

Third quarter 2010 report

33% growth and a strong operating profit

Q3 2010 shows following development compared to Q3 2009:

- Gross written premium NOK 189.3, up 33% from NOK 141.8m
- Operating profit NOK 89.4m, up from NOK 65.2m
- Net combined ratio 89.9%, down from 91.5%
- Return on investments 3.7%, up from 3.4%

Financial highlights and key ratios

[1.000 NOK]	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Gross premiums written	189 250	141 834	848 432	744 904	871 374
Gross premiums earned	254 906	221 072	720 046	619 849	843 091
Gross claims incurred	(186 238)	(162 718)	(525 412)	(487 916)	(649 177)
Earned premiums, net of reinsurance	205 620	180 131	575 322	490 316	842 646
Claims incurred, net of reinsurance	(148 328)	(133 072)	(435 093)	(383 243)	(694 738)
Net commission income	2 635	2 352	35 720	21 211	21 022
Operating expenses	(39 229)	(34 138)	(108 400)	(100 901)	(139 665)
Other income/costs	555	608	2 615	3 673	5 126
Net financial income	68 133	49 311	68 774	161 667	224 426
Operating profit before security provision etc	89 386	65 191	138 938	192 724	258 817
Claims ratio, net of ceded business	(1)	72,1 %	73,9 %	75,6 %	78,2 %
Cost ratio, net of ceded business	(2)	17,8 %	17,6 %	12,6 %	16,3 %
Combined ratio, net of ceded business	(3)	89,9 %	91,5 %	88,3 %	94,4 %
Retention rate	(4)	80,7 %	81,5 %	79,9 %	79,1 %
Solvency capital	(5)			791 912	716 922
Capital adequacy ratio (risk weighted)	(6)			28 %	36 %
Operating profit before security provision etc per share	(7)	1,07	0,79	1,67	2,28
					3,08

(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. 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

Gross premiums written in Q3 totalled NOK 189.3m, representing 33% growth compared to Q3 2009. Gross premiums earned increased by NOK 33.8m to a total of NOK 254.9m. Premiums earned for own account were NOK 205.6m, an increase of 14% compared to Q3 2009.

Gross premiums written in Q3 within the commercial and public sector totalled NOK 76.5m, up 35% relatively to Q3 2009. The strong growth is driven by a high new sale and by the circumstances that some volume has been moved from Q2 to Q3. The renewal rate within the commercial and public lines of business was 93%, up from 89% in Q3 2009.

Within the affinity segment, gross premiums written in Q3 amounted to NOK 112.7m, a 32% growth compared to Q3 2009. Premium income within change of ownership insurance, the company's largest affinity programme, totalled NOK 90.4m, up 23% compared to Q3 2009. The increase in premiums is mainly driven by a higher turn-over rate in the real estate market and higher real estate prices.

Year-to-date, gross premiums written totalled NOK 848.4m, representing a 14% growth compared to the same period last year. Premium growth within the commercial and public sector was 6%. Within the affinity segment the premium growth was 27%. Premiums earned for own account were NOK 575.3m, an increase of 17% compared to the year earlier period.

Results

In Q3 2010, the operating result was NOK 89.4m, compared to NOK 65.2m in Q3 2009.

The performance is driven by a strong combined ratio and a strong investment return. In the first nine months, the operating profit was NOK 138.9m, against NOK 192.7m in the same period in 2009. The decline in profit is due to a normalized return on investments (3.9% YTD 2010 against 12% YTD 2009). Net profit year-to-date amounted to NOK 89.5m, against a net profit of NOK 133.9m the year-earlier period.

The combined ratio net was in the third quarter 89.9%, down from 91.5% in Q3 2009. Net run-off-gains in Q3 amounted to NOK 3.6m. Net claims ratio was 72.1% down from 73.9% in Q3 2009. Gross cost ratio was 17%, against 15.8% the same period last year. Increased pensions costs and increased commissions had a negative impact on the gross cost ratio of 2.1 percentage points.

Year-to-date, the combined ratio net was 88.3%, 6.1 percentage points lower than the 94.4% reported in the same period last year. The decrease is driven by lower net costs mainly due to an increased income in reinsurance commissions. Net claims ratio was 75.6% compared to 78.2% the year-earlier period. Year-to-date, net run-off losses amounted to NOK 5.3m compared to losses of NOK 24.2m in the year-earlier period. The gross cost ratio was 16.4% against 17% year-to-date 2009.

Investment return

The total investment portfolio amounted to NOK 1.93bn at the end of the third quarter 2010, up 21% compared to the portfolio end of Q3 2009. 21.1% of Protector's financial assets were invested in equities. The weight of equity investments end of Q3 2009 was 19.8%. In July (NOK 50m) and August (NOK 20m), the company has increased the exposure in equities by allocating NOK 70m to equities.

In the third quarter, the investment result amounted to a net profit of NOK 68.1m (3.7%) against a profit of NOK 49.3m (3.4%) in the same period of 2009. Equities accounted for a NOK 46.1m gain against a NOK 29.4m gain in Q3 2009.

Year-to-date, investment activities yielded a total return of NOK 68.8m (3.9%) compared with NOK 161.7m (12.0%) in the first nine months of 2009. Equities accounted for a NOK 23.6m gain in aggregate, against a NOK 110.7m gain in the same period of 2009.

Capital and shareholder issues

The solvency capital, defined as the total equity and total security provision, has in 2010 increased by NOK 14.6m to NOK 791.9m. Dividend pay-outs (NOK 104.4m) in Q2 and purchasing own shares in Q3 (NOK 9.3m), have a NOK 113.7m negative effect on the solvency capital.

End of Q3 2010 the capital adequacy ratio was 23%, against a minimum requirement of 8%.

In connection with Protector's share option program, employees have in Q3 exercised 10 000 options. Protector has used its own shares to cover this redemption of stock options.

In Q3, Protector purchased 955.782 own share at an average price of NOK 9.7. End of Q3, Protector has a holding of 3.570.661 own shares. The Board of Directors holds a mandate granted by Protector's AGM 21 April 2010 to purchase up to 8.615.560 own shares. The authorization is valid until the next AGM in 2011.

Prospects

The Board of Directors is satisfied with the premium growth and the operating result for the first nine months and expects continued growth and an improved operating profit for the full year. According to the company's dividend policy, year-end-results in line with the guiding would lead to a cash dividend of NOK 1 per share for the fiscal year 2010.

Oslo, 27 October 2010

The Board of Directors of Protector Forsikring ASA

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 2009.

Income statement

[1.000 NOK]	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Premium income					
Gross written premiums	189 250	141 834	848 432	744 904	871 374
Ceded insurance premiums	(26 603)	(18 050)	(172 656)	(142 469)	12 923
Change in provisions for unearned premiums	65 656	79 239	(128 385)	(125 055)	(28 283)
Change in reinsurers' share of provisions for unearned premiums	(22 683)	(22 891)	27 931	12 937	(13 367)
Earned premiums, net of reinsurance	205 620	180 131	575 322	490 316	842 646
Allocated return on investment transferred from non-technical account	8 546	7 144	26 366	18 651	27 089
Claims incurred					
Claims paid	(116 455)	(106 459)	(380 242)	(299 157)	(405 955)
Reinsurers' share of paid claims	28 761	26 787	113 164	93 401	84 634
Change in provisions for claims	(69 783)	(56 259)	(145 170)	(188 759)	(243 222)
Change in reinsurers' share of claims provisions	9 149	2 859	(22 846)	11 273	(130 195)
Claims incurred, net of reinsurance	(148 328)	(133 072)	(435 093)	(383 243)	(694 738)
Operating expenses					
Sales costs	(4 042)	(794)	(9 973)	(4 633)	(8 379)
Administration costs	(39 229)	(34 138)	(108 400)	(100 901)	(139 665)
Commission from reinsurers	6 677	3 146	45 692	25 844	29 402
Total operating expenses, net of reinsurance	(36 594)	(31 786)	(72 680)	(79 690)	(118 642)
Technical result before changes in security provision etc.	29 244	22 417	93 914	46 034	56 354
Changes in security provision etc.	(12 852)	(20 241)	(32 992)	(60 745)	(61 663)
Technical result	16 392	2 176	60 922	(14 711)	(5 308)
Net income from financial assets	68 133	49 311	68 774	161 667	224 426
Allocated return on investment transferred to technical	(8 546)	(7 144)	(26 366)	(18 651)	(27 089)
Other income	555	608	2 615	3 673	5 126
Non-technical result	60 142	42 774	45 024	146 690	202 463
Profit before tax	76 534	44 950	105 946	131 979	197 155
Tax	466	(1 203)	(16 426)	1 959	(3 791)
Profit before components of comprehensive income	76 999	43 747	89 519	133 938	193 363
Profit for the period	76 999	43 747	89 519	133 938	193 363
Earnings per share	0,92	0,80	1,07	0,99	2,30
Earnings per share, diluted	0,90	0,78	1,04	0,95	2,22

Balance Sheet

[1.000 NOK]	30.09.2010	30.09.2009	31.12.2009
Assets			
Intangible fixed assets			
Goodwill	90	448	358
Deferred tax benefit	-	3 902	-
Other intangible fixed assets	9 409	7 056	7 849
Total intangible fixed assets	9 499	11 406	8 207
Financial assets			
Financial assets at amortised cost	221 221	242 502	237 616
Financial assets at fair value through profit or loss	1 703 979	1 351 696	1 397 168
Total financial assets	1 925 200	1 594 198	1 634 785
Reinsurers share of gross technical provisions			
Reinsurers share of gross premium provisions	70 387	57 240	33 353
Reinsurers share of gross claims provisions	116 730	281 043	139 575
Total reinsurers share of gross technical provisions	187 117	338 283	172 928
Receivables			
Direct insurance receivables	63 228	51 724	46 913
Total receivables	63 228	51 724	46 913
Other assets			
Tangible fixed assets	3 279	3 155	2 932
Cash and bank deposits	70 751	95 052	85 597
Total other assets	74 031	98 207	88 529
Total prepaid expenses	35 062	26 684	21 491
Total assets	2 294 136	2 120 503	1 972 853
Equity and liabilities			
Shareholders' equity			
Share capital [86.155.605 shares]	86 156	86 156	86 156
Own shares	(3 571)	(3 349)	(3 349)
Other paid-in equity	13 719	13 569	13 607
Total paid-in equity	96 304	96 376	96 413
Earned equity			
Technical provisions	159 005	128 127	134 416
Other equity	288 973	278 698	331 835
Total earned equity	447 977	406 825	466 250
Total equity	544 281	503 201	562 664
Technical provisions			
Provisions for unearned premiums	254 227	222 614	125 842
Provisions for claims	1 163 375	963 742	1 018 205
Security provision etc.	247 631	213 721	214 639
Total technical provisions	1 665 233	1 400 076	1 358 686
Provisions for other risks and liabilities			
Pension liabilities	13 622	6 604	9 289
Deferred tax liability	4 930	-	1 849
Total provisions for other risks and liabilities	18 552	6 604	11 138
Liabilities			
Liabilities in connection with insurance	4 175	5 226	4 308
Liabilities in connection with reinsurance	13 282	154 857	541
Other liabilities	28 415	39 810	16 084
Total liabilities	45 871	199 893	20 933
Incurred expenses and prepaid income			
Other incurred expenses and prepaid income	20 199	10 729	19 433
Total incurred expenses and prepaid income	20 199	10 729	19 433
Total equity and liabilities	2 294 136	2 120 503	1 972 853

Cash flow statement

[1.000 NOK]	Q3 2010	Q3 2009	YTD 2010	YTD 2009	FY 2009
Net cashflow from operational activities	42 511	52 387	382 338	287 508	338 100
Net invested in financial assets	(116 885)	(63 475)	(295 261)	(237 076)	(325 046)
Net cashflow from investment activities	(1 602)	(1 550)	1 154	(23 540)	(25 881)
Net cashflow from financial activities	(9 289)	-	(113 703)	(30 154)	(30 154)
Net change in cash and cash equivalents	(85 265)	(12 638)	(25 472)	(3 263)	(42 981)
Cash and cash equivalents at the beginning of the period	168 408	160 970	108 615	151 596	151 596
Cash and cash equivalents at the end of the period	83 143	148 333	83 143	148 333	108 615

Reconciliation of equity

[1.000 NOK]	Share Capital	Own shares	Other paid-in equity	Technical provisions	Other equity	Total
Equity at 31.12.2008	86 156	-	10 711	92 237	227 585	416 148
Option cost, effect on equity			1252			1252
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			1299			1299
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	278 698	503 201
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
Option cost, effect on equity			37			37
Own shares, options striked		724			4 887	5 611
Profit for the period				7 213	37 882	45 095
Equity at 31.03.2010	86 156	(2 625)	13 644	141 629	374 604	613 407
Option cost, effect on equity			37			37
Dividend					(104 413)	(104 413)
Profit for the period				9 288	(41 863)	(32 575)
Equity at 30.06.2010	86 156	(2 625)	13 681	150 917	228 328	476 456
Option cost, effect on equity			38			38
Own shares, options striked		10			68	78
Own Shares		(956)			(8 334)	(9 289)
Profit for the period				8 088	68 911	76 999
Equity at 30.09.2010	86 156	(3 571)	13 719	159 005	288 973	544 281

Quarterly outline

[1.000 NOK]	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Gross premiums written									
Gross premiums earned	189 250	231 267	427 914	126 470	141 834	215 048	388 022	92 950	119 168
Gross claims incurred	254 906	256 354	208 787	223 242	221 072	217 945	180 831	166 747	184 674
Earned premiums, net of reinsurance	(186 238)	(174 187)	(164 986)	(161 261)	(162 718)	(183 532)	(141 667)	(157 481)	(110 040)
Claims incurred, net of reinsurance	205 620	204 611	165 090	352 330	180 131	170 599	139 585	113 612	126 805
Total operating expenses, net of reinsurance	(148 328)	(145 037)	(141 728)	(311 495)	(133 072)	(134 033)	(116 138)	(95 577)	(81 588)
Other income	(36 594)	(29 296)	(6 791)	(38 952)	(31 786)	(27 761)	(20 143)	(31 331)	(23 520)
Net income from financial assets	555	1 077	983	1 452	608	1 433	1 633	1 296	2 434
Operating profit before changes in security provis	89 386	(7 362)	56 913	66 094	65 191	96 648	30 885	(48 810)	(9 138)
Changes in security provision etc.	(12 852)	(13 023)	(7 117)	(918)	(20 241)	(32 608)	(7 896)	(21 647)	(10 313)
Profit before tax	76 534	(20 385)	49 796	65 176	44 950	64 040	22 988	(70 457)	(19 451)
Tax	466	(12 190)	(4 702)	(5 881)	(1 073)	5 431	(2 268)	12 002	(12 454)
Net profit/loss	76 999	(32 575)	45 095	59 295	43 877	69 471	20 720	(58 456)	(31 905)
Key ratios									
Claims ratio, net of ceded business	72,1 %	70,9 %	85,8 %	88,4 %	73,9 %	78,6 %	83,2 %	84,1 %	64,3 %
Cost ratio, net of ceded business	17,8 %	14,3 %	4,1 %	11,1 %	17,6 %	16,3 %	14,4 %	27,6 %	18,5 %
Combined ratio, net of ceded business	89,9 %	85,2 %	90,0 %	99,5 %	91,5 %	94,8 %	97,6 %	111,7 %	82,9 %
Gross cost ratio	17,0 %	14,2 %	18,5 %	19,0 %	15,8 %	15,5 %	20,3 %	21,3 %	15,5 %