

# Q1 2019 Interim Results

Investor presentation  
Oslo, 26<sup>th</sup> April 2019





## Our DNA

### Vision

The Challenger

### Business Idea

This will happen through unique relationships, best in class decision-making and cost effective solutions

### Main targets

Cost and quality leadership

Profitable growth

Top 3

### Values

Credible

Open

Bold

Committed

«Olemme erilaisia»

«Vi är annorlunda»

«Vi er annerledes»

«Vi er forskellige»

«We are different»



# 2019 – a transition year for Protector

## Exit COI and change of Property Reinsurance program



- Exit COI, however with 300 MNOK GWP and Gray silverfish appeal court decision in our favor
- Change of Property reinsurance program with significant impact both on transition year earnings and earning distribution throughout the year (close to 0 margin Q1, normalized margin Q4).
  - Increased volatility and expected improved margin over a business cycle
- Very strong growth (25 % p.a. last 5 years and guided 14 % in 2019) and changing product mix towards Motor & Property
- UK growing quickly with a challenging casualty reinsurance situation due to Grenfell Tower and lack of own claims history
- We'll as always be **open** and transparent in order to help you to understand the underlying reality in our business going forward
- Remember; our business model works and the same management team who have produced profitable growth is still onboard

# Highlights Q1 2019

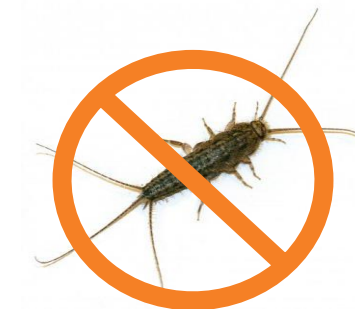
16% growth, combined ratio 105,9% and...



- GWP growth of 16% (16 % local currency)
- Net Combined ratio 105,9%
  - Run-off gains f.o.a amounted to 6,9 %
  - Net CR 92 % “with old Reinsurance contract”
- Profit before tax 12,5 MNOK
- Investment return 81,2 MNOK or 0,9%
- Earnings per share 1,13 NOK
- Solvency ratio of 174,7 % (incl. COI)

## Guiding 2019 – maintained

Net combined ratio	96 %
Volume growth	14 %



... The Court of Appeal concluded in our favor

# Change of Ownership in 2019

## Favorable Gray silverfish Court of Appeal decision – reserve releases

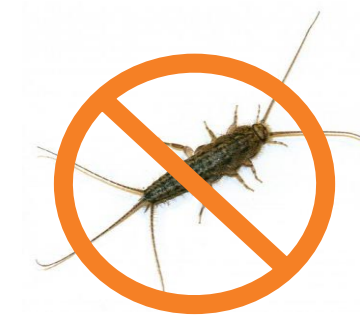


On the 9<sup>th</sup> of April, the Court of Appeal issued the first court ruling regarding the Gray silverfish issue

- Does not entail a property value reduction
- Should be regarded and treated in line with any other insects – only eradication/clean-up costs
- Clean up costs are very low, and will probably keep declining – and few treatments are required

*“... after a comprehensive assessment of the information given in this case, [the Court of Appeal] has concluded that no value reduction of the property has been sufficiently demonstrated...”*

- Expected ~300MNOK GWP in COI 2019
- Reserve release gains of 61 MNOK due to Gray silverfish win in the Court of Appeal
  - Slightly higher than communicated 10.04.2019 due to further analysis

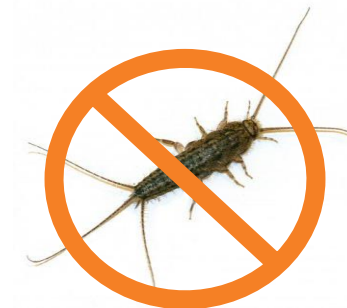


# Highlights Q1 2019

14% growth, combined ratio 96,9% and...

- GWP growth of 14% (14 % local currency)
- Net Combined ratio 96,9%
  - Run-off gains f.o.a amounted to 12,6 %
  - Net CR 83 % “with old Reinsurance contract”
- Profit before tax 121,9 MNOK
- Investment return 111,3 MNOK or 1,1%
- Earnings per share 1,13
- Solvency ratio of 174,7 % (incl. COI)

... The Court of Appeal concluded in our favor

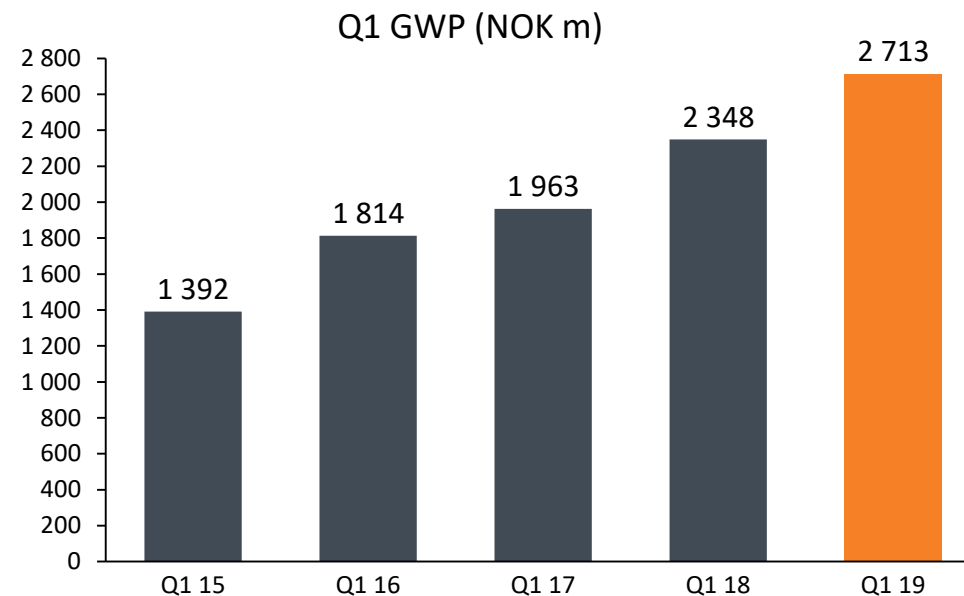


# Gross written premiums Q1 2019

## Growth of 16 % (16 % LCY) –UK & Sweden in lead



- GWP 2713 MNOK up 16%
- 192 % growth in UK in a small quarter – auto main driver
  - Largest client in Protector's history
- Volume development in the Nordics are supported by significant price increases



Business unit	Q1 19 MNOK	Q1 18 MNOK	NOK growth	NOK % growth	LCY % growth
Norway	804	770	34	4 %	4 %
Sweden	786	703	83	12 %	14 %
Denmark	761	694	67	10 %	9 %
UK	175	60	115	192 %	184 %
Finland	187	122	65	54 %	52 %
<b>Group</b>	<b>2 713</b>	<b>2 348</b>	<b>365</b>	<b>16 %</b>	<b>16 %</b>

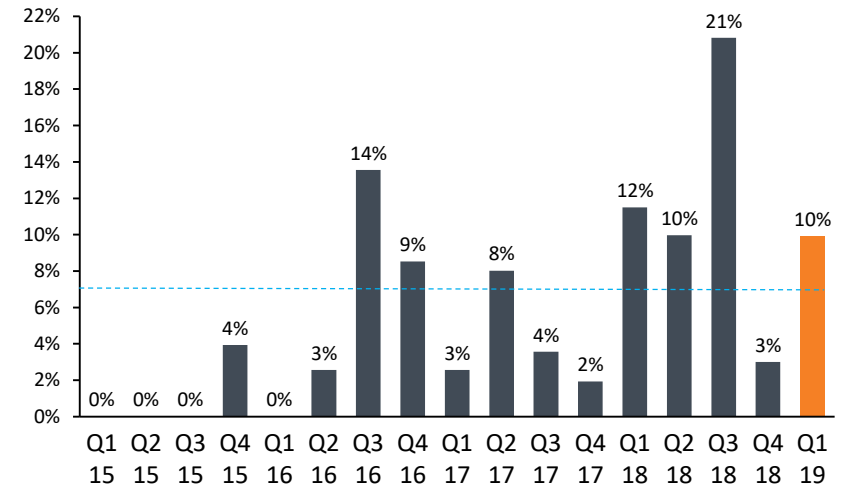
# Claims development Q1 2019

Claims ratio 99,3% - poor Q1 result motor



- Gross claims ratio 93,4%, up from 90,9%
- Net claims ratio 99,3%, up from 94,9%
- Run-off gains f.o.a amounted to 61 MNOK or 6,9 %
  - 3/4 Workers comp. Norway
- One large Property claim in Denmark in Q1 2019
  - ~45 MNOK for own account
- Motor claims ratio too high in Q1 in most markets
  - More exposed to seasonality than before
- Large loss ratio higher than “normalized” and hitting claims ratio for own account more than gross claims ratio

Gross large loss ratio\*





# Motor Summary

## Poor Q1 claims ratio...



- How strong is the seasonality effect in our motor portfolio?  
It is strong
- Will old price increases initiatives and other actions improve 2019 profitability?  
Yes
- Will new price increases initiatives and other actions improve 2019 profitability?  
To some extent
- Will new clients throughout 2019 improve profitability?  
No

...will improve a lot through 2019

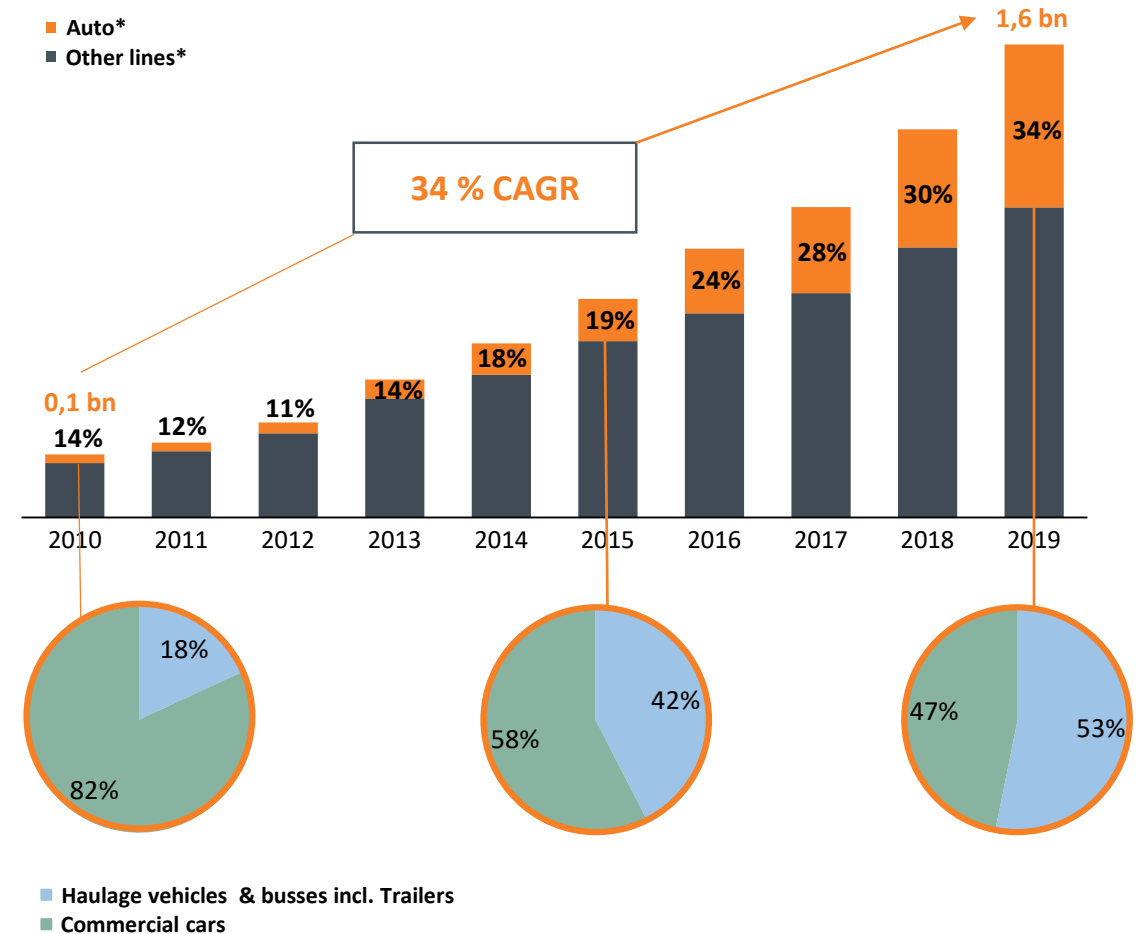


# Motor portfolio growing 34 % each year, last 10 years

Makes Q1 more seasonal exposed



- Motor is Protector's largest product ~34 %
  - 14 % portfolio premium 2010
- Protector's Motor portfolio is changing
  - From Public sector to commercial clients
  - From Normal commercial cars to haulage & bus
- ~54 % of motor portfolio renewed in Q1

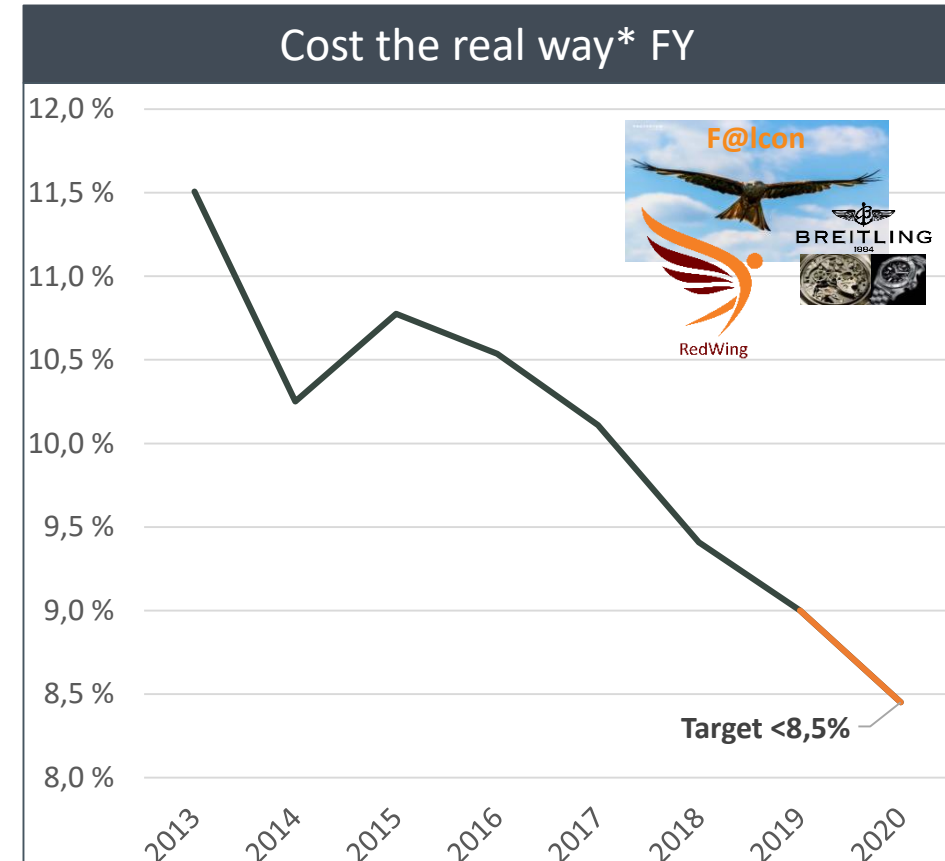


# Cost development Q1 2019

Cost leader in the world – improving competitive position



- Cost the real way – this is what matters
  - Gross cost incl. Claims handling ex. Broker commissions
  - Broker commission neutral seen from a competitive point of view
- Cost the real way 9,7 %, down from 9,9 %
- Gross cost ratio 7,6%, down from 8,8%
  - Will increase due to higher commission in UK & SE going forward
- Net cost ratio 6,6%, up from -2,2%
  - Significant reduction in Reinsurance commissions



\*Gross Cost incl. Claims handling ex. Broker commission

# Combined Ratio development Q1 2019

Guiding maintained at 96%



Excl. COI	Norway		Sweden		Denmark		UK		Finland		Protector	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Net claims ratio	95,1 %	100,4 %	93,0 %	77,6 %	112,4 %	99,4 %	107,1 %	96,4 %	100,2 %	134,7 %	99,3 %	94,9 %
Net cost ratio	7,4 %	10,3 %	13,6 %	16,9 %	7,7 %	8,0 %	13,2 %	29,4 %	6,5 %	9,0 %	9,8 %	12,7 %
Net Reinsurance commission	-0,5 %	-8,0 %	-7,1 %	-22,4 %	-3,4 %	-21,4 %	-1,4 %	-9,0 %	-1,6 %	-5,2 %	-3,1 %	-14,8 %
<b>Net combined ratio</b>	<b>101,9 %</b>	<b>102,6 %</b>	<b>99,5 %</b>	<b>72,1 %</b>	<b>116,8 %</b>	<b>85,9 %</b>	<b>119,0 %</b>	<b>116,8 %</b>	<b>105,1 %</b>	<b>138,4 %</b>	<b>105,9 %</b>	<b>92,7 %</b>
Gross claims ratio	88,5 %	104,4 %	94,3 %	65,7 %	107,2 %	106,5 %	81,9 %	58,0 %	100,7 %	132,4 %	93,4 %	90,9 %
Gross cost ratio	6,2 %	7,8 %	10,3 %	11,5 %	6,5 %	5,4 %	7,2 %	14,0 %	5,7 %	7,1 %	7,6 %	8,8 %
<b>Gross combined ratio</b>	<b>94,7 %</b>	<b>112,2 %</b>	<b>104,6 %</b>	<b>77,2 %</b>	<b>113,7 %</b>	<b>111,9 %</b>	<b>89,1 %</b>	<b>72,0 %</b>	<b>106,4 %</b>	<b>139,6 %</b>	<b>101,0 %</b>	<b>99,8 %</b>

Let me talk you through the different countries and figures...

- Reinsurance commissions down 11,7 %p, margins will gradually appear through 2019
- Seasonality is slightly stronger than earlier years
- Motor Claims ratio too high, price increases will kick in - must and will increase
- Underlying Gross and Net Combined is in line with 2018






Slightly behind, margin of safety reduced – guiding maintained



# Price increases Q1 19

More price increases to come, 10 % Nordic average going forward



		Q1 Rate increase	Rate increase H2/2020
	High renewal rate and acceptance of price increases. New sales at increasing rates.	≈ 8 %	Higher
	Higher churn than expected - Ok. Substantial increases based on individual profitability to come	≈ 6 %	A lot higher
	Lower churn than expected. Portfolio reprising continues – especially in Public	≈ 13 %	Lower
	Substantial individual price increases taken. Very good renewal rate, one lost client.	≈ 9 %	Higher
	Building a new portfolio	Index only	Individual increases

Average claims inflation 3-4 % in the Nordics, higher in Sweden (Motor)

# Let's have a look at UK

## New offices in Manchester & London



### Manchester

- ~60 employees Q4 19
- Spinning fields
- UK HQ



### London

- 6-8 employees Q4 19
- Leadenhall building
- Underwriting and sales

# UK – Strong growth & good claims development

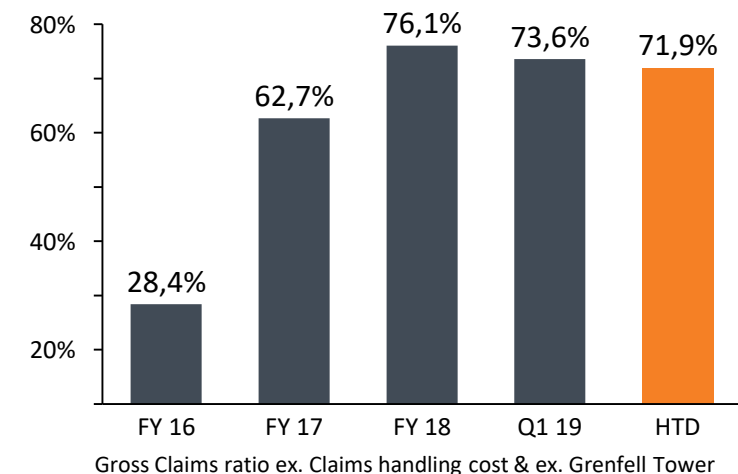
But too high reinsurance cost...



- GWP 505 2018 - Target of >850 MNOK in 2019
  - 119 public sector clients , 67 housing associations, 100 commercial clients
- UK expected to be biggest geographical area in 2021
  - Largest client in Protector history won January 1<sup>st</sup> 2019
- Cost % dropping very quickly now
- Good claims development excluding Grenfell Tower HTD
  - 2019 attritional claims development as expected, no large losses
- Critical mass will be reached during 2020
  - Net CR 119,0 %, Gross CR 89,1% Q1 19 - don't be too alarmed or too excited

...Target of 5-7 MGBP reduction in Casualty Reinsurance cost in 2020

in NOK	Q1 19	Q1 18	FY 18
Gross Written	175	60	505
Gross cost %	7,2%	13,9%	16,9%
Cost the real way	9,6%	15,0%	10,5%
Net combined %	119,0%	116,8%	115,6%
Gross combined %	89,1%	72,0%	83,7%



# UK – London is opened

## Country Manager on board from June



- Manchester HQ - Strong team of ~40 people
- London office opened, 6-8 people ultimo 2019 – no hurry
  - Leadenhall Building – neighboring Brokers and Reinsurers
  - UW joined with Manchester
- Stuart Winter from JLT (Marsh) is Country Manager UK from June
  - Strong background and extensive experience
- Grenfell Tower arbitration with Munich Re in May - we are well prepared
  - Last pleading sent to the tribunal
  - Could be relevant for the wider (Re)insurance industry





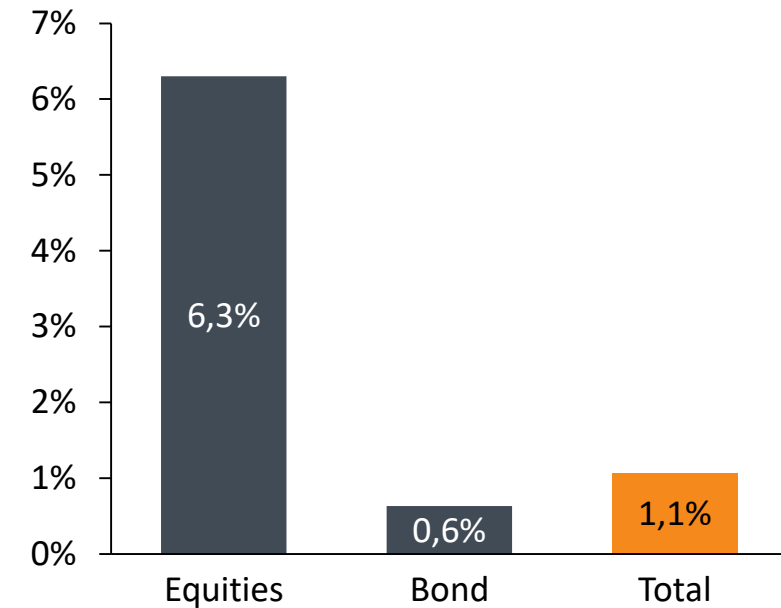
# Investment performance Q1 2019

1,1%, net investment result of NOK 111,3m



- Equity return of 6,3%
  - Portfolio consist of 15 companies
- Bond portfolio; return of 0,6%
  - In-line with the market
  - No default events

Q1 2019 investment returns



# Equity portfolio statistics

## Increased equity share in Q1 19

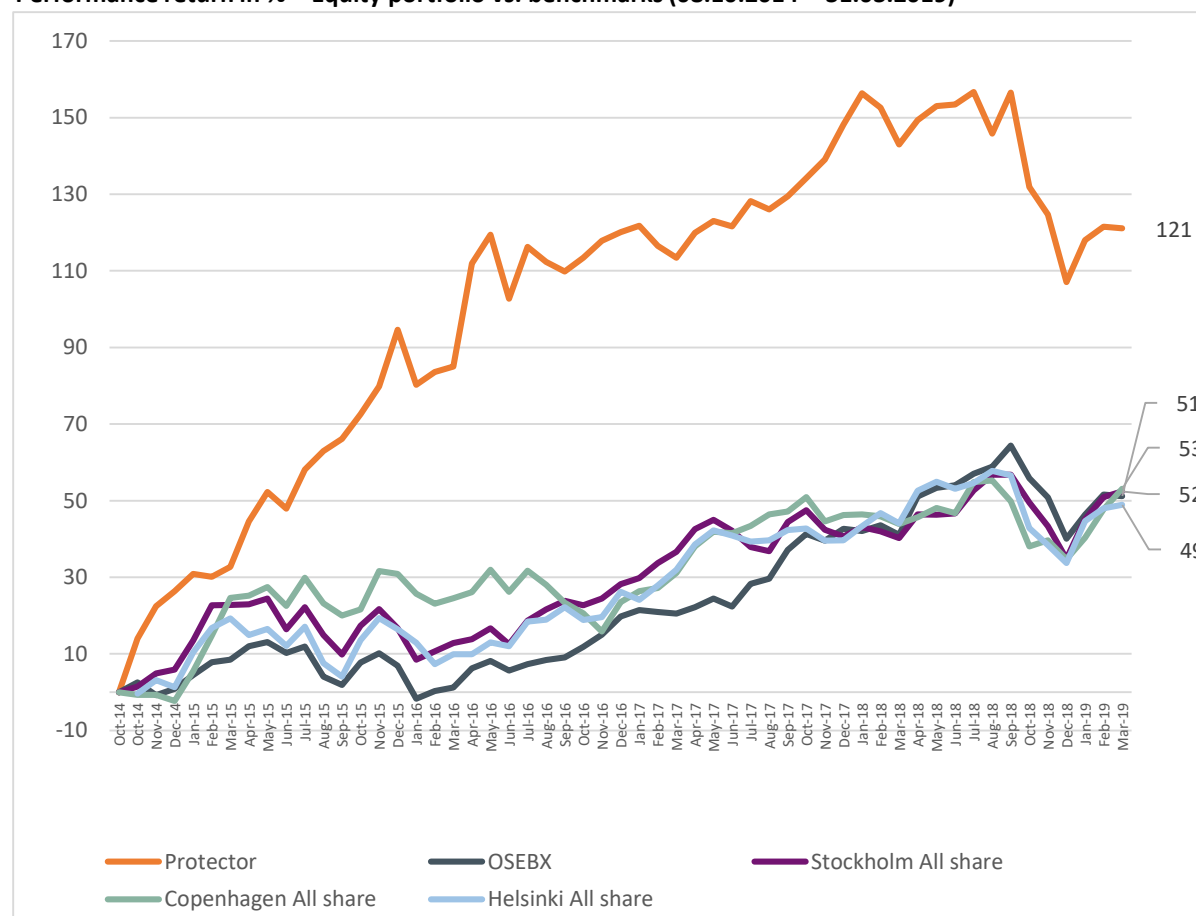


Key figures	In-house Managed Portfolio	OSEBX
Performance	121%	51%
Dividend yield	3,3%	4,5%
P/E NTM	11,6	14,0
3 yr sales CAGR	15,5%	5,7%
3 yr EPS CAGR	12,4%	5,4%

\* Factset estimates except for one company not listed where own estimates are used

- Goal to beat market over time
- Equity share of 11,6%, up from 10% in Q4
- Return of 121 % after insourcing
  - OSEBX 51 % same period

Performance return in % – Equity portfolio vs. benchmarks (08.10.2014 – 31.03.2019)



# Portfolio statistics bonds

## Spread tightening in Q1 and satisfactory underlying development



Portfolio data	31.12.18	31.03.19
Size bond & cash eq. (NOK m)	8 474	9 302
Avg. ref. rate (NIBOR, STIBOR etc.)	0,8%	0,9%
Avg. spread/risk premium (bp)	139	99
Yield	2,2%	1,9%
Duration	0,3	0,3
Credit duration	2,3	2,4
Avg. rating	A+	A+

<sup>1</sup> Average based on official rating (>65%) and Protector rating (<35%) & is based on linear rating (as usual). WARF methodology would give a lower rating.

- Avg. yield down to 1,9% at end of quarter (2,2% in Q4)
  - Avg. underlying ref. rate +12bp
  - Avg. spread down 40bp
- Decrease in spread in Q1 due to;
  - Spread tightening for marked (and our portfolio)
  - New liquidity Q1 (>NOK 800m) mainly invested in AAA-rated bonds
    - Riskier bond investments not meeting our hurdle rate
    - Redemption of some HY bonds

# Profit & loss 2018

16% growth, Combined Ratio 105,9%



in millions	Q1 2019	Q1 2018	FY 2018	
Gross premiums written	2 713,4	2 348,4	4 286,1	Sweden & UK
Gross premiums earned	1 146,9	958,3	4 139,6	
Gross claims incurred	(1 071,7)	(871,2)	(3 859,3)	Poor motor quarter
Earned premiums, net of reinsurance	890,6	669,4	2 817,8	
Other insurance related income	3,1	1,2	25,5	
Claims incurred, net of reinsurance	(884,4)	(635,3)	(2 658,3)	
Sales cost	(48,9)	(51,6)	(205,6)	
Administration cost	(38,0)	(33,2)	(143,1)	
Commission from reinsurer	28,0	99,4	229,2	Primarily profit sharing previous year
Other insurance related expenses	(5,2)	(1,3)	(20,2)	
<b>Technical result</b>	<b>(54,7)</b>	<b>48,5</b>	<b>45,3</b>	
Other income/costs	(14,0)	(12,0)	(49,4)	
Net financial income	81,2	8,0	(19,8)	0,9% return
<b>Profit before tax</b>	<b>12,5</b>	<b>44,6</b>	<b>(23,9)</b>	
Claims ratio, net of ceded business	99,3 %	94,9 %	94,3 %	
Expense ratio, net of ceded business	6,6 %	-2,2 %	4,2 %	
<b>Combined ratio, net of ceded business</b>	<b>105,9 %</b>	<b>92,7 %</b>	<b>98,6 %</b>	
Gross claims ratio	93,4 %	90,9 %	93,2 %	
Gross expense ratio	7,6 %	8,8 %	8,4 %	
<b>Gross combined ratio</b>	<b>101,0 %</b>	<b>99,8 %</b>	<b>101,7 %</b>	
Retention rate (premiums not ceded to Reinsurers)	77,7 %	69,9 %	68,1 %	Will continue to increase



# Profit & loss 2018

14% growth, Combined Ratio 96,9%



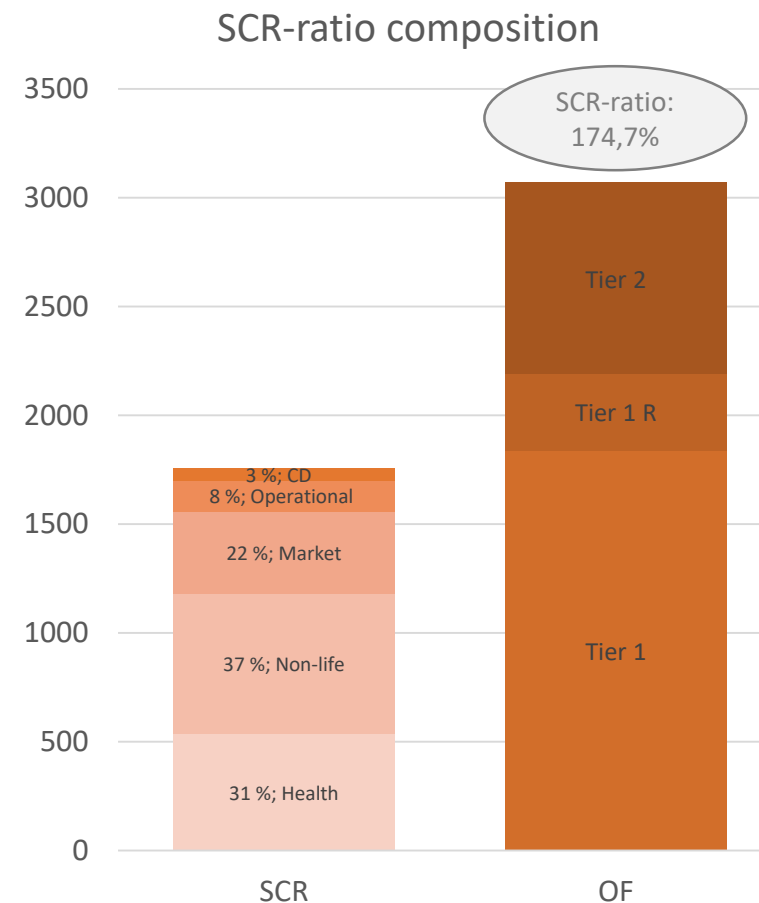
in millions	Q1 2019	Q1 2018	FY 2018	
Gross premiums written	2 802,1	2 461,0	4 791,1	Sweden & UK
Gross premiums earned	1 235,7	1 070,9	4 503,2	
Gross claims incurred	(1 073,0)	(990,6)	(4 308,8)	Poor motor quarter
Earned premiums, net of reinsurance	970,5	770,7	3 280,1	
Other insurance related income	3,1	2	25,5	
Claims incurred, net of reinsurance	(885,5)	(74,7)	(3 332,9)	
Sales cost	(50,2)	(53,3)	(211,3)	
Administration cost	(40,8)	(35,8)	(166,4)	
Commission from reinsurer	2,9	98,4	202,9	Primarily profit sharing previous year
Other insurance related expenses	(1,2)	(1,3)	(20,2)	
<b>Technical result</b>	<b>28,0</b>	<b>37,2</b>	<b>(222,3)</b>	
Other income/costs	(17,3)	(15,1)	(62,2)	
Net financial income	111,3	2,5	(56,2)	1,1% return
<b>Profit before tax</b>	<b>121,9</b>	<b>24,6</b>	<b>(340,6)</b>	
Claims ratio, net of ceded business	91,2 %	96,4 %	101,6 %	
Expense ratio, net of ceded business	5,7 %	-1,2 %	5,3 %	
<b>Combined ratio, net of ceded business</b>	<b>96,9 %</b>	<b>95,1 %</b>	<b>106,9 %</b>	
Gross claims ratio	86,8 %	92,5 %	99,0 %	
Gross expense ratio	7,4 %	8,3 %	8,1 %	
<b>Gross combined ratio</b>	<b>94,2 %</b>	<b>100,8 %</b>	<b>107,2 %</b>	Supported by reserve releases
Retention rate (premiums ceded to Reinsurers)	78,5 %	72,0 %	70,5 %	Will continue to increase

# Balance sheet Q1 2019

SCR-ratio 174,7 % based on standard formula

In millions	31.03.2019	31.03.2018	31.12.2018
Owner-occupied property	13,3	13,8	13,4
Financial assets	8.816,4	8.143,0	7.591,8
Derivatives	14,6	17,6	25,7
Bank deposits	152,1	241,8	278,6
Other assets	3.322,0	3.279,2	2.805,3
Discontinued operations	2.134,2	2.295,9	2.117,2
<b>Total assets</b>	<b>14.452,6</b>	<b>13.991,2</b>	<b>12.832,1</b>
Total equity	2.114,5	2.573,3	2.003,1
Subordinated loan capital	1.243,3	1.243,3	1.243,3
Total reserves	8.734,2	7.385,7	7.102,1
Derivatives	9,4	14,0	8,6
Other liabilities	1.214,8	1.528,6	1.138,5
Discontinued operations	1.136,5	1.246,3	1.306,5
<b>Total equity and liabilities</b>	<b>14.452,6</b>	<b>13.991,2</b>	<b>12.832,1</b>

- SCR coverage ratio 174,7% pr. 31.03.2019; flat Q/Q development:
  - Increase in own funds offset by an increase in capital requirement:
    - Driven by growth of the balance sheet
- SCR fully covered by Tier 1 capital only
- Full Tier 2 utilization; some Tier 1 restricted capacity

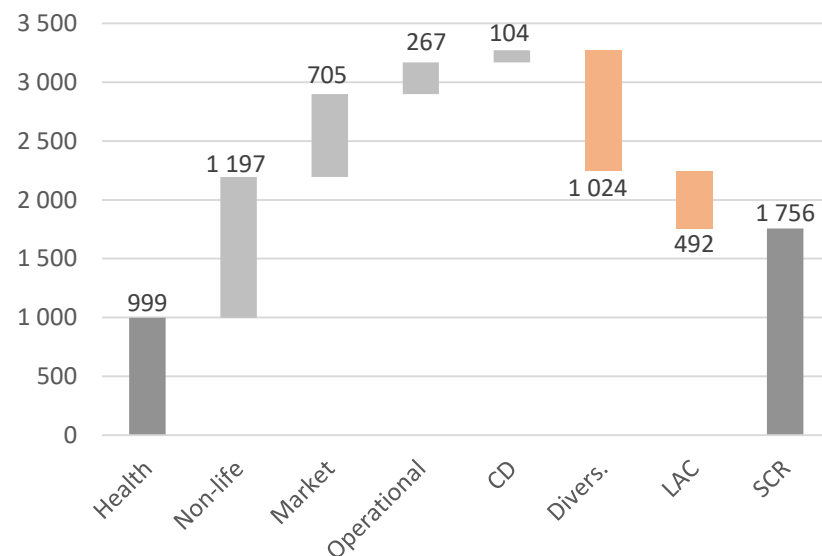


# Solvency II

## Composition of SCR:

- Net insurance risk 67%
- Net market risk 22%
- Other risks 11%

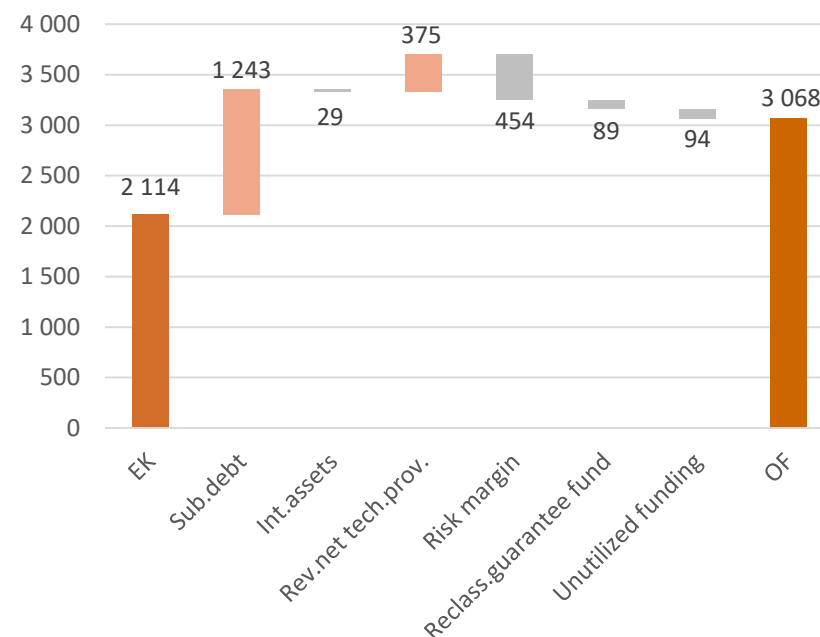
SCR composition



## Eligible SII capital:

- No dividend
- Guarantee provision subtracted from own funds

Eligible SII capital



# Shareholder's matters

Per 31.03.2019

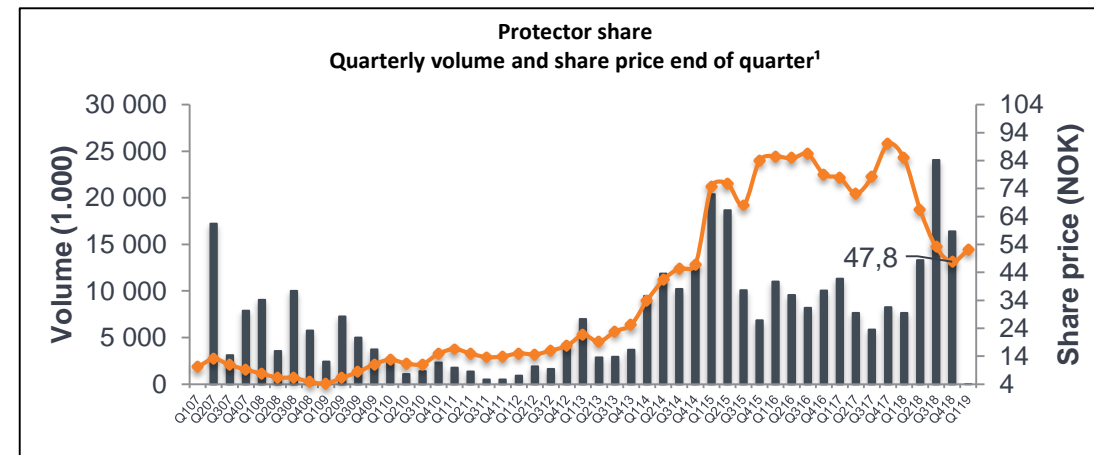


SHAREHOLDER NAME	# SHARES	%
STENSHAGEN INVEST AS	7 126 353	8,27 %
AWILHELMSSEN CAPITAL HOLDINGS AS	5 554 627	6,45 %
CITIBANK EUROPE PLC	4 616 123	5,36 %
ODIN NORDEN	4 433 850	5,15 %
PROTECTOR FORSIKRING ASA	4 401 146	5,11 %
HVALER INVEST AS*	3 186 809	3,70 %
OJADA AS	2 838 116	3,29 %
SWEDBANK ROBUR SMABOLAGSFOND	2 833 193	3,29 %
ARTEL AS	1 800 000	2,09 %
UTMOST PANEUROPE DAC - GP11940006	1 662 503	1,93 %
MORGAN STANLEY & CO. LLC	1 403 425	1,63 %
PERSHING LLC	1 397 679	1,62 %
NORDNET BANK AB	1 372 996	1,59 %
SWEDBANK ROBUR NORDENFON	1 350 000	1,57 %
LF MITON EUROP OPPORTUNITIES FUND	1 262 632	1,47 %
JOHAN VINJE AS	1 187 841	1,38 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 124 231	1,30 %
J.P. MORGAN BANK LUXEMBOURG S.A.	1 096 841	1,27 %
DYVI INVEST AS	1 050 933	1,22 %
NORE-INVEST AS	1 030 637	1,20 %
20 LARGEST	50 729 935	58,88 %
OTHER	35 425 670	41,12 %
TOTAL SHARES	86 155 605	100,00 %

\*CEO Sverre Bjerkeli

## Related parties shareholding

- Management's direct and indirect shareholding totals 3,7m shares or 4% of current outstanding shares
- Board members directly own a total of 8,1m shares or 9 % of current outstanding shares. Change of one board member from 2018.
- Dag Marius Nereng, Chief Investment Officer, acquires 3000 shares
- Andreas Wold Høye, Fixed Income Portfolio Manager, achieves 1534 shares in Q1 from employee stock program
- Acting CFO Ditlev de Vibe Vanay owns 270 000 shares



<sup>1</sup> Share price adjusted for dividends, no reinvestment of dividends  
Data pr. 31.03.2019



# Summary Q1 2019 & Q&A

Poor motor claims quarter – Further profitability actions needed



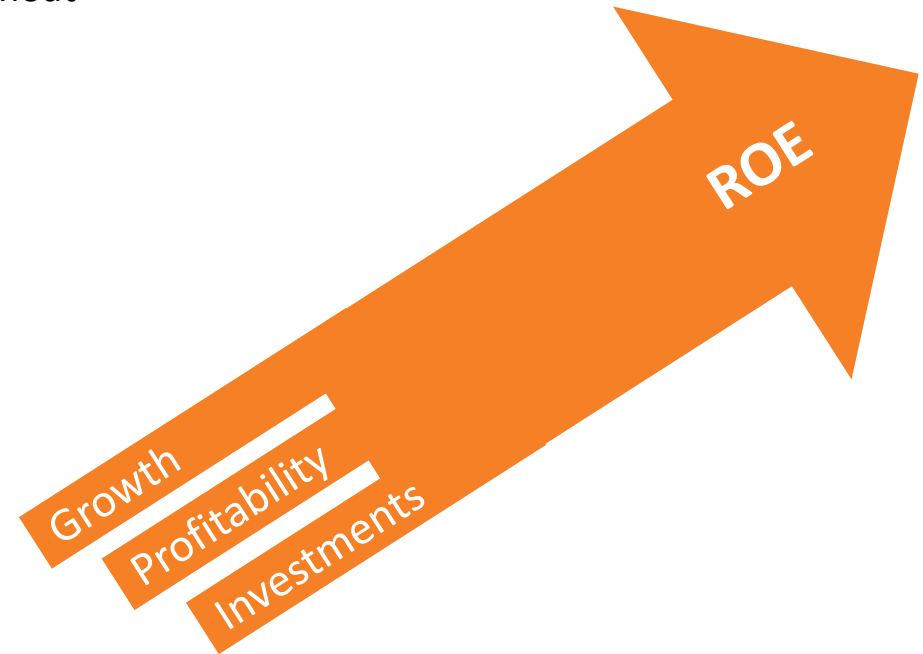
	Protector excl. COI	Protector incl. COI
• Growth	16%	14 %
• Net Combined ratio	105,9%*	96,8%*
• Profit before tax	12,5 MNOK	121,8 MNOK
• Investment return	81,2 MNOK or 0,9%	111,3 MNOK or 1,1%
• Earnings per share	1,13 NOK	1,13 NOK

- Slightly behind on CR, margin of safety reduced – guiding maintained
- Protector with a win in Court of Appeal regarding Gray silverfish property value decrease
- UK on track - New country manager on board from 1<sup>st</sup> June 2019

# Value creation in the long run

## 2019 - a transition year

- Growing from 0 to 5 bnNOK in premiums and building a significant float
  - Growth story continues
- A poor 2018 with COI exit
- HTD Combined ratio 92,6 %
  - Present profitability issues will be solved
- HTD Investment return higher than peers
  - Remember different rate levels between countries
- HTD 29 % annual share price development w. dividends reinvested
- Competitive position maintained or improved last 18 months



## Our DNA

### Vision

The Challenger

### Business Idea

This will happen through unique relationships, best in class decision-making and cost effective solutions

### Main targets

Cost and quality leadership

Profitable growth

Top 3

### Values

Credible

Open

Bold

Committed

«Olemme erilaisia»

«Vi är annorlunda»

«Vi er annerledes»

«Vi er forskellige»

«We are different»



# Appendix

Oslo, 26<sup>th</sup> April 2019

This appendix contains numbers inclusive of COI.

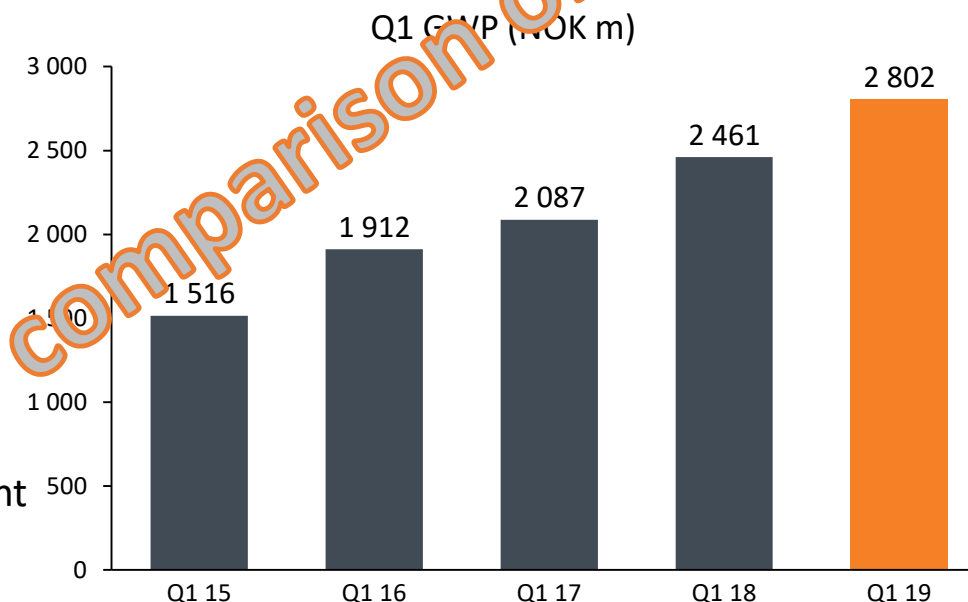


# Gross written premiums Q1 2019

Growth of 14 % (14 % LCY) –UK & Sweden in lead



- GWP 2802 MNOK up 14%
- 192 % growth in UK in a small quarter – auto main driver
  - Largest client in Protector's history
- Volume development in the Nordics are supported by significant price increases



Business unit	Q1 19 MNOK	Q1 18 MNOK	NOK growth	NOK % growth	LCY % growth
Norway Comm. & Publ.	804	770	34	4 %	4 %
COI	89	113	-24	-21 %	-21 %
Sweden	786	703	83	12 %	14 %
Denmark	761	694	67	10 %	9 %
UK	175	60	115	192 %	184 %
Finland	187	122	65	54 %	52 %
<b>Group</b>	<b>2802</b>	<b>2461</b>	<b>340</b>	<b>14 %</b>	<b>14 %</b>

# Claims development Q1 2019

Claims ratio 91,2% - poor Q1 result motor

- Gross claims ratio 86,8%, up from 92,5%
- Net claims ratio 91,2%, down from 96,4%
- Run-off gains f.o.a amounted to 122 MNOK or 12,6 %
  - 1/2 COI, 1/3 Workers comp. Norway
- One large Property claim in Denmark in Q1 2019
  - ~45 MNOK for own account



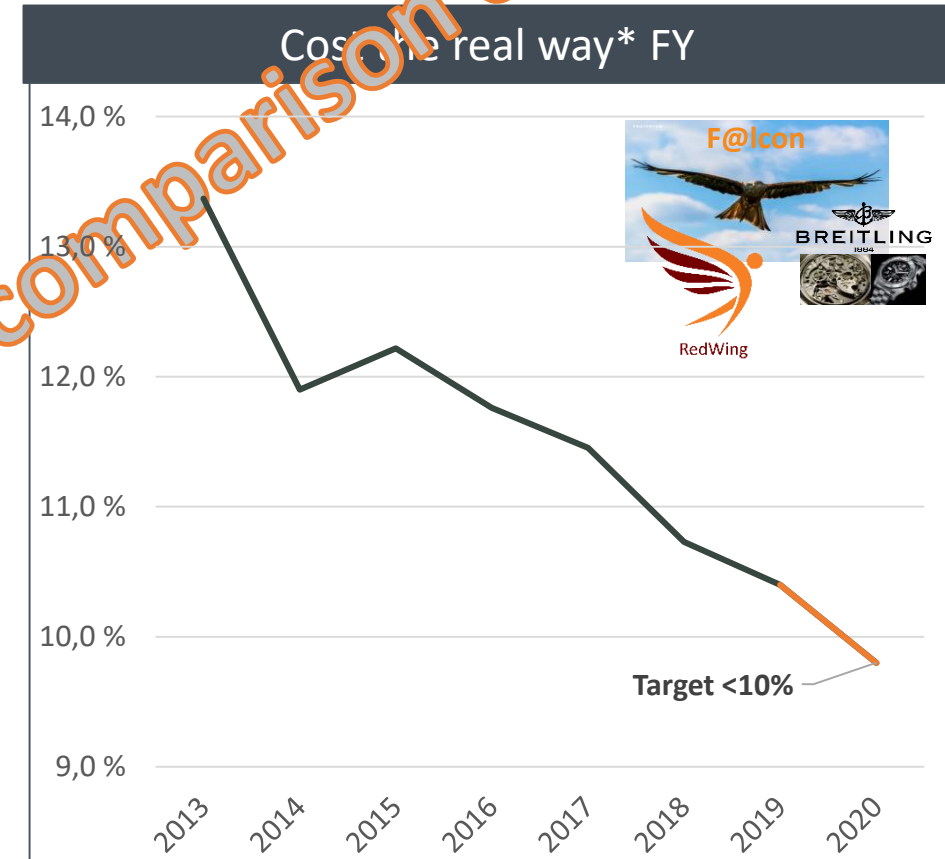


# Cost development Q1 2019

Cost leader in the world – improving competitive position



- Cost the real way – this is what matters
  - Gross cost incl. Claims handling ex. Broker commissions
  - Broker commission neutral seen from a competitive point of view
- Cost the real way 10,8 %, down from 11,8 %
- Gross cost ratio 7,4%, down from 8,3%
  - Will increase due to higher commission in SE & UK going forward
- Net cost ratio 5,7%, up from 4,9%
  - Significant reduction in reinsurance commissions



\*Gross Cost incl. Claims handling ex. Broker commission

# Key ratio description

## Ratio

- (1) Claims ratio, net of ceded business
- (2) Expense ratio, net of ceded business
- (3) Combined ratio, net of ceded business
- (4) Gross claims ratio
- (5) Gross expense ratio
- (6) Gross combined ratio
- (7) Retention rate
- (8) Earnings per share

## Ratio calculation

- (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) Gross claims incurred in % of gross premiums earned
- (5) Sales and administration costs in % of gross premiums earned
- (6) Gross claims ratio + gross expense ratio
- (7) Earned premiums, net of reinsurance in % of gross earned premiums
- (8) Profit before other comprehensive income divided by weighted number of shares