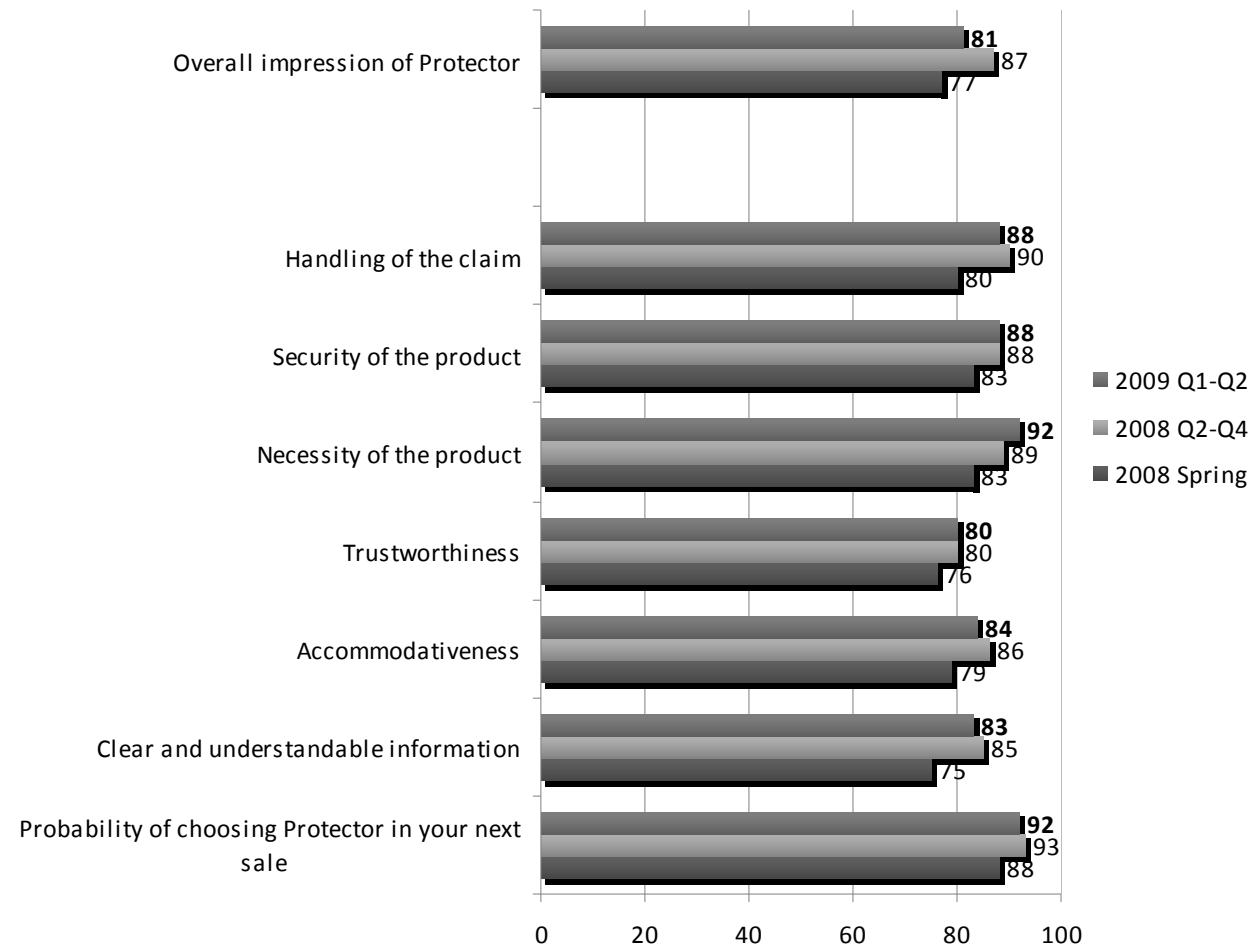
## Highlights 2009 - Change of ownership insurance

- Profitability actions, annual bottom line potential > NOK 10m
  - Cost cut improvements possible
  - Improved quality on technical surveys possible
  - Major breakthrough with EM1 Trondheim
  - Slightly increased recourse level expected
- New Supreme Court decision
  - increased demand to significance ("significant" defined as 5-6% relative to earlier practice 3-4%)
  - a reduced time-limit to raise a claim (from approx 4 months to approx 3 months)
  - no. of conflicts will be reduced
- Documented quality leader both in claims handling and services

## Evaluation of Protector among Real Estate Brokers



## Customers satisfaction with Protector



## Results 2009

MNOK	Q4 2009	Q4 2008	FY 2009	FY 2008
<b>Premiums written gross</b>	<b>126,5</b>	<b>93,0</b>	<b>871,4</b>	<b>729,0</b>
Premiums earned gross	223,2	166,7	843,1	720,5
Claims incurred gross	(161,3)	(157,5)	(649,2)	(549,1)
Premiums earned for own account	352,3	113,6	842,6	592,4
Claims incurred for own account	(311,5)	(95,6)	(694,7)	(477,1)
Operating costs	(39,0)	(31,3)	(118,6)	(85,2)
Net financial income	62,8	(36,8)	224,4	(28,2)
Other income	1,5	1,3	5,1	7,5
<b>Profit before change in security provision etc.</b>	<b>66,1</b>	<b>(48,8)</b>	<b>258,8</b>	<b>9,4</b>
Change in security provision etc.	(0,9)	(21,6)	(61,7)	(54,8)
<b>Profit after change in security provision etc.</b>	<b>65,2</b>	<b>(70,5)</b>	<b>197,2</b>	<b>(45,4)</b>
Net claims ratio	88,4 %	84,1 %	82,4 %	80,5 %
Net cost ratio	11,1 %	27,6 %	14,1 %	14,4 %
<b>Net combined ratio</b>	<b>99,5 %</b>	<b>111,7 %</b>	<b>96,5 %</b>	<b>94,9 %</b>
Retention rate	157,8 %	68,1 %	99,9 %	82,2 %

Note:

Net claims ratio = claims incurred for own account / NPE

Net cost ratio = (sales costs + admin costs + commission on reinsurance ceded)/NPE

Retention rate = NPE in % of GPE

## Balance sheet 2009

MNOK	31.12.2009	31.12.2008
Financial assets	1 634,8	1 221,3
Bank deposits	85,6	37,2
Other assets	252,5	364,3
<b>Total assets</b>	<b>1 972,9</b>	<b>1 622,8</b>
Total equity	562,7	416,1
Total reserves	1 358,7	1 025,5
Other liabilities	51,5	181,2
<b>Total equity and liabilities</b>	<b>1 972,9</b>	<b>1 622,8</b>
 Solvency capital	777,3	569,1
Return on solvency capital	38 %	2 %
Solvency capital per share, end of period	9,4	6,6
Solvency margin	88 %	91 %
Capital adequacy ratio (risk weighted)	36 %	39 %
NAV	717,2	526,3
NAV per share, end of period	8,7	6,1

Note:

*Solvency Capital = shareholder's funds + security provision etc.*

*Return on solvency capital: Operating profit /average solvency capital*

*Solvency margin = solvency capital / NPW*

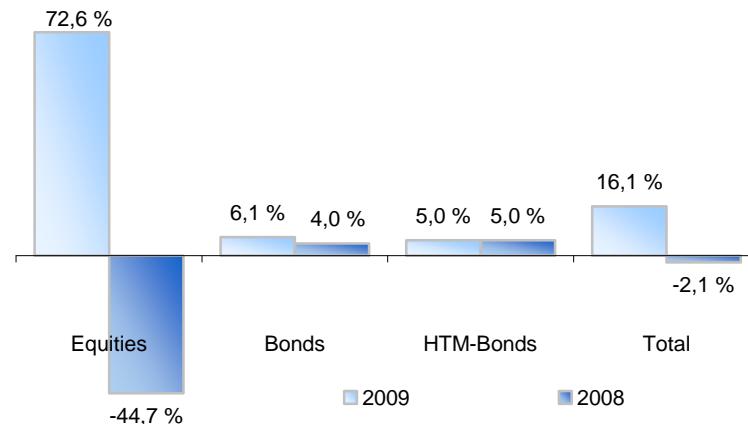
*NAV = total equity pluss 72% of the total security provision etc.*

*No. of shares = total outstanding shares ex own shares*

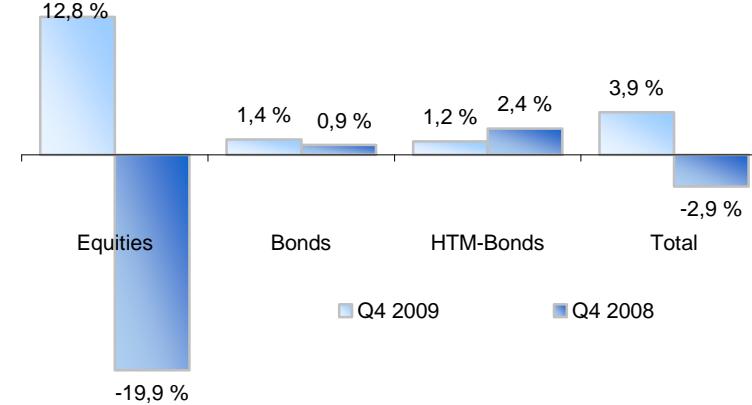
# Investment performance 2009

- Net investment result of NOK 224,6m (NOK -28,2m)
  - NOK 62,7m in Q4 (NOK -36,8m)
- Equities; Return of 72,6% (-44,7%), OSEBX 64,8%,
  - Return of 12,8% in Q4 (-19,9%), OSEBX 14,9%
- Bond portfolio (inc HTM-Bonds); Return of 5,8% (4,2%)
  - Return of 1,4% in Q4 (1,3%)
- Investment portfolio of NOK 1.635m (NOK 1.221m)

Return 2009 per asset class

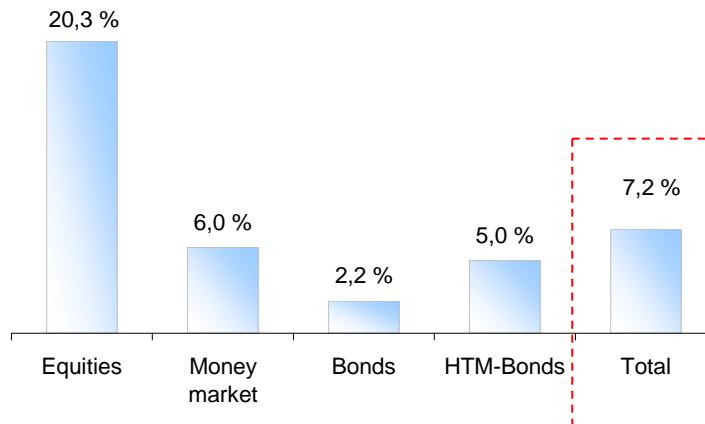


Return Q4 2009 per asset class



# Investment performance 2008 - 2009

Return per asset class in the period 2008 and 2009



Investment return ( % )

	2009	2008 "Average" <sup>1</sup>
Protector	16,1	-2,1
TrygVesta <sup>2</sup>	6,6	3,5
If..	12,3	-3,1
KLP	8,4	0,4
Sparebank1	6,6	0,5
Gjensidige	5,5	-0,6

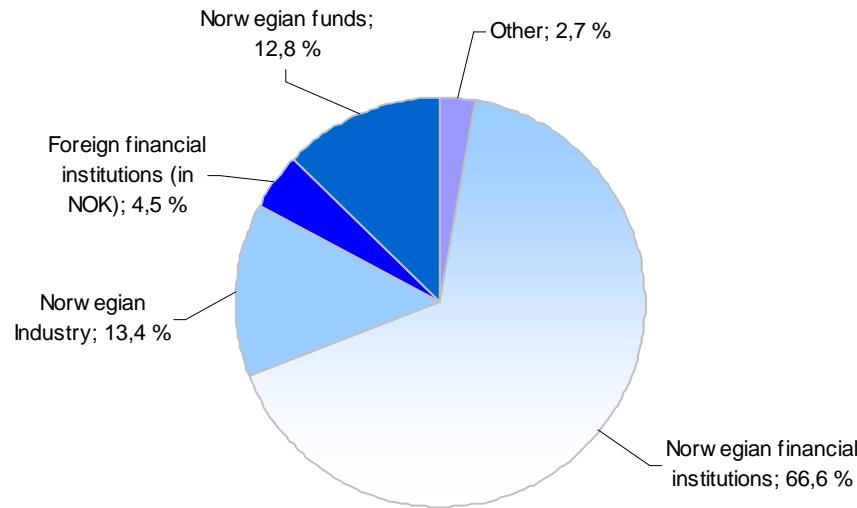
<sup>2</sup> Gross return

<sup>1</sup> The competitors average return is not reported. Calculated as the average of the two reported percentages.

## Portfolio structure and quality bond portfolio

- Bonds 74,9% of portfolio, Norwegian equities 25,1%
  - Relative growth in equities through 2009 mainly driven by change in value
- Duration (credit) of bond portfolio (ex HTM) is 1,99 years (1,59 years)
  - Interest duration (ex HTM) 0,16 years (0,32 years)

**Bond portfolio 31 December 09**

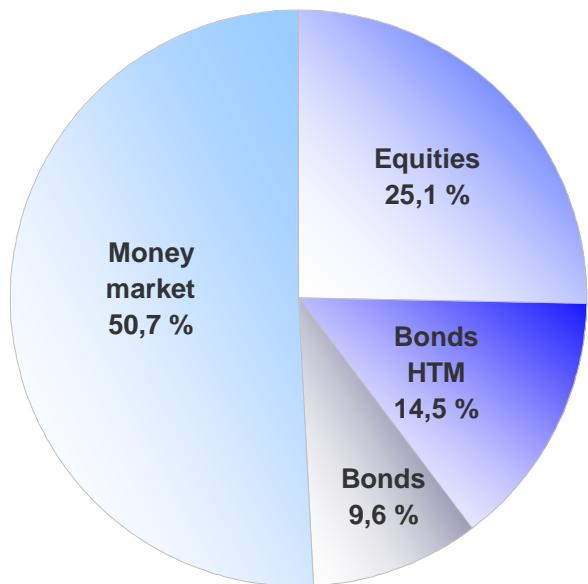


**Quality bond portfolio 31 December 09**

Split of fixed income portfolio	NOK mill	%
Money market instruments	828 988	68 %
Bonds:		
Bonds held to maturity	237 616	19 %
Bond funds	157 201	13 %
Total bonds	394 818	32 %
<b>Total</b>	<b>1 223 806</b>	<b>100 %</b>
<hr/>		
<b>Rating including internal rating by Norwegian banks</b>		
Investmentgrade	979 957	80 %
High yield	86 648	7 %
Non rated	157 201	13 %
<b>Total</b>	<b>1 223 806</b>	<b>100 %</b>

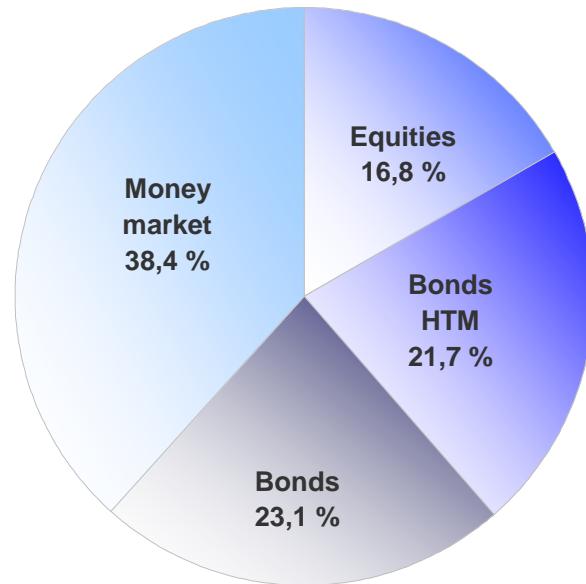
## Asset allocation

Asset allocation 31 December 2009



**Total financial assets 31.12.2009**  
NOK 1.635m

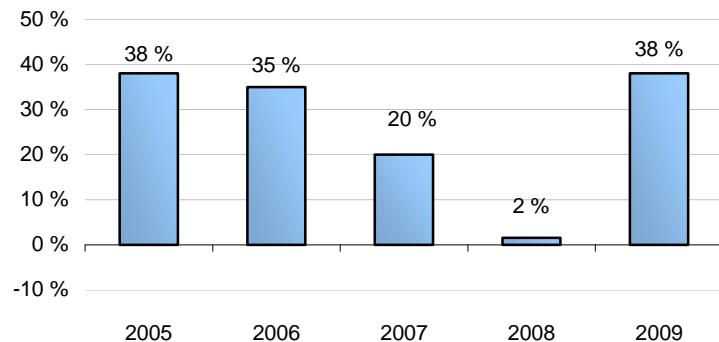
Asset allocation 31 December 2008



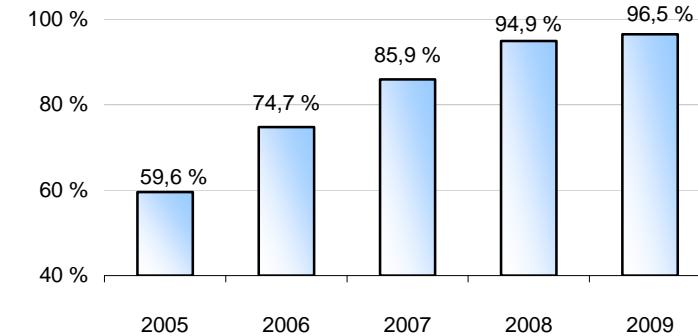
**Total financial assets 31.12.2008**  
NOK 1.221m

## Development in earnings and key ratios

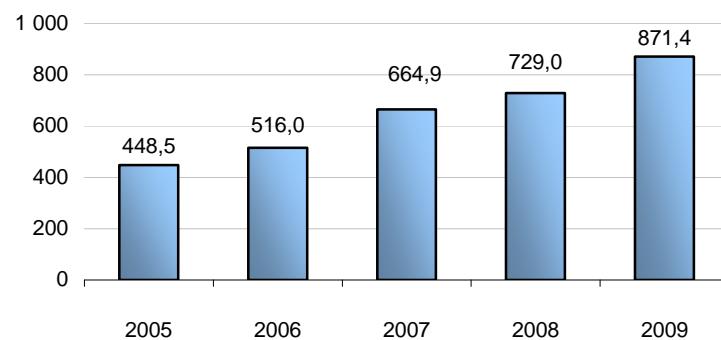
Return on Solvency Capital



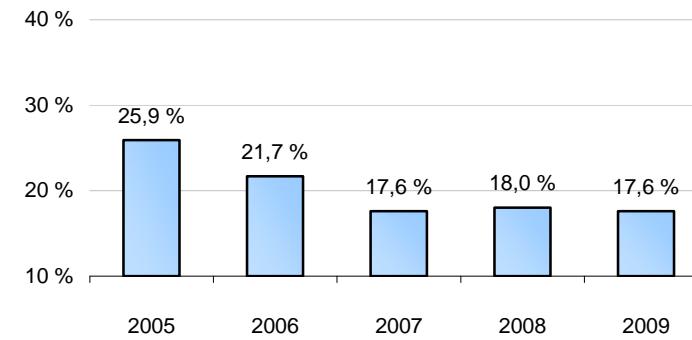
Net combined ratio



Gross written premium (NOKm)

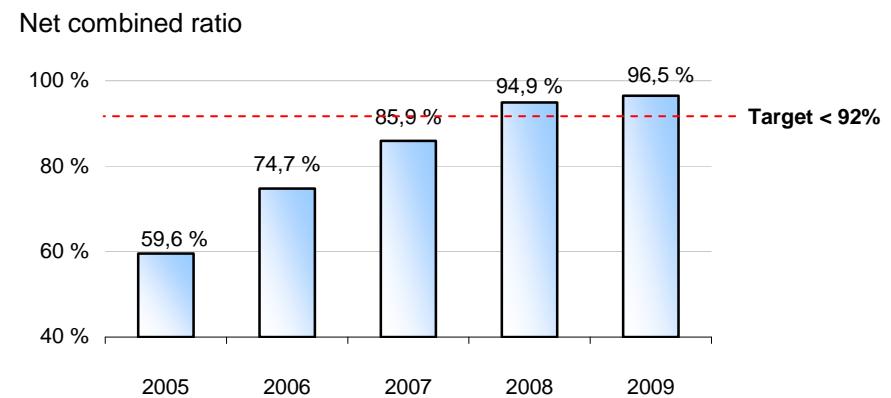


Gross cost ratio

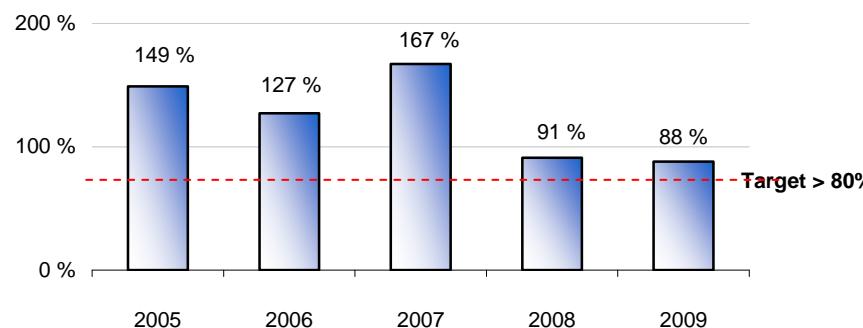


## Long term financial objectives

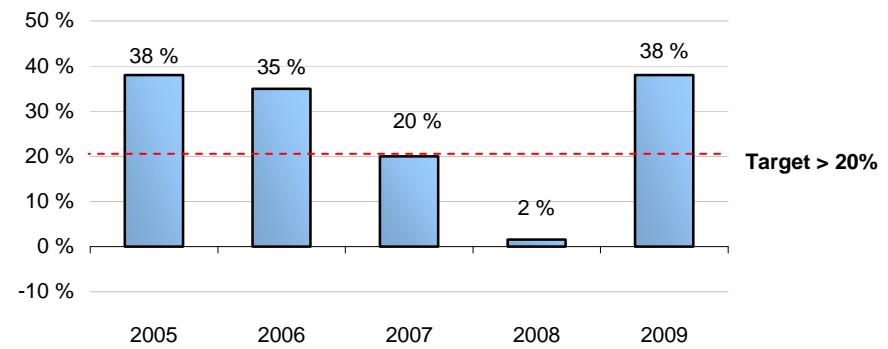
- Medium term GWP growth rate: 10%
- Net combined ratio: 92%
- Solvency margin: 80%
- Return on solvency capital: 20%



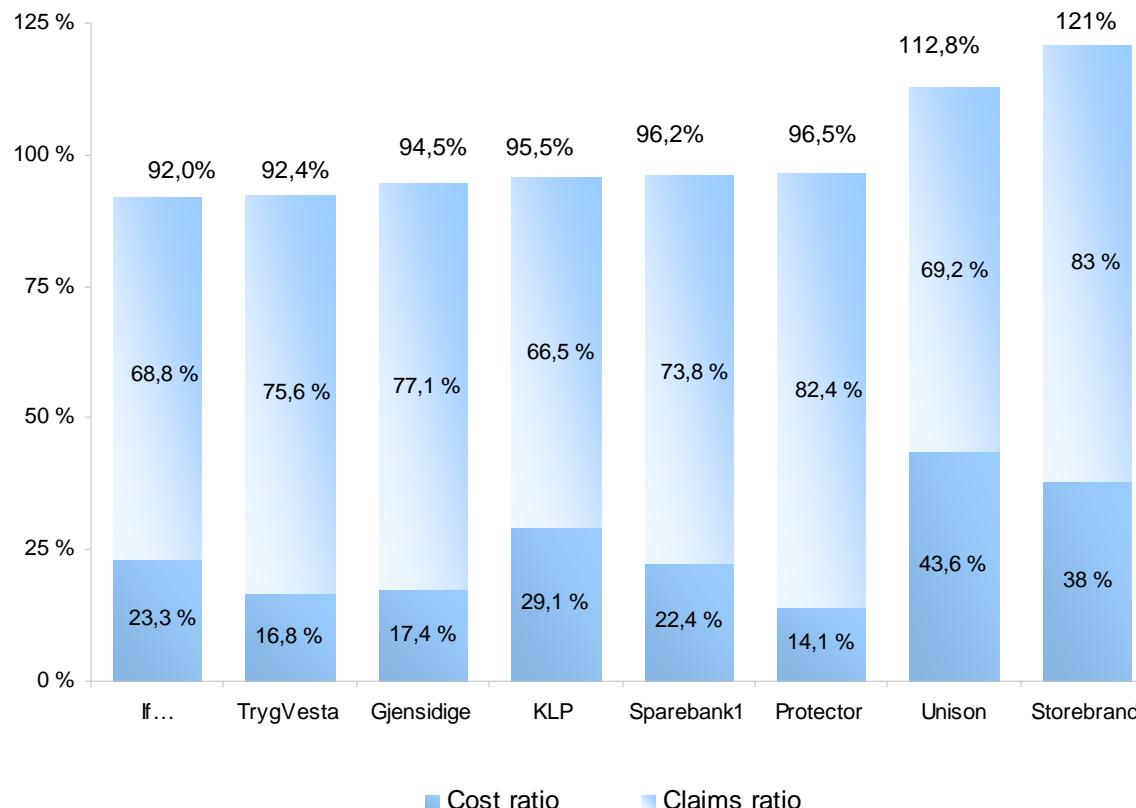
Solvency margin



Return on Solvency Capital



## Combined ratio 2009



# Shareholder matters 16 February 2010

Shareholder	No. shares	Percent
Odin Norden	7 185 355	8,34 %
Bank of New York, Mellon SA/NV	4 479 410	5,20 %
Alfred Berg Gambak	3 735 694	4,34 %
DNB NOR Luxembourg SA	3 619 934	4,20 %
Ojada AS	3 563 116	4,14 %
Protector Forsikring ASA	3 348 920	3,89 %
Morgan Stanley & Co INTL PLC	3 305 333	3,84 %
Bergtor AS	3 083 300	3,58 %
DNB NOR SMB	2 769 000	3,21 %
Gabler Rådgivning AS <sup>1</sup>	2 652 751	3,08 %
MP Pensjon	2 375 706	2,76 %
Tjongsfjord Invest AS <sup>2</sup>	2 261 809	2,63 %
Alfred Berg Norge +	2 210 000	2,57 %
Letra Invest AS	1 873 451	2,17 %
Hathon Eiendom AS	1 855 328	2,15 %
Frognes AS	1 649 916	1,92 %
Petroservice AS	1 479 712	1,72 %
Johan Vinje AS	1 437 841	1,67 %
Trafalgar AS	1344331	1,56 %
Trond Høye	1 235 562	1,43 %
VPF Nordea Norge Verdi	1 091 270	1,27 %
<b>Total 20 largest</b>	<b>56 557 739</b>	<b>65,65 %</b>
<b>Others</b>	<b>29 597 866</b>	<b>34,35 %</b>
<b>Total shares</b>	<b>86 155 605</b>	<b>100,00 %</b>

No. Shareholders 2.240

<sup>1</sup>Chairman of the Board, Jostein Sørvoll

<sup>2</sup>CEO Sverre Bjerkeli

## Option program

- Outstanding options: 3.009.334  
Strike price of NOK 7,75 – 28. Feb/28. Aug. 2010/2011

## Related parties shareholding

- Management's direct and indirect shareholding totals 4m shares or 4,7 % of current outstanding shares
- Board members directly and indirectly own a total of 6,5m shares or 7,5% of current outstanding shares
- 49 employees own directly a total of 4,4m shares or 5,1% of current outstanding shares (incl. management)
- Protector own 3.348.900 own shares or 3,89% of current outstanding shares

## Summary 2009

- Operating profit of NOK 258,8m, up from NOK 9,4m
- Volume up 20%
- Strong return on investments, 16,1%, up from -2,1%
- Dividend of NOK 1,25 per share suggested

# Outlook 2010

## Volume outlook 2010, up 15%

### Commercial and municipality market

- + Full, stable and competent team on board
- + Broker relationship continues to improve
- + Two new agency contracts signed
- + January 1st renewal on a good level
- + 2/3 of municipality renewals already history
  
- Municipality competition very strong
  - Low renewal rate
  - Difficult, but not impossible to win new business
- Leaving some segments for profitability reasons
- Index increase lower than historical
- No help from “competitor”

Outlook commercial sector, up 15%

### Change of ownership insurance

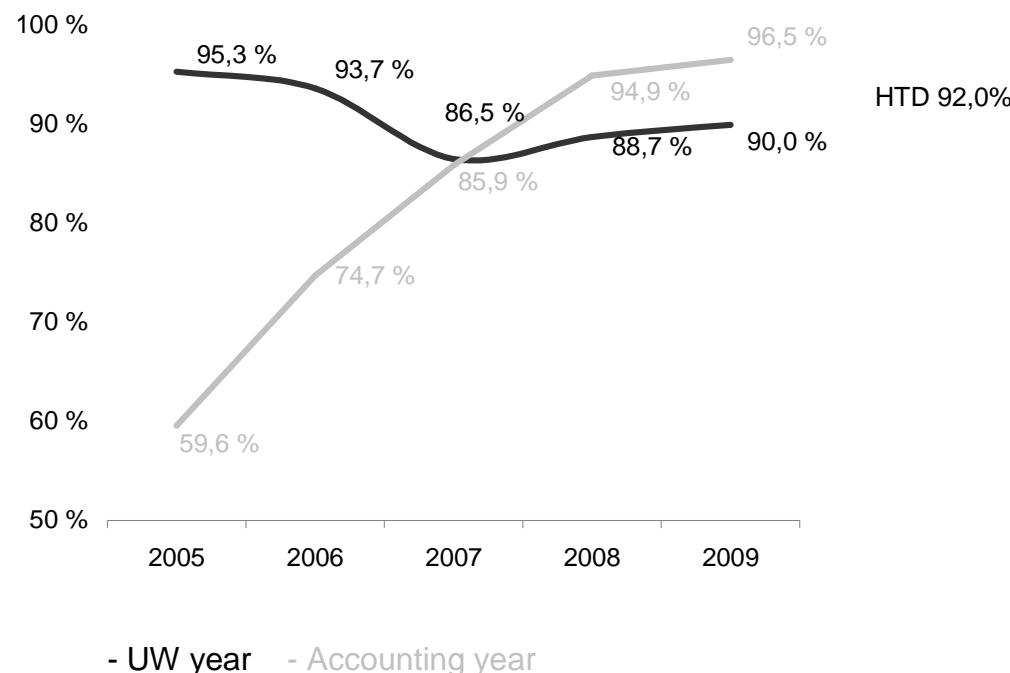
- + Full, stable and competent team on board
- + Average price per property up 8-10%
- + Slightly improved market share expected (1-2%)
- + Slightly improved hit-ratio (1-3%)
  
- Few real estate properties for sale in the market at the moment

Outlook change of ownership, up 17%

## Net combined ratio, UW year

- ART contract terminated
- Reserve changes allocated to UW year

Net combined ratio, UW year 2005 - 2009



## Net claims ratio outlook 2010, 77%

- + Full, relatively stable and competent team on board
- + Identified improvement UW and claims handling, commercial sector
- + Identified improvements claims handling, change of ownership
- + Increased premiums per policy, change of ownership
- + Agent commissions will increase the premiums  
(agent commissions are paid by the insurance companies)
- Reduced rates in the municipality sector
- Very cold Jan/Feb influences negatively on property and auto
- A negative surprise will occur (but I don't know where)

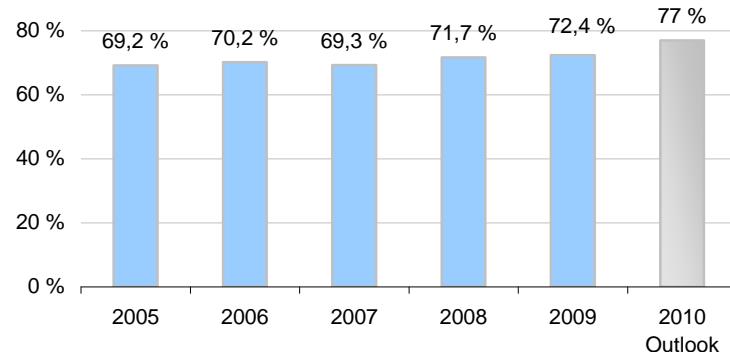
## Gross cost ratio outlook 2010, down to 16%

- + Volume growth
- + Stable no. of employees
- + Lower one-off costs
- + Improved reinsurance commissions (without risk changes), improve net cost ratio
- Agencies are driving cost ratio upwards

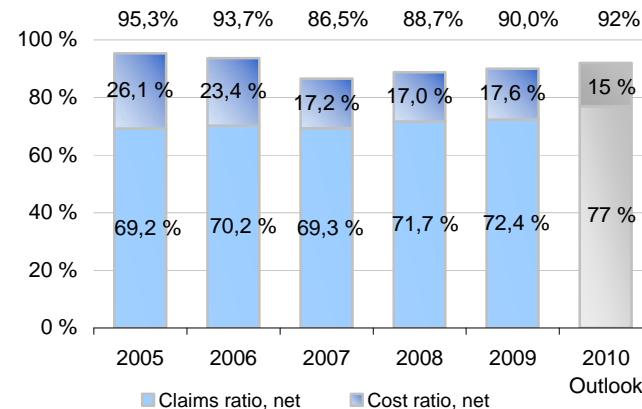
Outlook gross cost ratio 16%, outlook net cost ratio 15%

## Key figures, UW year

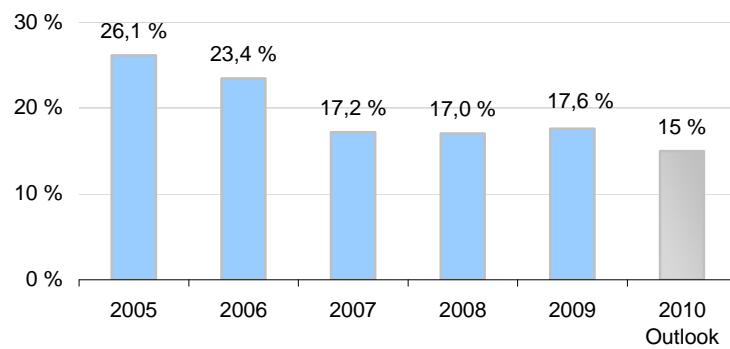
Net claims ratio, UW year - Outlook 2010



Net combined ratio, UW year - Outlook 2010

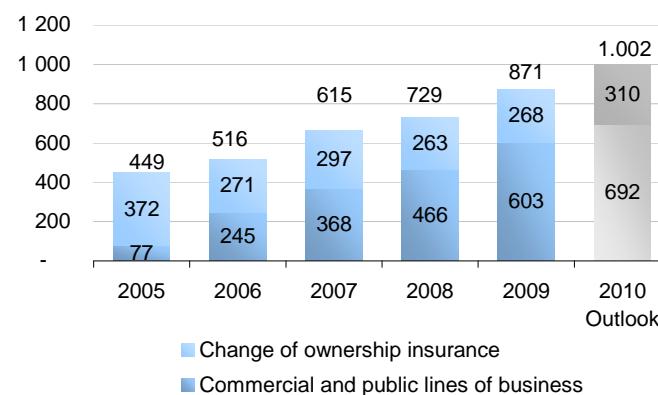


Net cost ratio, UW year- Outlook 2010



Gross written premiums - Outlook 2010

NOKm



## Outlook 2010

NOKm	Realised 2009	Outlook 2010	Favorable scenario	Negative scenario
<b>Premium growth</b>	20%	<b>15%</b>	20%	10%
<b>Operating profit</b>	258.8	<b>150</b>	180	120
<b>Investment income</b>	224.6	<b>88</b>		
<b>Gross cost ratio(%)</b>	17.6	<b>16</b>		
<b>Net combined ratio (%)</b>	96.5	<b>92</b>	88	96
<b>Return on solvency capital (%)</b>	38	<b>20</b>	23	16

- Dividend in line with policy

**Return assumptions:**

Average invested volume: NOK 1.780m

Average equity allocation approx 23%

Return equities 8.0% p.a.

Return bonds 4.0% p.a.

## Summary 2009, outlook 2010

	2009	Outlook 2010
• Volume growth	20%	15%
• Net combined ratio	96.5%	92%
• Gross cost ratio	17,6%	16%
• Operating profit	NOK 258.8m	NOK 150m
• Return on solvency capital	38%	20%
• Dividend	NOK 1,25 per share	In line with policy